

As confidentially submitted to the Securities and Exchange Commission on July 23, 2019.  
This draft registration statement has not been publicly filed with the Securities and Exchange Commission.  
All information herein remains strictly confidential.

File No.

---

---

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

---

**Amendment No. 1**  
**to**  
**Form 10**

---

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

**Cerence LLC**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**83-4719946**  
(I.R.S. Employer  
Identification Number)

**15 Wayside Road**  
**Burlington, Massachusetts**  
(Address of Principal Executive Offices)

**01803**  
(Zip Code)

Registrant's telephone number, including area code:  
**(781) 565-5000**

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

<u>Title of Each Class to be so Registered</u>	<u>Name of Each Exchange on Which Each Class is to be Registered</u>
Common Stock, par value \$0.01 per share	The NASDAQ Global Select Market

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

**None.**

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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.

---

---

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**Cerence LLC  
Information Required in Registration Statement  
Cross-Reference Sheet between the Information Statement and Items of Form 10**

This Registration Statement on Form 10 incorporates by reference information contained in our Information Statement, which is **Exhibit 99.1** to this Registration Statement on Form 10.

<u>Item No.</u>	<u>Name of Item</u>	<u>Location in Information Statement</u>
1.	Business	See “Information Statement Summary,” “The Spin-Off,” “Capitalization,” “Business,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Where You Can Find More Information”
1A.	Risk Factors	See “Risk Factors” and “Cautionary Statement Concerning Forward-Looking Statements”
2.	Financial Information	See “Capitalization,” “Selected Historical Combined Financial Data,” “Unaudited Pro Forma Combined Financial Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”
3.	Properties	See “Business—Properties”
4.	Security Ownership of Certain Beneficial Owners and Management	See “Security Ownership of Certain Beneficial Owners and Management”
5.	Directors and Executive Officers	See “Management”
6.	Executive Compensation	See “Management” and “Executive and Director Compensation”
7.	Certain Relationships and Related Transactions, and Director Independence	See “Risk Factors,” “Management” and “Certain Relationships and Related Party Transactions”
8.	Legal Proceedings	See “Business—Legal Proceedings”
9.	Market Price of and Dividends on the Registrant’s Common Equity and Related Stockholder Matters	See “The Spin-Off,” “Dividend Policy,” “Security Ownership of Certain Beneficial Owners and Management” and “Description of Our Capital Stock”
10.	Recent Sales of Unregistered Securities	See “Description of Our Capital Stock”
11.	Description of Registrant’s Securities to be Registered	See “Description of Our Capital Stock”
12.	Indemnification of Directors and Officers	See “Description of Our Capital Stock” and “Certain Relationships and Related Party Transactions—Agreements with Nuance—Separation and Distribution Agreement”
13.	Financial Statements and Supplementary Data	See “Selected Historical Combined Financial Data,” “Unaudited Pro Forma Combined Financial Statements” and “Index to Combined Financial Statements” and the financial statements referenced therein
14.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	None
15.	Financial Statements and Exhibits	(a) Combined Financial Statements See “Unaudited Pro Forma Combined Financial Statements,” “Index to Combined Financial Statements” and the financial statements referenced therein  (b) Exhibits See the Exhibit Index of this Registration Statement on Form 10

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Exhibit Description</b>
2.1	Form of Separation and Distribution Agreement between Nuance Communications, Inc. and the registrant
3.1	Form of Amended and Restated Certificate of Incorporation of the registrant
3.2	Form of Amended and Restated By-Laws of the registrant
10.1	Form of Transition Services Agreement between Nuance Communications, Inc. and Cerence Operating Company
10.2	Form of Tax Matters Agreement between Nuance Communications, Inc. and the registrant
10.3	Form of Employee Matters Agreement between Nuance Communications, Inc. and the registrant
10.4	Form of Intellectual Property Agreement between Nuance Communications, Inc. and the registrant
10.5	Form of Transitional Trademark License Agreement between Nuance Communications, Inc. and the registrant
10.6	Form of Registration Rights Agreement between Nuance Communications, Inc. and the registrant*
10.7	Offer Letter of Sanjay Dhawan, dated February 14, 2019
10.8	Change of Control of Severance Agreement between Sanjay Dhawan and Nuance Communications, Inc.
10.9	Offer Letter of Mark Gallenberger, dated June 12, 2019
10.10	Change of Control of Severance Agreement between Mark Gallenberger and Nuance Communications, Inc.
21.1	List of subsidiaries of the registrant*
99.1	Preliminary Information Statement

\* To be filed by amendment.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**SIGNATURE**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused its Registration Statement on Form 10 to be signed on its behalf by the undersigned, thereunto duly authorized.

**CERENCE LLC**

By: Nuance Communications, Inc., its sole member

By: \_\_\_\_\_

**Name:**

**Title:**

**Date:**                   , 2019

---

---

SEPARATION AND DISTRIBUTION AGREEMENT

by and between

Nuance Communications, Inc.

and

Cerence Inc.

Dated as of \_\_\_\_\_, 2019

---

---

## TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS	2
Section 1.01    Definitions	2
ARTICLE II THE SEPARATION	15
Section 2.01    Transfer of Assets and Assumption of Liabilities	15
Section 2.02    Certain Matters Governed Exclusively by Ancillary Agreements	18
Section 2.03    Termination of Agreements	19
Section 2.04    Real Estate Separation Documents	20
Section 2.05    Shared Contracts	21
Section 2.06    Disclaimer of Representations and Warranties	22
Section 2.07    Waiver of Bulk-Sale and Bulk-Transfer Laws	22
Section 2.08    Cash Adjustment	22
ARTICLE III CREDIT SUPPORT	23
Section 3.01    Replacement of Nuance Credit Support	23
Section 3.02    Replacement of SpinCo Credit Support	24
Section 3.03    Manner of Indemnification	25
ARTICLE IV ACTIONS PENDING THE DISTRIBUTION	25
Section 4.01    Actions Prior to the Distribution	25
Section 4.02    Conditions Precedent to Consummation of the Distribution	26
ARTICLE V THE DISTRIBUTION	27
Section 5.01    The Distribution	27
Section 5.02    Fractional Shares	28
Section 5.03    Sole Discretion of Nuance	28
ARTICLE VI MUTUAL RELEASES; INDEMNIFICATION	29
Section 6.01    Release of Pre-Distribution Claims	29
Section 6.02    Indemnification by SpinCo	31
Section 6.03    Indemnification by Nuance	31
Section 6.04    Indemnification Obligations Net of Insurance Proceeds and Third-Party Proceeds	31
Section 6.05    Procedures for Indemnification of Third-Party Claims	32
Section 6.06    Additional Matters	34
Section 6.07    Remedies Cumulative	34
Section 6.08    Covenant Not to Sue	34
Section 6.09    Survival of Indemnities	35
Section 6.10    Limitation on Liability	35
Section 6.11    Management of Existing Actions	35
ARTICLE VII ACCESS TO INFORMATION; PRIVILEGE; CONFIDENTIALITY	36
Section 7.01    Agreement for Exchange of Information; Archives	36
Section 7.02    Ownership of Information	37

Section 7.03	Compensation for Providing Information	37
Section 7.04	Record Retention	37
Section 7.05	Accounting Information	37
Section 7.06	Limitations of Liability	39
Section 7.07	Production of Witnesses; Records; Cooperation	39
Section 7.08	Privileged Matters	40
Section 7.09	Confidential Information	42
Section 7.10	Conflicts Waiver	43
ARTICLE VIII INSURANCE		44
Section 8.01	Maintenance of Insurance	44
Section 8.02	Claims Under Nuance Insurance Policies	45
Section 8.03	Claims Under SpinCo Insurance Policies	45
Section 8.04	Insurance Proceeds	46
Section 8.05	Claims Not Reimbursed	46
Section 8.06	D&O Policies	47
Section 8.07	Insurance Cooperation	47
ARTICLE IX FURTHER ASSURANCES AND ADDITIONAL COVENANTS		47
Section 9.01	Further Assurances	47
Section 9.02	Non-Solicit	48
Section 9.03	Covenants Against Taking Certain Actions	49
ARTICLE X TERMINATION		50
Section 10.01	Termination	50
Section 10.02	Effect of Termination	50
ARTICLE XI ADDITIONAL AGREEMENTS		50
Section 11.01	Voting of Company Common Stock	50
ARTICLE XII MISCELLANEOUS		51
Section 12.01	Counterparts; Entire Agreement; Corporate Power	51
Section 12.02	Dispute Resolution	51
Section 12.03	Governing Law; Jurisdiction	52
Section 12.04	Waiver of Jury Trial	52
Section 12.05	Court-Ordered Interim Relief	52
Section 12.06	Specific Performance	53
Section 12.07	Assignability	53
Section 12.08	Third-Party Beneficiaries	53
Section 12.09	Notices	53
Section 12.10	Severability	55
Section 12.11	Publicity	55
Section 12.12	Expenses	55
Section 12.13	Headings	56
Section 12.14	Survival of Covenants	56
Section 12.15	Waivers of Default	56
Section 12.16	Amendments	56
Section 12.17	Interpretation	56

Schedules:

Schedule I	-	Separation Step Plan
Schedule II	-	Nuance Retained Assets
Schedule III	-	Nuance Retained Liabilities
Schedule IV	-	SpinCo Equity Interests
Schedule V	-	SpinCo Assets
Schedule VI	-	SpinCo Liabilities
Schedule VII	-	SpinCo Real Property
Schedule VIII	-	Shared Contracts
Schedule IX	-	SpinCo Accounts
Schedule X	-	Nuance Accounts
Schedule XI	-	Cash Adjustment
Schedule XII	-	Real Estate Separation Documents
Schedule XIII	-	Surviving Intercompany Agreements and Intercompany Accounts
Schedule XIV	-	Surviving Nuance Credit Support Instruments
Schedule XV	-	Surviving SpinCo Credit Support Instruments
Schedule XVI	-	Mixed Actions
Schedule XVII	-	SpinCo-Managed Actions
Schedule XVIII	-	Nuance-Managed Actions
Schedule XIX	-	Jointly Managed Actions
Schedule XX	-	Treatment of Expected Surviving Guarantees
Schedule XXI	-	Forgiven Intercompany Balances
Schedule XXII	-	Local Transfer Agreements



SEPARATION AND DISTRIBUTION AGREEMENT, dated as of \_\_\_\_\_, 2019, by and between Nuance Communications, Inc., a Delaware corporation (“Nuance”), and Cerence Inc., a Delaware corporation (“SpinCo”). Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to them in Article I.

## R E C I T A L S

WHEREAS, the board of directors of Nuance has determined that it is in the best interests of Nuance and its stockholders to create a new publicly traded company that will operate the SpinCo Business (as defined below);

WHEREAS, in furtherance of the foregoing, the board of directors of Nuance has determined that it is appropriate and desirable to effect the Separation Transactions (as defined below);

WHEREAS, pursuant to the Separation Step Plan (as defined below) and the terms of this Agreement (as defined below), among other things (i) Nuance will contribute, convey, sell and otherwise transfer (and cause its Subsidiaries to contribute, convey, sell and otherwise transfer) the SpinCo Assets (as defined below) to SpinCo and the other members of the SpinCo Group (as defined below) in exchange for (a) the assumption by one or more members of the SpinCo Group of the SpinCo Liabilities (as defined below) and (b) the issuance by SpinCo to Nuance of SpinCo Common Stock (as defined below) (the “Contribution”) and (ii) Nuance will make the Distribution (as defined below);

WHEREAS, SpinCo has been incorporated solely for these purposes and has not engaged in activities except in preparation for the Spin-Off (as defined below);

WHEREAS, Nuance and SpinCo have prepared, and SpinCo has filed with the Commission (as defined below), the Form 10 (as defined below), which includes the Information Statement (as defined below) and sets forth appropriate disclosure concerning SpinCo and the Distribution;

WHEREAS, Nuance and SpinCo intend (i) that the Separation Transactions qualify for the applicable intended tax treatment set forth in the Tax Opinions/Rulings (as defined below) (or if not so described in the Tax Opinions/Rulings, in the Separation Step Plan (as defined below)), (ii) that the Spin-Off qualify for Tax-Free Status (as defined below) and (iii) for this Agreement to constitute a plan of reorganization within the meaning of Sections 1.368-1(c) and 1.368-2(g) of the Treasury Regulations (as defined below) with respect to the applicable steps referred to in clause (i) and the Spin-Off referred to in clause (ii); and

WHEREAS, it is appropriate and desirable to set forth the principal corporate transactions required to effect the Spin-Off and certain other agreements that will govern certain matters relating to the Spin-Off and the relationship of Nuance, SpinCo and their respective Subsidiaries following the Distribution.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, the Parties (as defined below), intending to be legally bound, hereby agree as follows:

## ARTICLE I

### DEFINITIONS

Section 1.01 Definitions. For the purposes of this Agreement, the following terms shall have the following meanings:

“Action” means any claim, complaint, petition, hearing, charge, demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority or any federal, state, local, foreign or international arbitration or mediation tribunal.

“Adversarial Action” means (i) an Action by a member of the Nuance Group, on the one hand, against a member of the SpinCo Group, on the other hand, or (ii) an Action by a member of the SpinCo Group, on the one hand, against a member of the Nuance Group, on the other hand.

“Affiliate” of any Person means a Person that controls, is controlled by or is under common control with such Person. As used herein, “control” of any entity means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such entity, whether through ownership of voting securities or other interests, by Contract or otherwise; provided, however, that (i) SpinCo and the other members of the SpinCo Group shall not be considered Affiliates of Nuance or any of the other members of the Nuance Group and (ii) Nuance and the other members of the Nuance Group shall not be considered Affiliates of SpinCo or any of the other members of the SpinCo Group.

“Agent” means the distribution agent appointed by Nuance to distribute to the Record Holders, pursuant to the Distribution, the shares of SpinCo Common Stock held by Nuance.

“Agreement” means this Separation and Distribution Agreement, including the Schedules hereto.

“Ancillary Agreements” means the TMA, the EMA, the IPA, the Trademark License Agreement, the TSA and the Registration Rights Agreement and any other instruments, assignments, documents and agreements executed in connection with the implementation of the transactions contemplated by this Agreement.

“Assets” means all assets, properties and rights of every kind and nature (including goodwill), wherever located (including in the possession of vendors or other third parties or elsewhere), whether real, personal or mixed, tangible or intangible, or accrued or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person, including the following:

(a) all accounting and other books, records and files, whether in paper, microfilm, microfiche, computer tape or disc, magnetic tape, electronic recording or any other form;

(b) all apparatus, computers and other electronic data processing equipment, fixtures, machinery, furniture, office and other equipment, including hardware systems, circuits and other computer and telecommunication assets and equipment, automobiles, trucks, aircraft, rolling stock, vessels, motor vehicles and other transportation equipment, special and general tools, test devices, prototypes and models and other tangible personal property;

(c) all inventories of materials, parts, raw materials, supplies, work-in-process and finished goods and products;

(d) all interests in real property of whatever nature, including buildings, land, structures, improvements and fixtures thereon, and all easements and rights-of-way appurtenant thereto, and all leasehold interests, whether as owner, mortgagee or holder of a Security Interest in real property, lessor, sublessor, lessee, sublessee or otherwise;

(e) all interests in any capital stock or other equity interests of any Subsidiary or any other Person; all bonds, notes, debentures or other securities issued by any Subsidiary or any other Person; all loans, advances or other extensions of credit or capital contributions to any Subsidiary or any other Person; all other investments in securities of any Person; and all rights as a partner, joint venturer or participant;

(f) all license agreements, leases of personal property, open purchase orders for raw materials, supplies, parts or services, unfilled orders for the manufacture and sale of products and other Contracts and all rights arising thereunder;

(g) all deposits, letters of credit, performance bonds and other surety bonds;

(h) all written technical information, data, specifications, research and development information, engineering drawings, operating and maintenance manuals and materials and analyses prepared by consultants and other third parties;

(i) all Intellectual Property Rights, and attorney opinions or reports related thereto concerning freedom-to-practice, technology due diligence and technology landscapes (whether held internally or by external counsel);

(j) all Contracts pursuant to which any license, option or similar right relating to Intellectual Property Rights has been granted or the use of Intellectual Property Rights is materially restricted (excluding, for the avoidance of doubt, contracts terminated pursuant to the terms of this Agreement or any Ancillary Agreement);

(k) all websites, databases, content, text, graphics, images, audio, video, data and other copyrightable works or other works of authorship including all translations, adaptations, derivations and combinations thereof, in each case to the extent not included in clause (i) of this definition;

(l) all cost information, sales and pricing data, customer prospect lists, supplier records, customer and supplier lists, subscriber, customer and vendor data, correspondence and lists, product literature and other advertising and promotional materials, artwork, design, development and manufacturing files, vendor and customer drawings, formulations and

specifications, server and traffic logs, quality records and reports and other books, records, studies, surveys, reports, plans, business records and documents, in each case to the extent not included in clause (i) of this definition;

(m) all prepaid expenses, trade accounts and other accounts and notes receivable (whether current or non-current);

(n) all claims or rights against any Person arising from the ownership of any other Asset, all rights in connection with any bids or offers, all Actions, judgments or similar rights, all rights under express or implied warranties, all rights of recovery and all rights of setoff of any kind and demands of any nature, in each case whether accrued or contingent, whether in tort, contract or otherwise and whether arising by way of counterclaim or otherwise;

(o) all rights under insurance policies and all rights in the nature of insurance, indemnification or contribution;

(p) all licenses (including radio and similar licenses), permits, consents, approvals and authorizations that have been issued by any Governmental Authority and all pending applications therefor;

(q) cash, bank accounts, lockboxes and other deposit arrangements;

(r) interest rate, currency, commodity or other swap, collar, cap or other hedging or similar agreements or arrangements; and

(s) all goodwill as a going concern and other intangible properties.

“Cash” means cash, cash equivalents, bank deposits and marketable securities, whether denominated in United States dollars or otherwise.

“Cash Management Arrangements” means all cash management arrangements pursuant to which Nuance or its Subsidiaries automatically or manually sweep cash from, or automatically or manually transfer cash to, accounts of SpinCo or any member of the SpinCo Group.

“Commission” means the Securities and Exchange Commission.

“Consents” means any consents, waivers, authorizations, ratifications, permissions, exemptions or approvals from, or notification requirements to, any Person other than a member of either Group.

“Contract” means any oral or written contract, agreement or other legally binding instrument, including any note, bond, mortgage, deed, indenture, commitment, undertaking, promise, lease, sublease, license or sublicense or joint venture.

“Contribution” has the meaning set forth in the recitals.

“Credit Support Instruments” has the meaning set forth in Section 3.01(a).

“D&O Policies” has the meaning set forth in Section 8.06.

“Dispute” has the meaning set forth in Section 12.02.

“Distribution” means the distribution by Nuance to the Record Holders, on a *pro rata* basis, of at least 80.1% of all of the outstanding shares of SpinCo Common Stock.

“Distribution Date” means the date, determined by Nuance in accordance with Section 5.03, on which the Distribution occurs.

“EMA” means the Employee Matters Agreement dated as of the date of this Agreement by and between Nuance and SpinCo.

“Exchange” means the NASDAQ Global Select Market.

“Exchange Act” means the Securities Exchange Act of 1934, together with the rules and regulations promulgated thereunder.

“Expected Surviving Guarantees” has the meaning set forth on Schedule XX.

“Final Determination” has the meaning set forth in the TMA.

“First Post-Distribution Report” has the meaning set forth in Section 12.11.

“Form 10” means the registration statement on Form 10 filed by SpinCo with the Commission to effect the registration of SpinCo Common Stock pursuant to the Exchange Act in connection with the Distribution, as such registration statement may be amended or supplemented from time to time.

“Former Business” means any terminated, divested or discontinued businesses, operations or properties of either the Nuance Group, the SpinCo Group, any of their respective members or any of their respective predecessors, in each case, prior to the Distribution.

“Governmental Approvals” means any notices, reports or other filings to be given to or made with, or any Consents, registrations or permits to be obtained from, any Governmental Authority.

“Governmental Authority” means any federal, state, local, foreign, international or multinational court, government, quasi-government, department, commission, board, bureau, agency, official or other legislative, judicial, tribunal, commission, regulatory, administrative or governmental authority.

“Group” means either the Nuance Group or the SpinCo Group, or both, as the context requires.

“Hazardous Materials” means (i) any natural or artificial substance (whether solid, liquid, gas or other form of matter) that could cause harm to human health or the environment, including petroleum, petroleum products and byproducts, asbestos-containing materials,

perfluoroalkyl substances, urea formaldehyde foam insulation, carcinogens, endocrine disrupters, lead-based paint, electronic, polychlorinated biphenyls, radon gas, radioactive substances, greenhouse gases and ozone-depleting substances and (ii) any other chemical, material, substance or waste that could result in Liability under, or that is prohibited, limited or regulated by or pursuant to, any HSE Law.

“HSE Law” means any Law or Governmental Approvals, or any standard used by a Governmental Authority pursuant to any Law or Governmental Approvals, relating to (i) pollution, or protection of the environment, natural resources or human health and safety, (ii) the transportation, treatment, storage or Release of, or exposure to, hazardous or toxic materials or (iii) the registration, manufacturing, sale, labeling or distribution of hazardous or toxic materials or products containing such materials.

“HSE Liabilities” means all Liabilities relating to Hazardous Materials or relating to, arising out of or resulting from any applicable HSE Law or Governmental Approvals required or issued thereunder (including in either case any such Liability for corrective actions, removal, remediation or cleanup costs, investigation, monitoring or sampling obligations or costs, response costs, financial assurance obligations or costs, natural resources damages, medical and other costs related to personal injuries, property damage, costs, fines, penalties or other sanctions).

“Indemnifying Party” has the meaning set forth in Section 6.04(a).

“Indemnitee” has the meaning set forth in Section 6.04(a).

“Indemnity Payment” has the meaning set forth in Section 6.04(a).

“Information” means information, whether or not patentable, copyrightable or protectable as a trade secret, in written, oral, electronic or other tangible or intangible forms, stored in any medium now known or yet to be created, including studies, reports, records, books, Contracts, instruments, surveys, analyses, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications (including those by or to attorneys (whether or not subject to the attorney-client privilege)), memos and other materials (including those prepared by attorneys or under their direction (whether or not constituting attorney work product)) and other technical, financial, employee or business information or data, documents, correspondence, materials and files, in each case excluding any Intellectual Property Rights therein.

“Information Statement” means the Information Statement sent to the holders of Nuance Common Stock in connection with the Distribution, as such Information Statement may be amended from time to time.

“Insurance Proceeds” means those monies:

- (a) received by an insured (or its successor-in-interest) from an insurance carrier;

(b) paid by an insurance carrier on behalf of the insured (or its successor-in-interest); or

(c) received (including by way of setoff) from any third party in the nature of insurance, contribution or indemnification in respect of any Liability;

in any such case net of (x) any applicable premium adjustments (including reserves and retrospectively rated premium adjustments), (y) any costs or expenses incurred in the collection thereof and (z) any Taxes resulting from the receipt thereof.

“Intellectual Property Rights” has the meaning set forth in the IPA.

“Intercompany Accounts” has the meaning set forth in Section 2.03(a).

“Intercompany Agreements” has the meaning set forth in Section 2.03(a).

“Intercompany Leases” means the real property leases by and between (i) a member of the Nuance Group, as lessor, and a member of the SpinCo Group, as lessee, or (ii) a member of the SpinCo Group, as lessor, and a member of the Nuance Group, as lessee, in each case, as set forth on Schedule XII under the caption “Leases.”

“Intercompany Real Estate Licenses” means the real property licenses by and between a member of the Nuance Group and a member of the SpinCo Group as set forth on Schedule XII under the caption “Real Estate Licenses.”

“Intercompany Subleases” means the real property subleases (i) by and between a member of the Nuance Group, as sublessor, and a member of the SpinCo Group, as sublessee, and (ii) by and between a member of the SpinCo Group, as sublessor, and a member of the Nuance Group, as sublessee (if any), in each case as set forth on Schedule XII under the caption “Subleases.”

“IPA” means the Intellectual Property Agreement dated as of the date of this Agreement by and between Nuance and SpinCo.

“Joint Actions” has the meaning set forth in Section 6.11(c).

“Known Counsel” has the meaning set forth in Section 7.10.

“Law” means any statute, law, regulation, ordinance, rule, judgment, rule of common law, order, decree, Governmental Approval, concession, grant, franchise, license, agreement, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority, whether now or hereinafter in effect and, in each case, as amended.

“Lease Assignments” means the assignments of real property leases and subleases by and between a member of the Nuance Group, as assignor, and a member of the SpinCo Group, as assignee, in each case as set forth on Schedule XII under the caption “Lease Assignments.”

“Liabilities” means any and all claims, debts, demands, actions, causes of action, suits, damages, fines, penalties, obligations, prohibitions, accruals, accounts payable, reckonings, bonds, indemnities and similar obligations, agreements, promises, guarantees, make-whole agreements and similar obligations, and other liabilities and requirements, including all contractual obligations, whether absolute or contingent, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising, and including those arising under any Law, Action, threatened or contemplated Action or any award of any arbitrator or mediator of any kind, and those arising under any Contract, including those arising under this Agreement or any Ancillary Agreement, in each case, whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person. For the avoidance of doubt, Liabilities shall include attorneys’ fees, the costs and expenses of all assessments, judgments, settlements and compromises, and any and all other costs and expenses whatsoever reasonably incurred in connection with anything contemplated by the preceding sentence (including costs and expenses incurred in investigating, preparing or defending against any such Actions or threatened or contemplated Actions).

“Local Transfer Agreement” means any agreement set forth on Schedule XXII.

“Managing Party” has the meaning set forth in Section 6.11(e).

“Mixed Action” means (x) any Action identified on Schedule XVI or (y) any other Action in respect of which an Indemnifying Party may be obligated to provide indemnification pursuant to this Agreement that involves both Nuance Assets or Nuance Liabilities, on the one hand, and SpinCo Assets or SpinCo Liabilities, on the other hand.

“Nuance” has the meaning set forth in the preamble.

“Nuance Account” means any bank, brokerage or similar account owned by Nuance or any other member of the Nuance Group, including the Nuance Accounts listed or described on Schedule X.

“Nuance Assets” means (a) all Assets of the Nuance Group (other than Intellectual Property Rights), (b) the Nuance Retained Assets, (c) any Assets held by a member of the SpinCo Group that are determined by Nuance, in good faith, to be primarily related to or used primarily in connection with the business or operations of the Nuance Business (unless otherwise expressly provided in connection with this Agreement), (d) all interests in the capital stock of, or other equity interests in, the members of the Nuance Group (other than Nuance), (e) the rights related to the Nuance Portion of any Shared Contract and (f) the Nuance IP. Notwithstanding the foregoing, the Nuance Assets shall not include the SpinCo Assets.

“Nuance Business” means the businesses and operations as currently or formerly conducted by Nuance and its predecessors and its Subsidiaries other than the SpinCo Business.

“Nuance Common Stock” means the common stock, \$0.001 par value per share, of Nuance.

“Nuance Credit Support Instruments” has the meaning set forth in Section 3.01(a).



“Nuance Disclosure Sections” means all information set forth in or omitted from the Form 10 or Information Statement to the extent relating to (a) the Nuance Group, (b) the Nuance Liabilities, (c) the Nuance Assets or (d) the substantive disclosure set forth in the Form 10 relating to Nuance’s board of directors’ consideration of the Spin-Off, including the section entitled “Reasons for the Spin-Off.”

“Nuance Group” means Nuance and each of its Subsidiaries, but excluding any member of the SpinCo Group.

“Nuance HSE Liabilities” means any HSE Liability, whether occurring or arising prior to, on or after the Distribution Date, to the extent (a) relating to, arising out of or resulting from (i) any compliance or non-compliance with any HSE Law in connection with the operation of the Nuance Business or any Nuance Asset, (ii) any Release of any Hazardous Material at, on, under, from or to any real property constituting a Nuance Asset, (iii) any Release, transportation, storage, disposal, treatment or recycling (or arrangement for such activities) of Hazardous Material in connection with the operation of the Nuance Business or (iv) any alleged personal or property exposure to Hazardous Materials (including those contained in any products currently or formerly manufactured, sold, distributed or marketed) in connection with clauses (i) through (iii) or the operation of the Nuance Business or any Nuance Asset or (b) otherwise relating to, arising out of or resulting from the Nuance Business or Nuance Asset.

“Nuance Indemnitees” has the meaning set forth in Section 6.02.

“Nuance IP” has the meaning set forth in the IPA.

“Nuance Liabilities” means, without duplication, the following Liabilities:

(a) all Liabilities of the Nuance Group;

(b) all Liabilities to the extent relating to, arising out of or resulting from:

(i) the operation or conduct of the Nuance Business as conducted at any time prior to the Distribution (including any Liability to the extent relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person’s authority), which act or failure to act relates to the Nuance Business);

(ii) the operation or conduct of the Nuance Business or any other business conducted by Nuance or any other member of the Nuance Group at any time after the Distribution (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person’s authority)); or

(iii) the Nuance Assets;

(c) the Nuance Retained Liabilities;

(d) all Nuance HSE Liabilities;

(e) any obligations related to the Nuance Portion of any Shared Contract;

(f) any Liabilities that are determined by Nuance, in good faith prior to the Distribution, to be primarily related to the business or operations of the Nuance Business (unless otherwise expressly provided in this Agreement); and

(g) all Liabilities to the extent relating to, arising out of or resulting from any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to the Nuance Disclosure Sections.

Notwithstanding the foregoing, the Nuance Liabilities shall not include the SpinCo Liabilities.

“Nuance Policy Pre-Separation Insurance Claim” means any (a) claim made against the SpinCo Group or Nuance Group and reported to the applicable insurer(s) prior to the Distribution Date in respect of an act or omission occurring prior to the Distribution Date that results in a Liability under a “claims-made-based” insurance policy of the Nuance Group in effect prior to the Distribution Date or any extended reporting period thereof or (b) Action (whether made prior to, on or following the Distribution Date) in respect of a Liability occurring prior to the Distribution Date under an “occurrence-based” insurance policy of any member of the Nuance Group in effect prior to the Distribution Date.

“Nuance Portion” has the meaning set forth in Section 2.05(a).

“Nuance Retained Assets” means the Assets to be retained by the Nuance Group set forth on Schedule II.

“Nuance Retained Liabilities” means the Liabilities to be retained by the Nuance Group set forth on Schedule III.

“Non-Managing Party” has the meaning set forth in Section 6.11(e).

“Occupant” means an individual transported (or to be transported) in a Vehicle, whether as operator (driver, pilot or other operator) or passenger, in the individual’s capacity as operator or passenger.

“Party” means either party hereto, and “Parties” means both parties hereto.

“Person” means an individual, a general or limited partnership, a corporation, an association, a trust, a joint venture, an unincorporated organization, a limited liability company, any other entity and any Governmental Authority.

“Real Estate Separation Documents” means the Intercompany Leases, the Intercompany Subleases, the Intercompany Real Estate Licenses and the Lease Assignments.

“Record Date” means the close of business on the date determined by the Nuance board of directors as the record date for determining the shares of Nuance Common Stock in respect of which shares of SpinCo Common Stock will be distributed pursuant to the Distribution.

“Record Holders” has the meaning set forth in Section 5.01(b).

“Registration Rights Agreement” means the Registration Rights Agreement dated as of the date hereof by and between Nuance and SpinCo.

“Release” means any actual or threatened release, spill, emission, discharge, flow, leaking, pumping, pouring, dumping, injection, deposit, disposal, dispersal, leaching or migration into or through the indoor or outdoor environment.

“Representation Letter” has the meaning set forth in the TMA.

“Representative” has the meaning set forth in Section 7.09(a).

“Restriction” has the meaning set forth in Section 9.03.

“Retained Shares” has the meaning set forth in Section 11.01(a).

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

“Separation Step Plan” means the global step plan setting forth the specific transactions undertaken in anticipation and furtherance of the Spin-Off, attached as Schedule I hereto, as subsequently adjusted or revised by the Parties (including to set forth the intended tax treatment of relevant transactions).

“Separation Transactions” means the Contribution, the Distribution and the other transactions contemplated by this Agreement and the Separation Step Plan.

“Shared Contract” means any Contract of any member of either Group with a third party that relates in any material respect to both the SpinCo Business and the Nuance Business, in each case that is set forth on Schedule VIII.

“Spin-Off” means the Contribution and the Distribution, taken together.

“SpinCo” has the meaning set forth in the preamble.

“SpinCo Account” means any bank, brokerage or similar account owned by SpinCo or any other member of the SpinCo Group, including the SpinCo Accounts listed or described on Schedule IX.

“SpinCo Action” has the meaning set forth in Section 9.03.

“SpinCo Assets” means, without duplication, the following Assets:

(a) all Assets held by the SpinCo Group (other than Intellectual Property Rights);

(b) all interests in the capital stock of, or other equity interests in, the members of the SpinCo Group (other than SpinCo) and all other equity, partnership, membership, joint

venture and similar interests set forth on Schedule IV under the caption “Joint Ventures and Minority Investments”;

(c) all Assets reflected on the SpinCo Business Balance Sheet, and all Assets acquired after the date of the SpinCo Business Balance Sheet that, had they been acquired on or before such date and owned as of such date, would have been reflected on the SpinCo Business Balance Sheet if prepared in accordance with GAAP applied on a consistent basis, subject to any dispositions of such Assets subsequent to the date of the SpinCo Business Balance Sheet;

(d) the Assets listed or described on Schedule V;

(e) the rights related to the SpinCo Portion of any Shared Contract;

(f) the SpinCo Real Property;

(g) the SpinCo IP;

(h) all other Assets that are expressly provided by this Agreement or any Ancillary Agreement as Assets to be assigned to or retained by, or allocated to, any member of the SpinCo Group; and

(i) all Assets held by a member of the Nuance Group that are determined by Nuance, in good faith prior to the Distribution, to be primarily related to or used or held for use primarily in connection with the business or operations of the SpinCo Business (unless otherwise expressly provided in connection with this Agreement).

Notwithstanding the foregoing, the SpinCo Assets shall not include (i) any Nuance Retained Assets or (ii) any Assets that are determined by Nuance, in good faith prior to the Distribution, to arise primarily from the business or operations of the Nuance Business (unless otherwise expressly provided in this Agreement).

“SpinCo Business” means the business of providing to SpinCo Customers: (1) hardware, software solutions or connected services (or combinations thereof) in support of, in each case, conversational and cognitive artificial intelligence that facilitates interactions by Occupants with or through Vehicle or Vehicle Specific Equipment and sold by the SpinCo Group primarily for use in or with Vehicles or Vehicle Specific Equipment (collectively, the “SpinCo Technology”), and (2) related software solutions or connected services (or combinations thereof) marketed and sold by the SpinCo Group primarily for use with the SpinCo Technology, as conducted by Nuance and its Affiliates prior to the Distribution, including as described in the Information Statement; provided that the SpinCo Business shall not include any Former Business.

“SpinCo Business Balance Sheet” means the balance sheet of the SpinCo Business, including the notes thereto, as of \_\_\_\_\_, 2019, included in the Information Statement.

“SpinCo Common Stock” means the common stock, \$0.01 par value per share, of SpinCo.

“SpinCo Credit Support Instruments” has the meaning set forth in Section 3.02(a).

“SpinCo Customers” means any Person whose primary business is the manufacture and sale of Vehicles, Vehicle Specific Equipment or Transportation Service Providers.

“SpinCo Entities” means the entities, the equity, partnership, membership, limited liability, joint venture or similar interests of which are set forth on Schedule IV under the caption “Joint Ventures and Minority Investments.”

“SpinCo Group” means (a) SpinCo, (b) each Person that will be a Subsidiary of SpinCo immediately prior to the Distribution, including the entities set forth on Schedule IV under the caption “Subsidiaries” and (c) each Person that becomes a Subsidiary of SpinCo after the Distribution, including in each case any Person that is merged or consolidated with or into SpinCo or any Subsidiary of SpinCo.

“SpinCo HSE Liabilities” means any HSE Liability, whether occurring or arising prior to, on or after the Distribution Date, (x) of the SpinCo Group or (y) to the extent (a) relating to, arising out of or resulting from (i) any compliance or non-compliance with any HSE Law in connection with the operation of the SpinCo Business or any SpinCo Real Property, (ii) any Release of any Hazardous Material at, on, under, from or to any SpinCo Real Properties, (iii) any Release, transportation, storage, disposal, treatment or recycling (or arrangement for such activities) of Hazardous Material in connection with the operation of the SpinCo Business or (iv) any exposure to Hazardous Materials with respect to clauses (i) through (iii) or otherwise in connection with the SpinCo Business or any SpinCo Asset or (b) otherwise relating to, arising out of or resulting from the SpinCo Business or any SpinCo Asset.

“SpinCo Indemnitees” has the meaning set forth in Section 6.03.

“SpinCo IP” has the meaning set forth in the IPA.

“SpinCo Liabilities” means, without duplication, the following Liabilities:

(a) all Liabilities of the SpinCo Group and the SpinCo Entities;

(b) all Liabilities to the extent relating to, arising out of or resulting from:

(i) the operation or conduct of the SpinCo Business as conducted at any time prior to the Distribution (including any Liability to the extent relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person’s authority), which act or failure to act relates to the SpinCo Business);

(ii) the operation or conduct of the SpinCo Business or any other business conducted by SpinCo or any other member of the SpinCo Group at any time after the Distribution (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person’s authority)); or

(iii) the SpinCo Assets;

(c) all Liabilities reflected as liabilities or obligations on the SpinCo Business Balance Sheet, and all Liabilities arising or assumed after the date of the SpinCo Business Balance Sheet that, had they arisen or been assumed on or before such date and been existing obligations

as of such date, would have been reflected on the SpinCo Business Balance Sheet if prepared in accordance with GAAP applied on a consistent basis, subject to any discharge of such Liabilities subsequent to the date of the SpinCo Business Balance Sheet;

(d) all SpinCo HSE Liabilities;

(e) the Liabilities listed or described on Schedule VI;

(f) the obligations related to the SpinCo Portion of any Shared Contract;

(g) all other Liabilities that are expressly provided by this Agreement or any Ancillary Agreement as Liabilities to be assumed or retained by, or allocated to, any member of the SpinCo Group; and

(h) all Liabilities to the extent relating to, arising out of or resulting from any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in, or incorporated by reference into, the Form 10 and any other documents filed with the Commission in connection with the Spin-Off or as contemplated by this Agreement, other than with respect to the Nuance Disclosure Sections.

Notwithstanding the foregoing, the SpinCo Liabilities shall not include (i) any Nuance Retained Liabilities or (ii) any Liabilities that are determined by Nuance, in good faith prior to the Distribution, to be primarily related to the business or operations of the Nuance Business (unless otherwise expressly provided in this Agreement).

“SpinCo Policy Pre-Separation Insurance Claim” means any (a) claim made against the SpinCo Group or Nuance Group and reported to the applicable insurer(s) prior to the Distribution Date in respect of an act or omission occurring prior to the Distribution Date that results in a Liability under a “claims-made-based” insurance policy of the SpinCo Group in effect prior to the Distribution Date or any extended reporting period thereof or (b) Action (whether made prior to, on or following the Distribution Date) in respect of a Liability occurring prior to the Distribution Date under an “occurrence-based” insurance policy of any member of the SpinCo Group in effect prior to the Distribution Date.

“SpinCo Portion” has the meaning set forth in Section 2.05(a).

“SpinCo Real Property” means the real property and real property interests identified on Schedule VII, and any fixtures or appurtenances associated therewith.

“Subsidiary” of any Person means any corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization, is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries.

“Surviving Nuance Credit Support Instruments” has the meaning set forth in Section 3.01(a).

“Surviving SpinCo Credit Support Instruments” has the meaning set forth in Section 3.02(a).

“Tax” or “Taxes” has the meaning set forth in the TMA.

“Tax-Free Status” has the meaning set forth in the TMA.

“Tax Opinions/Rulings” has the meaning set forth in the TMA.

“Third-Party Claim” means any written assertion by a Person (including any Governmental Authority) who is not a member of the Nuance Group or the SpinCo Group of any claim, or the commencement by any such Person, of any Action, against any member of the Nuance Group or the SpinCo Group.

“Third-Party Proceeds” has the meaning set forth in Section 6.04(a).

“TMA” means the Tax Matters Agreement dated as of the date of this Agreement by and between Nuance and SpinCo.

“Trademark License Agreement” means the Transitional Trademark License Agreement dated as of the date of this Agreement between Nuance and SpinCo.

“Transportation Service Provider” means any Person whose primary business is (i) the provision of transportation to or for occupants in Vehicles, (ii) the provision of hardware, software or connected services (or combinations thereof) to enable Occupants to access and use software or connected services for or within a Vehicle or (iii) the provision of Vehicles used for the transportation of Occupants.

“Treasury Regulations” has the meaning set forth in the TMA.

“TSA” means the Transition Services Agreement dated as of the date of this Agreement between Nuance and SpinCo.

“Vehicle” means automobiles, trucks (including semi-trucks), boats, water craft, motorcycles, aircraft and vehicles that run on tracks or air bearings (i.e., vactrains and hyperloops), together with any vehicles that are enhanced versions or natural evolutions of any of the foregoing.

“Vehicle Specific Equipment” means equipment marketed or sold primarily for use with, or embedded or installed in or on, a Vehicle, including smart mirrors, personal navigation devices and motorcycle helmets; provided, however, that Vehicle Specific Equipment excludes mobile phones, general purpose mobile devices and general purpose Internet-connected physical device, including Internet-connected speakers, thermostats, lightbulbs and refrigerators.

## ARTICLE II

### THE SEPARATION

#### Section 2.01 Transfer of Assets and Assumption of Liabilities.

(a) In accordance with the Separation Step Plan and to the extent not effected prior to the date of this Agreement, subject to Section 2.01(d), prior to the Distribution, the Parties shall, and shall cause their respective Group members to, execute such instruments of assignment or transfer and take such other corporate actions as are necessary to:

(i) transfer and convey to one or more members of the SpinCo Group all of the right, title and interest of the Nuance Group in, to and under all SpinCo Assets not already owned by the SpinCo Group;

(ii) transfer and convey to one or more members of the Nuance Group all of the right, title and interest of the SpinCo Group in, to and under all Nuance Assets not already owned by the Nuance Group;

(iii) cause one or more members of the SpinCo Group to assume all of the SpinCo Liabilities to the extent such Liabilities would otherwise remain obligations of any member of the Nuance Group; and

(iv) cause one or more members of the Nuance Group to assume all of the Nuance Liabilities to the extent such Liabilities would otherwise remain obligations of any member of the SpinCo Group, in each case of clauses (i) through (iv) in the manner contemplated by the Separation Step Plan.

Notwithstanding anything to the contrary, neither Party shall be required to transfer any Information except as required by Article VII or any insurance policies which are the subject of Article VIII.

(b) In the event that it is discovered after the Distribution that there was an omission of (i) the transfer or conveyance by SpinCo (or a member of the SpinCo Group) to, or the acceptance or assumption by, Nuance (or a member of the Nuance Group) of any Nuance Asset or Nuance Liability, as the case may be, (ii) the transfer or conveyance by Nuance (or a member of the Nuance Group) to, or the acceptance or assumption by, SpinCo (or a member of the SpinCo Group) of any SpinCo Asset or SpinCo Liability, as the case may be, or (iii) the transfer or conveyance by one Party (or any other member of its Group) to, or the acceptance or assumption by, the other Party (or any other member of its Group) of any Asset or Liability, as the case may be, that, had the Parties given specific consideration to such Asset or Liability prior to the Distribution, would have otherwise been so transferred, conveyed, accepted or assumed, as the case may be, pursuant to this Agreement or any Ancillary Agreement, the Parties shall use reasonable best efforts to promptly effect such transfer, conveyance, acceptance or assumption of such Asset or Liability, as the case may be. Any transfer, conveyance, acceptance or assumption made pursuant to this Section 2.01(b) shall be treated by the Parties for all purposes as if it had occurred prior to the Distribution, except as otherwise required by applicable Law or a Final Determination.

(c) In the event that it is discovered after the Distribution that there was a transfer or conveyance (i) by SpinCo (or a member of the SpinCo Group) to, or the acceptance or assumption by, Nuance (or a member of the Nuance Group) of any SpinCo Asset or SpinCo Liability, as the case may be, or (ii) by Nuance (or a member of the Nuance Group) to, or the acceptance or assumption by, SpinCo (or a member of the SpinCo Group) of any Nuance Asset or Nuance Liability, as the case may be, the Parties shall use reasonable best efforts to promptly transfer or convey such Asset or Liability back to the transferring or conveying Party or to rescind any acceptance or assumption of such Asset or Liability, as the case may be. Any transfer or conveyance made or acceptance or assumption rescinded pursuant to this Section 2.01(c) shall be treated by the Parties for all purposes as if such Asset or Liability had never been originally transferred, conveyed, accepted or assumed, as the case may be, except as otherwise required by applicable Law or a Final Determination.

(d) To the extent that any transfer or conveyance of any Asset (other than Shared Contracts, which are governed solely by Section 2.05; or the leasehold interests, subleasehold interests, license interests or other real property interests under the Real Estate Separation Documents, which are governed solely by Section 2.04); or acceptance or assumption



of any Liability (other than Shared Contracts, which are governed solely by Section 2.05; or the leasehold interests, subleasehold interests, license interests or other real property interests under the Real Estate Separation Documents, which are governed solely by Section 2.04) required by this Agreement to be so transferred, conveyed, accepted or assumed shall not have been completed prior to the Distribution, the Parties shall use reasonable best efforts to effect such transfer, conveyance, acceptance or assumption as promptly following the Distribution as shall be practicable. Nothing in this Agreement shall be deemed to require the transfer or conveyance of any Assets or the acceptance or assumption of any Liabilities which by their respective terms (or the terms of any Contract relating to such Asset or Liability) or operation of Law cannot be so transferred, conveyed, accepted or assumed; provided, however, that the Parties shall use reasonable best efforts to obtain any necessary Governmental Approvals and other Consents for the transfer, conveyance, acceptance or assumption (as applicable) of all Assets and Liabilities required by this Agreement to be so transferred, conveyed, accepted or assumed. In the event that any such transfer, conveyance, acceptance or assumption (as applicable) has not been completed effective as of the Distribution, the Party retaining such Asset or Liability (or the member of the Party's Group retaining such Asset or Liability) shall thereafter hold such Asset for the use and benefit of the Party entitled thereto (at the expense of the Party entitled thereto) and retain such Liability for the account, and at the expense, of the Party by whom such Liability should have been assumed or accepted pursuant to this Agreement, and take such other actions as may be reasonably requested by the Party to which (or to the Group of which) such Asset should have been transferred or conveyed, or by whom (or by the Group of whom) such Liability should have been assumed or accepted, as the case may be, in order to place such Party or the member of its Group, insofar as reasonably possible, in the same position as would have existed had such Asset or Liability been transferred, conveyed, accepted or assumed (as applicable) as and when contemplated by this Agreement, including in respect of possession, use, risk of loss, potential for gain and control over such Asset or Liability, as the case may be. As and when any such Asset or Liability becomes transferable or assumable, as the case may be, each Party shall, and shall cause the members of its Group to, use reasonable best efforts to promptly effect such transfer, conveyance, acceptance or assumption (as applicable). Any transfer, conveyance, acceptance or assumption made pursuant to this Section 2.01(d) shall be treated by the Parties for all purposes as if it had occurred immediately prior to the Distribution, except as otherwise required by applicable Law or a Final Determination.

(e) The Party retaining any Asset or Liability due to the deferral of the transfer and conveyance of such Asset or the deferral of the acceptance and assumption of such Liability pursuant to this Section 2.01 or otherwise shall not be obligated by this Agreement, in connection with this Section 2.01, to expend any money or take any action that would require the expenditure of money unless and to the extent the Party or the member of the Party's Group entitled to receive such Asset or intended to assume such Liability, as applicable, advances or agrees to reimburse it for the applicable expenditures.

(f) Without limiting any other provision hereof, each of Nuance and SpinCo will take, and will cause each member of its respective Group to take, such actions as are reasonably necessary to consummate the transactions contemplated by the Separation Step Plan (whether prior to, at or after the Distribution). The Parties agree that the steps described in the Separation Step Plan shall be effected in the order and manner prescribed in the Separation Step Plan.

(g) In the event that Nuance determines to seek novation with respect to any SpinCo Liability, SpinCo shall reasonably cooperate with, and shall cause the members of the SpinCo Group to reasonably cooperate with, Nuance and the members of the Nuance Group (including, where necessary, entering into appropriate instruments of assumption and, where necessary, SpinCo providing parent guarantees in support of the obligations of other members of the SpinCo Group) to cause such novation to be obtained, on terms reasonably acceptable to SpinCo, and to have Nuance and the members of the Nuance Group released from all liability to third parties arising after the date of such novation and, in the event SpinCo determines to seek novation with respect to any Nuance Liability, Nuance shall reasonably cooperate with, and shall cause the members of the Nuance Group to reasonably cooperate with, SpinCo and the members of the SpinCo Group (including, where necessary, entering into appropriate instruments of assumption and, where necessary, Nuance providing parent guarantees in support of the obligations of other members of the Nuance Group) to cause such novation to be obtained, on terms reasonably acceptable to Nuance, and to have SpinCo and the members of the SpinCo Group released from all liability to third parties arising after the date of such novation; provided that neither Party nor any member of its Group shall be required to contribute capital, pay or grant any consideration or concession in any form (including providing any letter of credit, guaranty or other financial accommodation) to any Person in order to cause such novation to be obtained (other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, all of which shall be reimbursed by the Party or the member of the Party's Group entitled to such Asset or intended to assume such Liability, as applicable, as promptly as reasonably practicable).

Section 2.02 Certain Matters Governed Exclusively by Ancillary Agreements. Each of Nuance and SpinCo agrees on behalf of itself and the members of its Group that, except as explicitly provided in this Agreement or any Ancillary Agreement, (a) the TMA shall exclusively govern all matters relating to Taxes between such parties (except to the extent that tax matters relating to employee and employee benefits-related matters are addressed in the EMA), (b) the EMA shall exclusively govern the allocation of Assets and Liabilities related to employee and employee compensation and benefits-related matters, including the outstanding awards (equity- and cash-based) under existing equity plans with respect to employees and former employees of members of both the Nuance Group and the SpinCo Group (except to the extent that employee compensation and benefits-related reimbursements are addressed in the TSA) (it being understood that any such Assets and Liabilities, as allocated pursuant to the EMA, shall constitute SpinCo Assets, SpinCo Liabilities, Nuance Assets or Nuance Liabilities, as applicable, hereunder and shall be subject to Article VI hereof), (c) the IPA shall exclusively govern the recordation of the transfers of any registrations or applications of Nuance IP and SpinCo IP that is allocated hereunder, as applicable, and the use and licensing of certain Intellectual Property Rights identified therein between members of the Nuance Group and members of the SpinCo Group, (d) the Trademark License Agreement shall exclusively govern all matters relating to the use and licensing of certain trademarks identified therein between members of the Nuance Group and the SpinCo Group and (e) the TSA shall exclusively govern all matters relating to the provision of certain services identified therein to be provided by each Party to the other on a transitional basis following the Distribution. Except as set forth in this Section 2.02, in the event and to the extent that there shall be a conflict between the provisions of this Agreement and the provisions of any Ancillary Agreement, the provisions of this Agreement shall control (unless the Ancillary Agreement explicitly provides otherwise).

Section 2.03 Termination of Agreements.

(a) Except as set forth in Section 2.03(b) or Section 2.03(c) or as otherwise provided by the Separation Step Plan, in furtherance of the releases and other provisions of Section 6.01, effective as of the Distribution, SpinCo and each other member of the SpinCo Group, on the one hand, and Nuance and each other member of the Nuance Group, on the other hand, hereby terminate any and all Contracts, arrangements, commitments and understandings, oral or written between such parties and in existence as of the Distribution Date ("Intercompany Agreements"), including all intercompany accounts payable or accounts receivable in effect or accrued as of the Distribution Date ("Intercompany Accounts"). No such terminated Intercompany Agreement or Intercompany Account (including any provision thereof that purports to survive termination) shall be of any further force or effect after the Distribution Date. Each Party shall, at the reasonable request of the other Party, take, or cause to be taken, such other actions as may be necessary to effect the foregoing. The Parties, on behalf of the members of their respective Groups, hereby waive any advance notice provision or other termination requirements with respect to any Intercompany Agreement.

(b) The provisions of Section 2.03(a) shall not apply to any of the following Intercompany Agreements or Intercompany Accounts (or to any of the provisions thereof): (i) this Agreement and the Ancillary Agreements (and each other Intercompany Agreement or Intercompany Account expressly contemplated by this Agreement or any Ancillary Agreement to be entered into by either Party or any other member of its Group); (ii) any Intercompany Agreements to which any third party is a party, including any Shared Contracts; (iii) any other Intercompany Agreements or Intercompany Accounts that this Agreement or any Ancillary Agreement expressly contemplates will survive the Distribution Date; and (iv) those Intercompany Agreements and Intercompany Accounts set forth on Schedule XIII.

(c) In connection with the termination of Intercompany Accounts described in Section 2.03(a), each of Nuance and SpinCo shall cause each Intercompany Account between a member of the SpinCo Group, on the one hand, and a member of the Nuance Group, on the other hand, outstanding as of the close of business on the business day immediately prior to the date of the Distribution to be settled on a net basis (whether via a dividend, a capital contribution, a combination of the foregoing or as otherwise agreed), in each case prior to the close of business on the date of the Distribution (except for any such intercompany payables or receivables arising pursuant to an Ancillary Agreement or any other Intercompany Agreement that this Agreement or any Ancillary Agreement expressly contemplates will survive the Distribution Date, which shall instead be settled in accordance with the terms of such Ancillary Agreement or other Intercompany Agreement); provided, that all intercompany balances set forth on Schedule XXI shall be forgiven without any settlement or other action on the part of either of the Parties or the respective members of their respective Groups.

(d)

(i) Nuance and SpinCo each agree to take, or cause the respective members of their respective Groups to take, prior to the Distribution (or as promptly as reasonably practicable thereafter), all actions necessary to amend all contracts or agreements governing (x) the Nuance Accounts so that such Nuance Accounts, if linked

(whether by automatic withdrawal, automatic deposit or any other authorization to transfer funds from or to, hereinafter “linked”) to any SpinCo Account, are de-linked from such SpinCo Accounts and (y) the SpinCo Accounts so that such SpinCo Accounts, if linked to any Nuance Account, are de-linked from such Nuance Accounts.

(ii) With respect to any outstanding checks issued by, or payments made by, Nuance, SpinCo or any of their respective Subsidiaries prior to the Distribution, such outstanding checks shall be honored from and after the Distribution by the Person or Group owning the account on which the check is drawn, without limiting the ultimate allocation of Liability for such amounts under this Agreement or any Ancillary Agreement.

(iii) As between Nuance and SpinCo (and the members of their respective Groups), except to the extent prohibited by applicable Law or a Final Determination, all payments and reimbursements received after the Distribution by either Party (or a member of its Group) to which the other Party (or a member of its Group) is entitled under this Agreement, shall be held by such Party (or the applicable member of its Group) in trust for the use and benefit of the Person entitled thereto and, within sixty (60) days of receipt by such Party (or the applicable member of its Group) of any such payment or reimbursement, such Party shall pay over, or shall cause the applicable member of its Group to pay over to the other Party (or the applicable member of its Group), the amount of such payment or reimbursement without right of setoff.

(e) Each of Nuance and SpinCo shall, and shall cause each of their respective Subsidiaries to, take all necessary actions to remove each of SpinCo and SpinCo’s Subsidiaries from all Cash Management Arrangements to which it is a party, in each case prior to the close of business on the business day immediately prior to the Distribution Date.

Section 2.04 Real Estate Separation Documents. Prior to the Distribution, the Parties shall, and shall cause their respective applicable Group members to, use reasonable best efforts to obtain and make any necessary Consents and enter into the Real Estate Separation Documents to make the Real Estate Separation Documents effective at or prior to the Distribution; provided, however, that nothing in this Agreement shall be deemed to require entering into any Real Estate Separation Document unless and until any necessary Consents are obtained or made, as applicable; provided, further, that neither Party nor any member of its Group shall be required to contribute capital, pay or grant any consideration or concession in any form (including providing any letter of credit, guaranty or other financial accommodation or the relinquishment or forbearance of any rights) to any Person in order to obtain or make any such Consent (other than reasonable out-of-pocket expenses, attorneys’ fees and recording or similar fees). In the event any such Consents have not been obtained prior to the Distribution, the Parties shall use reasonable best efforts (subject to the terms of this Section 2.04) to obtain or make such Consent as promptly as reasonably practicable following the Distribution and, upon receipt of such Consent, shall execute the applicable Real Estate Separation Document; provided, however, that neither Party nor any member of its Group shall be required to contribute capital, pay or grant any consideration or concession in any form (including providing any letter of credit, guaranty or other financial accommodation or the relinquishment or forbearance of any rights) to any Person in order to obtain or make any such Consent (other than reasonable out-of-pocket expenses, attorneys’ fees and

recording or similar fees). If any Real Estate Separation Document is not effective prior to the Distribution, then the Parties shall, and shall cause their respective Group members to, cooperate in any reasonable and permissible arrangement to provide that, following the Distribution and until such time as the effectiveness of the applicable Real Estate Separation Document shall cease (or, with respect to any Lease Assignment, until the expiration or earlier termination of the real property lease subject to such Lease Assignment), a member of the SpinCo Group shall receive the interest in the benefits and obligations of SpinCo or the applicable member of the SpinCo Group under the proposed terms of such Real Estate Separation Document and a member of the Nuance Group shall receive the interest in the benefits and obligations of Nuance or the applicable member of the Nuance Group under the proposed terms of such Real Estate Separation Document. In the event of a conflict between this Agreement and any Real Estate Separation Document, the applicable Real Estate Separation Document shall govern. To the extent any matter is not addressed in a Real Estate Separation Document, but is addressed in this Agreement, the terms of this Agreement shall control as to such matter.

Section 2.05 Shared Contracts.

(a) Except as set forth on Schedule VIII, the Parties shall, and shall cause the members of their respective Groups to, use their respective reasonable best efforts to work together (and, if necessary and desirable, to work with the third party to such Shared Contract) in an effort to divide, partially assign, modify or replicate (in whole or in part) the respective rights and obligations under and in respect of any Shared Contract, such that (a) a member of the SpinCo Group is the beneficiary of the rights and is responsible for the obligations related to that portion of such Shared Contract relating to the SpinCo Business (the "SpinCo Portion"), which rights shall be a SpinCo Asset and which obligations shall be a SpinCo Liability, and (b) a member of the Nuance Group is the beneficiary of the rights and is responsible for the obligations related to such Shared Contract not relating to the SpinCo Business (the "Nuance Portion"), which rights shall be a Nuance Asset and which obligations shall be a Nuance Liability. Nothing in this Agreement shall require the division, partial assignment, modification or replication of a Shared Contract unless and until any necessary Consents are obtained or made, as applicable. If the Parties, or their respective Group members, as applicable, are not able to enter into an arrangement to formally divide, partially assign, modify or replicate such Shared Contract prior to the Distribution as contemplated by the previous sentence, then the Parties shall, and shall cause their respective Group members to, cooperate in any reasonable and permissible arrangement to provide that, following the Distribution, a member of the SpinCo Group shall receive the interest in the benefits and obligations of the SpinCo Portion under such Shared Contract and a member of the Nuance Group shall receive the interest in the benefits and obligations of the Nuance Portion under such Shared Contract, it being understood that no Party shall have Liability to the other Party for the failure of any third party to perform its obligations under any such Shared Contract.

(b) Nothing in this Section 2.05 shall require either Party or any member of each of their respective Groups to contribute capital, pay or grant any consideration or concession in any form (including providing any letter of credit, guaranty or other financial accommodation) to any Person (other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, all of which shall be reimbursed by the Party or the member of the Party's Group entitled to such Asset or intended to assume such Liability, as applicable, as promptly as

reasonably practicable). For the avoidance of doubt, reasonable out-of-pocket expenses, and recording or similar fees shall not include any purchase price, license fee, or other payment or compensation for the procurement of any asset secured to replace an Asset in the course of a Party's obligation under Section 2.05(a).

Section 2.06 Disclaimer of Representations and Warranties. Each of Nuance (on behalf of itself and each other member of the Nuance Group) and SpinCo (on behalf of itself and each other member of the SpinCo Group) understands and agrees that, except as expressly set forth in this Agreement, any Ancillary Agreement or the Representation Letter, no party to this Agreement, any Ancillary Agreement or any other agreement or document contemplated by this Agreement or any Ancillary Agreement is representing or warranting in any way as to any Assets or Liabilities transferred or assumed as contemplated hereby or thereby, as to the sufficiency of the Assets or Liabilities transferred or assumed hereby or thereby for the conduct and operations of the SpinCo Business or the Nuance Business, as applicable, as to any Governmental Approvals or other Consents required in connection therewith or in connection with any past transfers of the Assets or assumptions of the Liabilities, as to the value or freedom from any Security Interests of, or any other matter concerning, any Assets or Liabilities of such party, or as to the absence of any defenses or rights of setoff or freedom from counterclaim with respect to any claim or other Asset, including any accounts receivable, of any such party, or as to the legal sufficiency of any assignment, document or instrument delivered hereunder to convey title to any Asset or thing of value upon the execution, delivery and filing hereof or thereof, and each of Nuance (on behalf of itself and each other member of the Nuance Group) and SpinCo (on behalf of itself and each other member of the SpinCo Group) has relied only on the representations and warranties expressly contained in Section 12.01(c), in any Ancillary Agreement or the Representation Letter. Except as may expressly be set forth herein or in any Ancillary Agreement, any such Assets are being transferred on an "as is," "where is" basis and the respective transferees shall bear the economic and legal risks that (a) any conveyance shall prove to be insufficient to vest in the transferee good and marketable title, free and clear of any Security Interest and (b) any necessary Governmental Approvals or other Consents are not obtained or that any requirements of Laws or judgments are not complied with.

Section 2.07 Waiver of Bulk-Sale and Bulk-Transfer Laws. SpinCo hereby waives compliance by each and every member of the Nuance Group with the requirements and provisions of any "bulk-sale" or "bulk-transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the transfer or sale of any or all of the SpinCo Assets to any member of the SpinCo Group. Nuance hereby waives compliance by each and every member of the SpinCo Group with the requirements and provisions of any "bulk-sale" or "bulk-transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the transfer or sale of any or all of the Nuance Assets to any member of the Nuance Group.

Section 2.08 Cash Adjustment. Each of Nuance and SpinCo agrees to take the actions set forth on Schedule XI.

## ARTICLE III

### CREDIT SUPPORT

#### Section 3.01 Replacement of Nuance Credit Support.

(a) SpinCo shall use reasonable best efforts to arrange, at its sole cost and expense and effective on or prior to the Distribution Date, the termination or replacement of all guarantees, covenants, indemnities, surety bonds, letters of credit or similar assurances of credit support (“Credit Support Instruments”) provided by, through or on behalf of Nuance or any other member of the Nuance Group for the benefit of SpinCo or any other member of the SpinCo Group (“Nuance Credit Support Instruments”), other than any of the Nuance Credit Support Instruments set forth on Schedule XIV (the “Surviving Nuance Credit Support Instruments”), with alternate arrangements that do not require any credit support from Nuance or any other member of the Nuance Group, and shall use reasonable best efforts to obtain from the beneficiaries of such Credit Support Instruments written releases (which in the case of a letter of credit or bank guarantee would be effective upon surrender of the original Nuance Credit Support Instrument to the originating bank and such bank’s confirmation to Nuance of cancelation thereof) indicating that Nuance or such other member of the Nuance Group will, effective upon the consummation of the Distribution, have no liability with respect to such Credit Support Instruments, in each case, reasonably satisfactory to Nuance.

(b) In furtherance of Section 3.01(a), to the extent required to obtain a removal or release from a Nuance Credit Support Instrument, SpinCo or an appropriate member of the SpinCo Group shall execute an agreement substantially in the form of the existing Nuance Credit Support Instrument or such other form as is agreed to by the relevant parties to such agreement, except to the extent that such existing Nuance Credit Support Instrument contains representations, covenants or other terms or provisions (i) with which SpinCo or the appropriate member of the SpinCo Group would be reasonably unable to comply or (ii) which would be reasonably expected to be breached by SpinCo or the appropriate member of the SpinCo Group.

(c) If SpinCo is unable to obtain, or to cause to be obtained, all releases from Nuance Credit Support Instruments pursuant to Sections 3.01(a) and 3.01(b) on or prior to the Distribution, (i) without limiting SpinCo’s obligations under Article VI, SpinCo shall cause the relevant member of the SpinCo Group that has assumed the Liability with respect to such Credit Support Instrument to indemnify and hold harmless the guarantor or obligor for any Liability arising out of, resulting from or relating thereto in accordance with the provisions of Article VI and to, as agent or subcontractor for such guarantor or obligor, pay, perform and discharge fully all the obligations or other Liabilities of such guarantor or obligor thereunder, (ii) with respect to such Credit Support Instruments that are in the form of a letter of credit or bank guarantee, SpinCo shall provide Nuance with letters of credit or guarantees, in each case issued by a bank reasonably acceptable to Nuance, against losses arising from all such Credit Support Instruments or, if Nuance agrees in writing, cash collateralize the full amount of any outstanding Credit Support Instrument with respect to which such release has not been obtained, (iii) except as set forth on Schedule XIV, with respect to such Credit Support Instrument, each of Nuance and SpinCo, on behalf of themselves and the members of each of their respective Groups, agree, except as otherwise expressly required by the terms of a Contract with a third party in effect as of the

Distribution, not to renew or extend the term of, increase its obligations under or transfer to a third Person, any loan, guarantee, lease, sublease, license, Contract or other obligation for which the other Party or any member of the other Party's Group is or may be liable under such Credit Support Instrument unless all obligations of the other Party and the other members of the other Party's Group with respect thereto are thereupon terminated by documentation reasonably satisfactory in form and substance to the other Party and (iv) with respect to the Expected Surviving Guarantees, Nuance and SpinCo shall take the actions set forth on Schedule XX. The provisions of clauses (i), (ii) and (iii) of the foregoing sentence shall also apply to all Surviving Nuance Credit Support Instruments.

Section 3.02 Replacement of SpinCo Credit Support.

(a) Nuance shall use reasonable best efforts to arrange, at its sole cost and expense and effective on or prior to the Distribution Date, the termination or replacement of all Credit Support Instruments provided by, through or on behalf of SpinCo or any other member of the SpinCo Group for the benefit of Nuance or any other member of the Nuance Group ("SpinCo Credit Support Instruments"), other than any of the SpinCo Credit Support Instruments set forth on Schedule XV (the "Surviving SpinCo Credit Support Instruments"), with alternate arrangements that do not require any credit support from SpinCo or any other member of the SpinCo Group, and shall use reasonable best efforts to obtain from the beneficiaries of such Credit Support Instruments written releases (which in the case of a letter of credit or bank guarantee would be effective upon surrender of the original SpinCo Credit Support Instrument to the originating bank and such bank's confirmation to SpinCo of cancelation thereof) indicating that SpinCo or such other member of the SpinCo Group will, effective upon the consummation of the Distribution, have no liability with respect to such Credit Support Instruments, in each case reasonably satisfactory to SpinCo.

(b) In furtherance of Section 3.02(a), to the extent required to obtain a removal or release from a SpinCo Credit Support Instrument, Nuance or an appropriate member of the Nuance Group shall execute an agreement substantially in the form of the existing SpinCo Credit Support Instrument or such other form as is agreed to by the relevant parties to such agreement, except to the extent that such existing SpinCo Credit Support Instrument contains representations, covenants or other terms or provisions (i) with which Nuance or the appropriate member of the Nuance Group would be reasonably unable to comply or (ii) which would be reasonably expected to be breached by Nuance or the appropriate member of the Nuance Group.

(c) If Nuance is unable to obtain, or to cause to be obtained, all releases from SpinCo Credit Support Instruments pursuant to Sections 3.02(a) and 3.02(b) on or prior to the Distribution, (i) without limiting Nuance's obligations under Article VI, Nuance shall cause the relevant member of the Nuance Group that has assumed the Liability with respect to such Credit Support Instrument to indemnify and hold harmless the guarantor or obligor for any Liability arising from or relating thereto in accordance with the provisions of Article VI and to, as agent or subcontractor for such guarantor or obligor, pay, perform and discharge fully all the obligations or other Liabilities of such guarantor or obligor thereunder, (ii) with respect to such Credit Support Instruments that are in the form of a letter of credit or bank guarantee, Nuance shall provide SpinCo with letters of credit or guarantees, in each case issued by a bank reasonably acceptable to SpinCo, against losses arising from all such Credit Support Instruments or, if SpinCo



agrees in writing, cash collateralize the full amount of any outstanding Credit Support Instrument with respect to which such release has not been obtained and (iii) except as set forth on Schedule XV, with respect to such Credit Support Instrument, each of Nuance and SpinCo, on behalf of themselves and the members of each of their respective Groups, agree, except as otherwise expressly required by the terms of a Contract with a third party in effect as of the Distribution, not to renew or extend the term of, increase its obligations under or transfer to a third Person, any loan, guarantee, lease, sublease, license, Contract or other obligation for which the other Party or any member of the other Party's Group is or may be liable under such Credit Support Instrument unless all obligations of the other Party and the other members of the other Party's Group with respect thereto are thereupon terminated by documentation reasonably satisfactory in form and substance to the other Party. The provisions of clauses (i), (ii) and (iii) of the foregoing sentence shall also apply to all Surviving SpinCo Credit Support Instruments.

Section 3.03 Manner of Indemnification. Any claims for indemnification under this Article III shall be made in the manner set forth in Section 6.05 and Section 6.06 and are subject to the provisions set forth in Sections 6.07, 6.08 and 6.09.

## ARTICLE IV

### ACTIONS PENDING THE DISTRIBUTION

#### Section 4.01 Actions Prior to the Distribution.

- (a) Subject to the conditions specified in Section 4.02 and subject to Section 5.03, Nuance and SpinCo shall use reasonable best efforts to consummate the Distribution. Such efforts shall include taking the actions specified in this Section 4.01.
- (b) Prior to the Distribution, Nuance shall mail the Information Statement to the Record Holders.
- (c) SpinCo shall prepare, file with the Commission and use its reasonable best efforts to cause to become effective any registration statements or amendments thereto required to effect the establishment of, or amendments to, any employee benefit and other plans necessary or appropriate in connection with the transactions contemplated by this Agreement or any of the Ancillary Agreements.
- (d) Nuance and SpinCo shall take all such action as may be necessary or appropriate under the securities or blue sky laws of the states or other political subdivisions of the United States or of other foreign jurisdictions in connection with the Distribution.
- (e) SpinCo shall prepare and file, and shall use reasonable best efforts to have approved prior to the Distribution, an application for the listing of the SpinCo Common Stock to be distributed in the Distribution on the Exchange, subject to official notice of distribution.
- (f) Prior to the Distribution, Nuance, in its capacity as sole stockholder of SpinCo, shall have duly elected to the SpinCo board of directors the individuals listed as members of the SpinCo board of directors in the Information Statement, and such individuals shall be the members of the SpinCo board of directors effective as of immediately after the Distribution;

provided, however, that to the extent required by any Law or requirement of the Exchange or any other national securities exchange, as applicable, one independent director shall be appointed by the existing board of directors of SpinCo prior to the date on which “when-issued” trading of the SpinCo Common Stock begins on the Exchange and begin his or her term prior to the Distribution and shall serve on SpinCo’s Audit Committee, Compensation Committee and Nominating and Governance Committee.

(g) Prior to the Distribution, Nuance shall deliver or cause to be delivered to SpinCo resignations, effective as of immediately after the Distribution, of each individual who will be an employee of any member of the Nuance Group after the Distribution and who is an officer or director of any member of the SpinCo Group immediately prior to the Distribution.

(h) Immediately prior to the Distribution, the Amended and Restated Certificate of Incorporation and the Amended and Restated By-laws of SpinCo, each in substantially the form filed as an exhibit to the Form 10, shall be in effect.

(i) Nuance and SpinCo shall, subject to Section 5.03, take all reasonable steps necessary and appropriate to cause the conditions set forth in Section 4.02 to be satisfied and to effect the Distribution on the Distribution Date.

(j) Prior to the Distribution, SpinCo shall make capital and other expenditures and operate its cash management, accounts payable and receivables collection systems in the ordinary course of business consistent with prior practice except as required in connection with the transactions contemplated by this Agreement and the Ancillary Agreements.

Section 4.02 Conditions Precedent to Consummation of the Distribution. Subject to Section 5.03, as soon as practicable after the date of this Agreement, the Parties shall use reasonable best efforts to satisfy the following conditions prior to the consummation of the Distribution. The obligations of the Parties to consummate the Distribution shall be conditioned on the satisfaction, or waiver by Nuance, of the following conditions:

(a) The board of directors of Nuance shall have authorized and approved the Contribution and Distribution and not withdrawn such authorization and approval, and shall have declared the dividend of SpinCo Common Stock to Nuance stockholders.

(b) Each Ancillary Agreement shall have been executed by each party to such agreement.

(c) The SpinCo Common Stock shall have been accepted for listing on the Exchange or another national securities exchange approved by Nuance, subject to official notice of issuance.

(d) The Commission shall have declared effective the Form 10, no stop order suspending the effectiveness of the Form 10 shall be in effect and no proceedings for that purpose shall be pending before or threatened by the Commission.

(e) Nuance shall have received the written opinion of Paul, Weiss, Rifkind, Wharton & Garrison LLP, which shall remain in full force and effect, that, subject to the accuracy of and compliance with the relevant Representation Letter, the Distribution will qualify for Tax-Free Status.

(f) The Separation Transactions shall have been completed in accordance with the Separation Step Plan (other than those steps that are expressly contemplated to occur at or after the Distribution).

(g) No order, injunction or decree issued by any Governmental Authority of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Distribution shall be in effect, and no other event outside the control of Nuance shall have occurred, or failed to occur, that prevents the consummation of the Distribution.

(h) No other events or developments shall have occurred prior to the Distribution that, in the judgment of the board of directors of Nuance, would result in the Distribution having a material adverse effect on Nuance or the stockholders of Nuance.

(i) The actions set forth in Sections 4.01(b), (f), (g) and (h) shall have been completed.

The foregoing conditions are for the sole benefit of Nuance and shall not give rise to or create any duty on the part of Nuance or the Nuance board of directors to waive, or not waive, such conditions or in any way limit the right of Nuance to terminate this Agreement as set forth in Article X or alter the consequences of any such termination from those specified in such Article. Any determination made by the Nuance board of directors prior to the Distribution concerning the satisfaction or waiver of any or all of the conditions set forth in this Section 4.02 shall be conclusive.

## ARTICLE V

### THE DISTRIBUTION

#### Section 5.01 The Distribution.

(a) SpinCo shall cooperate with Nuance to accomplish the Distribution and shall, at the direction of Nuance, use its reasonable best efforts to promptly take any and all actions necessary or desirable to effect the Distribution. Nuance shall select any investment bank or manager in connection with the Distribution, as well as any financial printer, distribution agent and financial, legal, accounting and other advisors for Nuance. Nuance or SpinCo, as the case may be, will provide, or cause the applicable member of its Group to provide, to the Agent all share certificates and any information required in order to complete the Distribution.

(b) Subject to the terms and conditions set forth in this Agreement, (i) after completion of the Separation Transactions (other than the Distribution) and on or prior to the Distribution Date, for the benefit of and distribution to the holders of Nuance Common Stock as of the Record Date ("Record Holders"), Nuance will deliver to the Agent at least 80.1% of the issued and outstanding shares of SpinCo Common Stock and book-entry authorizations for such shares and (ii) on the Distribution Date, Nuance shall instruct the Agent to distribute, by means of

a pro rata dividend based on the aggregate number of shares of Nuance Common Stock held by each applicable Record Holder, to each Record Holder (or such Record Holder's bank or brokerage firm on such Record Holder's behalf) electronically, by direct registration in book-entry form, the number of shares of SpinCo Common Stock to which such Record Holder is entitled based on a distribution ratio determined by Nuance in its sole discretion. The Distribution shall be effective at \_\_\_\_\_ New York City time on the Distribution Date. On or as soon as practicable after the Distribution Date, the Agent will mail to each Record Holder an account statement indicating the number of shares of SpinCo Common Stock that have been registered in book-entry form in the name of such Record Holder.

Section 5.02 Fractional Shares. Record Holders holding a number of shares of Nuance Common Stock on the Record Date that would entitle such holders to receive less than one whole share (in addition to any whole shares) of SpinCo Common Stock in the Distribution will receive cash in lieu of such fractional share. Fractional shares of SpinCo Common Stock will not be distributed in the Distribution nor credited to book-entry accounts. Nuance shall cause the Agent to, as soon as practicable after the date on which "when-issued" trading of the SpinCo Common Stock begins on the Exchange, (a) determine the number of whole shares and fractional shares of SpinCo Common Stock allocable to each Record Holder and (b) aggregate all fractional shares into whole shares and sell the whole shares obtained thereby in open market transactions at then prevailing trading prices on behalf of holders who would otherwise be entitled to fractional share interests. Nuance shall cause the Agent to, as soon as practicable after the Distribution Date, distribute to each such holder, or for the benefit of each beneficial owner, such holder's or owner's ratable share of the net proceeds of such sale, based upon the average gross selling price per share of SpinCo Common Stock after making appropriate deductions for any amount required to be withheld under applicable Tax Law and less any brokers' charges, commissions or transfer Taxes. The Agent, in its sole discretion, will determine the timing and method of selling such fractional shares, the selling price of such fractional shares and the broker-dealer through which such fractional shares will be sold; provided, however, that the designated broker-dealer is not an Affiliate of Nuance or SpinCo. Neither Nuance nor SpinCo will pay any interest on the proceeds from the sale of fractional shares.

Section 5.03 Sole Discretion of Nuance. Nuance shall, in its sole and absolute discretion, determine the Record Date, the Distribution Date and all terms of the Distribution, including the form, structure and terms of any transactions or offerings to effect the Distribution and the timing of and conditions to the consummation thereof. In addition, and notwithstanding anything to the contrary set forth below, Nuance may at any time and from time to time until the Distribution decide to abandon the Distribution or modify or change the terms of the Distribution, including by accelerating or delaying the timing of the consummation of all or part of the Distribution.

## ARTICLE VI

### MUTUAL RELEASES; INDEMNIFICATION

#### Section 6.01 Release of Pre-Distribution Claims.

(a) Except as provided in Section 6.01(c) or elsewhere in this Agreement or the Ancillary Agreements effective as of the Distribution, SpinCo does hereby, for itself and each other member of the SpinCo Group, their respective Affiliates, and to the extent it may legally do so, its successors and assigns, and all Persons who at any time on or prior to the Distribution have been stockholders, directors, officers, members, agents or employees of any member of the SpinCo Group (in each case, in their respective capacities as such), remise, release and forever discharge Nuance and the other members of the Nuance Group, their respective Affiliates, successors and assigns, and all Persons who at any time on or prior to the Distribution have been stockholders, directors, officers, members, agents or employees of any member of the Nuance Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all SpinCo Liabilities whatsoever, whether at Law or in equity (including any right of contribution), whether arising under any Contract, by operation of Law or otherwise, existing or arising from any acts or events occurring, or failing to occur, or alleged to have occurred, or to have failed to occur, or any conditions existing or alleged to have existed on or before the Distribution, including in connection with the Spin-Off and all other activities to implement the Spin-Off. This Section 6.01(a) shall not affect Nuance's indemnification obligations with respect to Liabilities arising on or before the Distribution Date under Article XI of its Amended and Restated Certificate of Incorporation and Section 6 of Article VII of its Amended and Restated Bylaws, as in effect on the date on which the event or circumstances giving rise to such indemnification obligation occur.

(b) Except as provided in Section 6.01(c) or elsewhere in this Agreement or the Ancillary Agreements, effective as of the Distribution, Nuance does hereby, for itself and each other member of the Nuance Group, their respective Affiliates, and to the extent it may legally do so, its successors and assigns, and all Persons who at any time on or prior to the Distribution have been stockholders, directors, officers, agents or employees of any member of the Nuance Group (in each case, in their respective capacities as such), remise, release and forever discharge SpinCo, the other members of the SpinCo Group, their respective Affiliates, successors and assigns, and all Persons who at any time on or prior to the Distribution have been stockholders, directors, officers, agents or employees of any member of the SpinCo Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Nuance Liabilities whatsoever, whether at Law or in equity (including any right of contribution), whether arising under any Contract, by operation of Law or otherwise, existing or arising from any acts or events occurring, or failing to occur, or alleged to have occurred, or to have failed to occur, or any conditions existing, or alleged to have existed, on or before the Distribution, including in connection with the Spin-Off and all other activities to implement the Spin-Off.

(c) Nothing contained in Section 6.01(a) or (b) shall impair any right of any Person to enforce this Agreement, any Ancillary Agreement or any Intercompany Agreement

or Intercompany Account that is specified in Section 2.03(b) not to terminate as of the Distribution, in each case in accordance with its terms. Nothing contained in Section 6.01(a) or (b) shall release:

(i) any Person from any Liability provided in or resulting from any Contract among any members of the Nuance Group or the SpinCo Group that is specified in Section 2.03(b) as not to terminate as of the Distribution, or any other Liability specified in such Section 2.03(b) as not to terminate as of the Distribution;

(ii) any Person from any Liability, contingent or otherwise, assumed, transferred, assigned or allocated to the Group of which such Person is a member in accordance with, or any other Liability of any member of any Group under, this Agreement or any Ancillary Agreement;

(iii) any Person from any Liability provided in or resulting from any other Contract or agreement that is entered into after the Distribution between one Party (or a member of such Party's Group), on the one hand, and the other Party (or a member of such Party's Group), on the other hand;

(iv) any Person from any Liability that the Parties may have with respect to indemnification or contribution pursuant to this Agreement or any Ancillary Agreement for claims brought against the Parties, the members of their respective Groups or any of their respective directors, officers, employees or agents, by third Persons, which Liability shall be governed by the provisions of this Article VI or, if applicable, the appropriate provisions of the relevant Ancillary Agreement; or

(v) any Person from any Liability the release of which would result in the release of any Person not otherwise intended to be released pursuant to this Section 6.01.

(d) SpinCo shall not make, and shall not permit any other member of the SpinCo Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against Nuance or any other member of the Nuance Group, or any other Person released pursuant to Section 6.01(a), with respect to any Liabilities released pursuant to Section 6.01(a). Nuance shall not make, and shall not permit any other member of the Nuance Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification against SpinCo or any other member of the SpinCo Group, or any other Person released pursuant to Section 6.01(b), with respect to any Liabilities released pursuant to Section 6.01(b).

(e) It is the intent of each of Nuance and SpinCo, by virtue of the provisions of this Section 6.01, to provide for a full and complete release and discharge of all Liabilities existing or arising from all acts and events occurring, or failing to occur, or alleged to have occurred, or to have failed to occur, and all conditions existing or alleged to have existed on or before the Distribution Date, between or among SpinCo or any other member of the SpinCo Group, on the one hand, and Nuance or any other member of the Nuance Group, on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or

among any such members on or before the Distribution Date), except as expressly set forth in Section 6.01(c) or elsewhere in this Agreement or in any Ancillary Agreement. At any time, at the request of the other Party, each Party shall cause each member of its respective Group to execute and deliver releases reflecting the provisions hereof.

Section 6.02 Indemnification by SpinCo. Subject to Section 6.04, SpinCo shall indemnify, defend and hold harmless Nuance, each other member of the Nuance Group and each of their respective former and current directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "Nuance Indemnitees"), from and against any and all Liabilities of the Nuance Indemnitees relating to, arising out of or resulting from any of the following items (without duplication):

- (a) the SpinCo Liabilities, including the failure of SpinCo or any other member of the SpinCo Group or any other Person to pay, perform or otherwise promptly discharge any SpinCo Liability in accordance with its terms;
- (b) any breach by SpinCo or any other member of the SpinCo Group of this Agreement, or any Ancillary Agreement, unless such Ancillary Agreement expressly provides for separate indemnification therein (which shall be controlling); and
- (c) any breach by SpinCo of any of the representations and warranties made by SpinCo on behalf of itself and the members of the SpinCo Group in Section 12.01(c).

Section 6.03 Indemnification by Nuance. Subject to Section 6.04, Nuance shall indemnify, defend and hold harmless SpinCo, each other member of the SpinCo Group and each of their respective former and current directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "SpinCo Indemnitees"), from and against any and all Liabilities of the SpinCo Indemnitees relating to, arising out of or resulting from any of the following items (without duplication):

- (a) the Nuance Liabilities, including the failure of Nuance or any other member of the Nuance Group, or any other Person, to pay, perform or otherwise promptly discharge any Nuance Liability in accordance with its terms;
- (b) any breach by Nuance or any other member of the Nuance Group of this Agreement or any Ancillary Agreement unless such Ancillary Agreement expressly provides for separate indemnification therein (which shall be controlling); and
- (c) any breach by Nuance of any of the representations and warranties made by Nuance on behalf of itself and the members of the Nuance Group in Section 12.01(c).

Section 6.04 Indemnification Obligations Net of Insurance Proceeds and Third-Party Proceeds.

- (a) The Parties intend that any Liability subject to indemnification or reimbursement pursuant to this Agreement will be net of (i) Insurance Proceeds that actually reduce the amount of, or are paid to the applicable Indemnitee in respect of, such Liability and (ii) other amounts recovered from any third party (net of any out-of-pocket costs or expenses)

incurred in, or Taxes imposed with respect to, the collection thereof) that actually reduce the amount of, or are paid to the applicable Indemnitee in respect of, such Liability (“Third-Party Proceeds”). Accordingly, the amount that either Party (an “Indemnifying Party”) is required to pay to any Person entitled to indemnification or reimbursement pursuant to this Agreement (an “Indemnitee”) will be reduced by any Insurance Proceeds or Third-Party Proceeds theretofore actually recovered by or on behalf of the Indemnitee from a third party in respect of the related Liability. If an Indemnitee receives a payment required by this Agreement from an Indemnifying Party in respect of any Liability (an “Indemnity Payment”) and subsequently receives Insurance Proceeds or Third-Party Proceeds in respect of such Liability, then the Indemnitee will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if such Insurance Proceeds or Third-Party Proceeds had been received, realized or recovered before the Indemnity Payment was made; provided, that for the avoidance of doubt, such amount shall not exceed the amount of the Indemnity Payment.

(b) An insurer that would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or have any subrogation rights with respect thereto by virtue of the indemnification provisions hereof, it being expressly understood and agreed that no insurer or any other third party shall be entitled to a “wind-fall” (*i.e.*, a benefit it would not be entitled to receive in the absence of the indemnification provisions) by virtue of the indemnification provisions hereof. Subject to Section 6.10, each member of the Nuance Group and SpinCo Group shall use reasonable best efforts to collect or recover any Insurance Proceeds and any Third-Party Proceeds to which such Person is entitled in connection with any Liability for which such Person seeks indemnification pursuant to this Article VI; provided, however, that such Person’s inability to collect or recover any such Insurance Proceeds or Third-Party Proceeds shall not limit the Indemnifying Party’s obligations hereunder.

(c) The calculation of any Indemnity Payments required by this Agreement shall be subject to Section 12.02 of the TMA.

#### Section 6.05 Procedures for Indemnification of Third-Party Claims.

(a) If an Indemnitee shall receive notice or otherwise learn of a Third-Party Claim with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnitee pursuant to this Agreement (including Article III), such Indemnitee shall give such Indemnifying Party written notice thereof as soon as reasonably practicable, but no later than thirty (30) days after becoming aware of such Third-Party Claim. Any such notice shall describe the Third-Party Claim in reasonable detail and shall include: (i) the basis for, and nature of, such Third-Party Claim, including the facts constituting the basis for such Third-Party Claim; (ii) the estimated amount of losses (to the extent so estimable) that have been or may be sustained by the Indemnitee in connection with such Third-Party Claim; and (iii) copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third-Party Claim; provided, however, that any such notice need only specify such information to the knowledge of the Indemnitee as of the date of such notice and shall not limit or prejudice any of the rights or remedies of any Indemnitee on the basis of any limitations on the information included in such notice, including any such limitations made in good faith to preserve the attorney-client privilege, work product doctrine or any other similar privilege or doctrine. Notwithstanding



the foregoing, the failure of any Indemnatee or other Person to give notice as provided in this Section 6.05(a) shall not relieve the related Indemnifying Party of its obligations under this Article VI, except to the extent that such Indemnifying Party is actually prejudiced by such failure to give notice in accordance with this Section 6.05(a).

(b) The Indemnifying Party shall have the right, exercisable by written notice to the Indemnatee within thirty (30) calendar days after receipt of notice from an Indemnatee in accordance with Section 6.05(a) (or sooner, if the nature of such Third-Party Claim so requires), to assume and conduct the defense of such Third-Party Claim in accordance with the limits set forth in this Agreement with counsel selected by the Indemnifying Party and reasonably acceptable to the Indemnatee; provided, however, that (x) SpinCo shall not be entitled to control the defense of any Third-Party Claim in respect of a Mixed Action and (y) the Indemnifying Party shall not have the right to control the defense of any Third-Party Claim (i) to the extent such Third-Party Claim seeks criminal penalties or injunctive or other equitable relief (other than any such injunctive or other equitable relief that is solely incidental to the granting of money damages) or (ii) if the Indemnatee has reasonably determined in good faith that the Indemnifying Party controlling such defense will affect the Indemnatee or its Group in a materially adverse manner.

(c) If the Indemnifying Party elects not to assume the defense of a Third-Party Claim (or is not permitted to assume the defense of such Third-Party Claim) in accordance with this Agreement, or fails to notify an Indemnatee of its election as provided in Section 6.05(b), such Indemnatee may defend such Third-Party Claim. If the Indemnifying Party elects (and is permitted) to assume the defense of a Third-Party Claim in accordance with the terms of this Agreement, the Indemnitees shall, subject to the terms of this Agreement, cooperate with the Indemnifying Party with respect to the defense of such Third-Party Claim.

(d) If the Indemnifying Party elects (and is permitted) to assume the defense of a Third-Party Claim in accordance with the terms of this Agreement, the Indemnifying Party will not be liable for any additional legal expenses subsequently incurred by the Indemnatee in connection with the defense of the Third-Party Claim; provided, however, that if the Indemnifying Party fails to take reasonable steps necessary to defend diligently such Third-Party Claim, or the nature of such Third-Party Claim changes such that the Indemnifying Party would no longer be entitled to assume the defense of such Third-Party Claim pursuant to Section 6.05(b), the Indemnatee may assume its own defense, and the Indemnifying Party will be liable for all reasonable costs or expenses paid or incurred in connection with such defense. The Indemnifying Party or the Indemnatee, as the case may be, shall have the right to participate in (but, subject to the prior sentence, not control), at its own expense, the defense of any Third-Party Claim that the other is defending as provided in this Agreement. In the event, however, that such Indemnatee reasonably determines that representation by counsel to the Indemnifying Party of both such Indemnifying Party and the Indemnatee could reasonably be expected to present such counsel with a conflict of interest, then the Indemnatee may employ separate counsel to represent or defend it in any such action or proceeding and the Indemnifying Party will pay the reasonable fees and expenses of such counsel.

(e) No Indemnifying Party shall consent to entry of any judgment or enter into any settlement of any Third-Party Claim without the consent of the applicable Indemnatee or Indemnitees; provided, however, that such consent shall not be required if the

judgment or settlement: (i) contains no finding or admission of Liability with respect to any such Indemnitee or Indemnitees; (ii) involves only monetary relief which the Indemnifying Party has agreed to pay; and (iii) includes a full and unconditional release of the Indemnitee or Indemnitees. Notwithstanding the foregoing, the consent of an Indemnitee shall be required for any entry of judgment or settlement if the effect thereof is to permit any injunction, declaratory judgment, other order or other non-monetary relief to be entered, directly or indirectly, against such Indemnitee.

(f) Whether or not the Indemnifying Party assumes the defense of a Third-Party Claim, no Indemnitee shall admit any liability with respect to, or settle, compromise or discharge, such Third-Party Claim without the Indemnifying Party's prior written consent (such consent not to be unreasonably withheld, conditioned or delayed).

Section 6.06 Additional Matters.

(a) Any claim on account of a Liability that does not result from a Third-Party Claim shall be asserted by written notice given by the Indemnitee to the related Indemnifying Party. Any failure by an Indemnitee to give notice shall not relieve the Indemnifying Party's indemnification obligations under this Agreement, except to the extent that the Indemnifying Party shall have been actually prejudiced by such failure. Such Indemnifying Party shall have a period of sixty (60) days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such 60-day period, such Indemnifying Party shall be deemed to have refused to accept responsibility to make payment. If such Indemnifying Party does not respond within such sixty-day (60-day) period, or rejects such claim in whole or in part, such Indemnitee shall be free to pursue such remedies as may be available to such Party as contemplated by this Agreement.

(b) In the event of payment by or on behalf of any Indemnifying Party to any Indemnitee in connection with any Third-Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third-Party Claim against any claimant or plaintiff asserting such Third-Party Claim or against any other Person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

Section 6.07 Remedies Cumulative. The remedies provided in this Article VI shall be cumulative and, subject to the provisions of Section 6.10, Article X and Article XII, shall not preclude assertion by any Indemnitee of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

Section 6.08 Covenant Not to Sue. Each Party hereby covenants and agrees that none of it, the members of such Party's Group or any Person claiming through it shall bring suit or otherwise assert any claim against any Indemnifying Party, or assert a defense against any claim asserted by any Indemnifying Party, before any court, arbitrator, mediator or administrative agency anywhere in the world, alleging that: (a) the assumption or retention of any SpinCo Liabilities by SpinCo or a member of the SpinCo Group on the terms and conditions set forth in this Agreement or the Ancillary Agreements is void or unenforceable for any reason; (b) the

assumption or retention of any Nuance Liabilities by Nuance or a member of the Nuance Group on the terms and conditions set forth in this Agreement or the Ancillary Agreements is void or unenforceable for any reason; or (c) the provisions of this Article VI are void or unenforceable for any reason.

Section 6.09 Survival of Indemnities. The rights and obligations of each of Nuance and SpinCo and their respective Indemnitees under this Article VI shall survive the sale or other transfer by any Party or its Affiliates of any Assets or businesses or the assignment by it of any Liabilities.

Section 6.10 Limitation on Liability. Except as may expressly be set forth in this Agreement or any Ancillary Agreement, none of Nuance, SpinCo or any other member of either Group shall in any event have any Liability to the other or to any other member of the other's Group, or to any other Nuance Indemnitee or SpinCo Indemnitee, as applicable, under this Agreement for any indirect, special, punitive or consequential damages, whether or not caused by or resulting from negligence or breach of obligations hereunder and whether or not informed of the possibility of the existence of such damages; provided, however, that the provisions of this Section 6.10 shall not limit an Indemnifying Party's indemnification obligations hereunder with respect to any Liability any Indemnitee may have to any third party not affiliated with any member of the Nuance Group or the SpinCo Group for any indirect, special, punitive or consequential damages. Notwithstanding the foregoing, nothing in this Section 6.10 shall limit the Liability of Nuance, SpinCo or any other member of either Group to the other or to any other member of the other's Group, or to any other Nuance Indemnitee or SpinCo Indemnitee, as applicable, with respect to breaches of Section 7.01, Section 7.04, Section 7.05, Section 7.07 or Section 7.09.

Section 6.11 Management of Existing Actions. This Section 6.11 shall govern the management and direction of certain pending Actions in which members of the Nuance Group or the SpinCo Group are named as parties, but shall not alter the allocation of Liabilities set forth in Article II.

(a) From and after the Distribution, the SpinCo Group shall direct the defense or prosecution of any Actions set forth on Schedule XVII.

(b) From and after the Distribution, the Nuance Group shall direct the defense or prosecution of any Actions set forth on Schedule XVIII.

(c) From and after the Distribution, the Parties shall separately but cooperatively manage (whether as co-defendants or co-plaintiffs) any Actions set forth on Schedule XIX ("Joint Actions"). The Parties shall cooperate in good faith and take all reasonable actions to provide for any appropriate joinder or change in named parties to such Joint Actions such that the appropriate member of each Party or Group is party thereto. The Parties shall reasonably cooperate and consult with each other and, to the extent permissible and necessary or advisable, maintain a joint defense in a manner that would preserve for both Parties and their respective Affiliates any attorney-client privilege, joint defense or other privilege with respect to any Joint Action. Notwithstanding anything to the contrary herein, and except as set forth on Schedule XIX, the Parties may jointly retain counsel (in which case the cost of counsel shall be shared equally by the Parties) or retain separate counsel (in which case each Party will bear the

cost of its separate counsel) with respect to any Joint Action; provided that the Parties shall bear their own discovery costs and shall share equally joint litigation costs. In any Joint Action, each of Nuance and SpinCo may pursue separate defenses, claims, counterclaims or settlements to those claims relating to the Nuance Business or the SpinCo Business, respectively; provided that each Party shall in good faith make reasonable best efforts to avoid adverse effects on the other Party.

(d) To the maximum extent permitted by applicable Law, the rights to recovery of each Party's Subsidiaries in respect of any past, present or future Action are hereby delegated to such Party. It is the intent of the Parties that the foregoing delegation shall satisfy any Law requiring such delegation to be effected pursuant to a power of attorney or similar instrument. The Parties and their respective Subsidiaries shall execute such further instruments or documents as may be necessary to effect such delegation.

(e) No Party managing an Action (the "Managing Party") pursuant to this Section 6.11 shall consent to entry of any judgment or enter into any settlement of any such Action without the prior written consent of the other Party (the "Non-Managing Party") (not to be unreasonably withheld, conditioned or delayed); provided, however, that such Non-Managing Party, including, in the case of a Joint Action, any co-defendant or co-plaintiff, shall be required to consent to such entry of judgment or to such settlement that the Managing Party may recommend if the judgment or settlement: (i) contains no finding or admission of any violation of Law or any violation of the rights of any Person; (ii) involves only monetary relief which the Managing Party has agreed to pay; and (iii) includes a full and unconditional release of the Non-Managing Party and its applicable related Persons. Notwithstanding the foregoing, in no event shall a Non-Managing Party be required to consent to an entry of judgment or settlement if the effect thereof is to permit any injunction, declaratory judgment, other order or other non-monetary relief to be entered, directly or indirectly, against the Non-Managing Party's Group (other than the determination of equitable relief incidental to the granting of monetary relief).

## ARTICLE VII

### ACCESS TO INFORMATION; PRIVILEGE; CONFIDENTIALITY

#### Section 7.01 Agreement for Exchange of Information; Archives.

(a) Except in the case of an Adversarial Action or threatened Adversarial Action, and subject to Section 7.01(b), each of Nuance and SpinCo, on behalf of its respective Group, shall provide, or cause to be provided, to the other Party, at any time after the Distribution, as soon as reasonably practicable after written request therefor, any Information relating to time periods on or prior to the Distribution Date in the possession or under the control of such respective Group, which Nuance or SpinCo, or any member of its respective Group, as applicable, reasonably needs: (i) to comply with reporting, disclosure, filing or other requirements imposed on Nuance or SpinCo, or any member of its respective Group, as applicable (including under applicable securities Laws), by any national securities exchange or any Governmental Authority having jurisdiction over Nuance or SpinCo, or any member of its respective Group, as applicable; (ii) for use in any other judicial, regulatory, administrative or other proceeding or in order to satisfy audit, accounting, regulatory, litigation or other similar requirements; or (iii) to comply with its obligations under this Agreement or any Ancillary Agreement; provided, that any

request for information pursuant to this Section 7.01 shall be made in good faith and limited to the extent reasonable to satisfy the good faith basis for such request. The receiving Party shall use any Information received pursuant to this Section 7.01(a) solely to the extent reasonably necessary to satisfy the applicable obligations or requirements described in clause (i), (ii) or (iii) of the immediately preceding sentence.

(b) In the event that either Nuance or SpinCo determines that the disclosure of any Information pursuant to Section 7.01(a) could be commercially detrimental, violate any Law or Contract or waive or jeopardize any attorney-client privilege, attorney work product protection or other similar privilege or doctrine, such Party shall not be required to provide access to or furnish such Information to the other Party; provided, however, that both Nuance and SpinCo shall take all commercially reasonable measures to permit compliance with Section 7.01(a) in a manner that avoids any such harm or consequence. Both Nuance and SpinCo intend that any provision of access to or the furnishing of Information pursuant to this Section 7.01 that would otherwise be within the ambit of any legal privilege shall not operate as waiver of such privilege.

Section 7.02 Ownership of Information. Any Information owned by one Group that is provided to the requesting Party hereunder shall be deemed to remain the property of the providing Party. Except as specifically set forth herein or in any Ancillary Agreement, nothing herein shall be construed as granting or conferring rights of license or otherwise in any such Information.

Section 7.03 Compensation for Providing Information. Nuance and SpinCo shall reimburse each other for the reasonable costs, if any, in complying with a request for Information pursuant to this Article VII (whether or not such Information was a SpinCo Asset or a Nuance Asset). Except as may be otherwise specifically provided elsewhere in this Agreement, such costs shall be computed in accordance with SpinCo's or Nuance's, as applicable, standard methodology and procedures, but shall not include any mark-up above actual costs.

Section 7.04 Record Retention. To facilitate the possible exchange of Information pursuant to this Article VII and other provisions of this Agreement, each Party shall use its reasonable best efforts to retain all Information in such Party's possession relating to the other Party or its businesses, Assets or Liabilities, this Agreement or the Ancillary Agreements in accordance with its respective record retention policies applicable to its own Information or such longer period as required by Law, this Agreement or the Ancillary Agreements. Each of Nuance and SpinCo shall use their reasonable best efforts to maintain and continue their respective Group's compliance with all "litigation holds" applicable to any Information in its possession for the pendency of the applicable matter.

Section 7.05 Accounting Information. Without limiting the generality of Section 7.01 but subject to Section 7.01(b):

(a) Until the end of the first full fiscal year occurring after the Distribution Date (and for a reasonable period of time afterwards or as required by Law for Nuance to prepare consolidated financial statements or complete a financial statement audit for any period during which the financial results of the SpinCo Group were consolidated with those of Nuance), SpinCo shall use its reasonable best efforts to enable Nuance to meet its timetable for

dissemination of its financial statements and to enable Nuance's auditors to timely complete their annual audit and quarterly reviews of financial statements. As part of such efforts, to the extent reasonably necessary for the preparation of financial statements or completing an audit or review of financial statements or an audit of internal control over financial reporting, (i) SpinCo shall authorize and direct its auditors to make available to Nuance's auditors, within a reasonable time prior to the date of Nuance's auditors' opinion or review report, both (x) the personnel who performed or will perform the annual audits and quarterly reviews of SpinCo and (y) work papers to the extent related to such annual audits and quarterly reviews, to enable Nuance's auditors to perform any procedures they consider reasonably necessary to take responsibility for the work of SpinCo's auditors as it relates to Nuance's auditors' opinion or report and (ii) until all governmental audits are complete, SpinCo shall provide reasonable access during normal business hours for Nuance's internal auditors, counsel and other designated representatives to (x) the premises of SpinCo and its Subsidiaries and all Information (and duplicating rights) within the knowledge, possession or control of SpinCo and its Subsidiaries and (y) the officers and employees of SpinCo and its Subsidiaries, so that Nuance may conduct reasonable audits relating to the financial statements provided by SpinCo and its Subsidiaries; provided, however, that such access shall not be unreasonably disruptive to the business and affairs of the SpinCo Group; provided, further, that, subject to Section 7.05(b), any request for access pursuant to this Section 7.05(a) shall be made in good faith and limited to the extent reasonable to satisfy the good faith basis for such request.

(b) Until the end of the first full fiscal year occurring after the Distribution Date (and for a reasonable period of time afterwards or as required by Law), Nuance shall use its reasonable best efforts to enable SpinCo to meet its timetable for dissemination of its financial statements and to enable SpinCo's auditors to timely complete their annual audit and quarterly reviews of financial statements. As part of such efforts, to the extent reasonably necessary for the preparation of financial statements or completing an audit or review of financial statements or an audit of internal control over financial reporting, (i) Nuance shall authorize and direct its auditors to make available to SpinCo's auditors, within a reasonable time prior to the date of SpinCo's auditors' opinion or review report, both (x) the personnel who performed or will perform the annual audits and quarterly reviews of Nuance and (y) work papers to the extent related to such annual audits and quarterly reviews, to enable SpinCo's auditors to perform any procedures they consider reasonably necessary to take responsibility for the work of Nuance's auditors as it relates to SpinCo's auditors' opinion or report and (ii) until all governmental audits are complete, Nuance shall provide reasonable access during normal business hours for SpinCo's internal auditors, counsel and other designated representatives to (x) the premises of Nuance and its Subsidiaries and all Information (and duplicating rights) within the knowledge, possession or control of Nuance and its Subsidiaries and (y) the officers and employees of Nuance and its Subsidiaries, so that SpinCo may conduct reasonable audits relating to the financial statements provided by Nuance and its Subsidiaries; provided, however, that such access shall not be unreasonably disruptive to the business and affairs of the Nuance Group.

(c) In order to enable the principal executive officer(s) and principal financial officer(s) (as such terms are defined in the rules and regulations of the Commission) of Nuance to make any certifications required of them under Section 302 or 906 of the Sarbanes-Oxley Act of 2002, SpinCo shall, within a reasonable period of time following a request from Nuance in anticipation of filing such reports, cause its principal executive officer(s) and principal

financial officer(s) to provide Nuance with certifications of such officers in support of the certifications of Nuance's principal executive officer(s) and principal financial officer(s) required under Section 302 or 906 of the Sarbanes-Oxley Act of 2002 with respect to (i) Nuance's Quarterly Report on Form 10-Q filed with respect to the fiscal quarter during which the Distribution Date occurs (unless such quarter is the fourth fiscal quarter), (ii) to the extent applicable, each subsequent fiscal quarter through the third fiscal quarter of the year in which the Distribution Date occurs and (iii) Nuance's Annual Report on Form 10-K filed with respect to the fiscal year during which the Distribution Date occurs. Such certifications shall be provided in substantially the same form and manner as such SpinCo officers provided prior to the Distribution (reflecting any changes in certifications necessitated by the Spin-Off or any other transactions related thereto) or as otherwise agreed upon between Nuance and SpinCo.

Section 7.06 Limitations of Liability.

(a) Each of Nuance (on behalf of itself and each other member of the Nuance Group) and SpinCo (on behalf of itself and each other member of the SpinCo Group) understands and agrees that neither Party is representing or warranting in any way as to the accuracy or sufficiency of any Information exchanged or disclosed under this Agreement.

(b) Neither Nuance nor SpinCo shall have any Liability to the other Party in the event that any Information exchanged or provided pursuant to this Agreement that is an estimate or forecast, or that is based on an estimate or forecast, is found to be inaccurate in the absence of willful misconduct by the providing Person. Neither Nuance nor SpinCo shall have any Liability to the other Party if any Information is destroyed after reasonable best efforts by SpinCo or Nuance, as applicable, to comply with the provisions of Section 7.04.

Section 7.07 Production of Witnesses; Records; Cooperation.

(a) Without limiting any of the rights or obligations of the Parties pursuant to Section 7.01 or Section 7.04, after the Distribution Date, except in the case of an Adversarial Action or threatened or contemplated Adversarial Action, each of Nuance and SpinCo shall use their reasonable best efforts to make available, upon written request: (i) the former, current and future directors, officers, employees, other personnel and agents of the Persons in its respective Group (whether as witnesses or otherwise); and (ii) any books, records or other documents within its control or that it otherwise has the ability to make available, in each case, to the extent that such Person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with any Action, Commission comment or review or threatened or contemplated Action, Commission comment or review (including preparation for any such Action, Commission comment or review) in which either Nuance or SpinCo or any Person or Persons in its Group, as applicable, may from time to time be involved, regardless of whether such Action, Commission comment or review or threatened or contemplated Action, Commission comment or review is a matter with respect to which indemnification may be sought hereunder. The requesting Party shall bear all reasonable out-of-pocket costs and expenses in connection therewith.

(b) Without limiting the foregoing, Nuance and SpinCo shall use their reasonable best efforts to cooperate and consult with each other to the extent reasonably necessary

with respect to any Actions or threatened or contemplated Actions (including in connection with preparation for any such Action), other than an Adversarial Action or threatened or contemplated Adversarial Action.

(c) The obligation of Nuance and SpinCo, pursuant to this Section 7.07, to use their reasonable best efforts to make available former, current and future directors, officers, employees and other personnel and agents or provide witnesses and experts, except in the case of an Adversarial Action or threatened or contemplated Adversarial Action, is intended to be interpreted in a manner so as to facilitate cooperation and shall include the obligation to make available employees and other officers without regard to whether such individual or the employer of such individual could assert a possible business conflict. Without limiting the foregoing, each of Nuance and SpinCo agrees that neither it nor any Person or Persons in its respective Group will take any adverse action against any employee of its Group based on such employee's provision of assistance or information to each other pursuant to this Section 7.07.

Section 7.08 Privileged Matters.

(a) The Parties recognize that legal and other professional services that have been and will be provided prior to the Distribution (whether by outside counsel, in-house counsel or other legal professionals) have been and will be rendered for the collective benefit of Nuance and its Subsidiaries (in such capacity). Solely for purposes of asserting privileges which may be asserted under applicable law, and without limiting the provisions of Section 7.10, each of the members of the Nuance Group and the SpinCo Group shall be deemed to have been the client in connection with such services with respect to periods prior to the Distribution. The Parties recognize that legal and other professional services will be provided following the Distribution, which services will be rendered solely for the benefit of the Nuance Group or the SpinCo Group, as the case may be.

(b) The Parties agree as follows:

(i) Nuance shall be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any privileged Information that relates solely to the Nuance Business or the Distribution and not to the operations of the SpinCo Business, whether or not the privileged Information is in the possession or under the control of any member of the Nuance Group or any member of the SpinCo Group. Nuance shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any privileged Information that relates solely to any Nuance Assets or Nuance Liabilities, and not any SpinCo Assets or SpinCo Liabilities, in connection with any Actions that are now pending or may be asserted in the future, whether or not the privileged Information is in the possession or under the control of any member of the Nuance Group or any member of the SpinCo Group;

(ii) SpinCo shall be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any privileged Information that relates solely to the operations of the SpinCo Business and not to the Nuance Business or the Distribution, whether or not the privileged Information is in the possession or under the control of any member of the SpinCo Group or any member of the



Nuance Group. SpinCo shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any privileged Information that relates solely to any SpinCo Assets or SpinCo Liabilities and not any Nuance Assets or Nuance Liabilities in connection with any Actions that are now pending or may be asserted in the future, whether or not the privileged Information is in the possession or under the control of any member of the SpinCo Group or any member of the Nuance Group; and

(iii) If the Parties do not agree as to whether certain information is privileged Information, then such Information shall be treated as privileged Information, and the Party that believes that such information is privileged Information shall be entitled to control the assertion or waiver of all privileges and immunities in connection with any such information until such time as it is finally judicially determined that such information is not privileged Information or unless the Parties otherwise agree.

(c) Subject to the remaining provisions of this Section 7.08, the Parties agree that Nuance shall be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities not allocated pursuant to Section 7.08(b) in connection with any Actions, or threatened or contemplated Actions, or other matters that involve both Parties (or one or more members of their respective Groups) and in respect of which both Parties have Liabilities under this Agreement. Upon the reasonable request of Nuance or SpinCo, in connection with any Action or threatened or contemplated Action contemplated by this Article VII, other than any Adversarial Action or threatened or contemplated Adversarial Action, Nuance and SpinCo will enter into a mutually acceptable common interest agreement so as to maintain to the extent practicable any applicable attorney-client privilege, work product immunity or similar privilege or immunity of any member of either Group.

(d) If any dispute arises between the Parties or any members of their respective Group regarding whether a privilege or immunity should be waived to protect or advance the interests of either Party or any member of their respective Groups, each Party agrees that it shall: (i) negotiate with the other Party in good faith; (ii) endeavor to minimize any prejudice to the rights of the other Party and the members of its Group; and (iii) not unreasonably withhold, delay or condition consent to any request for waiver by the other Party.

(e) Upon receipt by either Party, or by any member of its respective Group, of any subpoena, discovery or other request (or of written notice that it will receive or has received such subpoena, discovery or other request) that may reasonably be expected to result in the production or disclosure of privileged Information subject to a shared privilege or immunity or as to which the other Party has the sole right hereunder to assert a privilege or immunity, or if either Party obtains knowledge or becomes aware that any of its, or any member of its respective Group's, current or former directors, officers, agents or employees have received any subpoena, discovery or other requests (or have received written notice that they will receive or have received such subpoena, discovery or other requests) that may reasonably be expected to result in the production or disclosure of such privileged Information, such Party shall promptly notify the other Party of the existence of any such subpoena, discovery or other request and shall provide the other Party a reasonable opportunity to review the privileged Information and to assert any rights it or they may have, under this Section 7.08 or otherwise, to prevent the production or disclosure of such privileged Information; provided, that if such Party is prohibited by applicable Law from disclosing

the existence of such subpoena, discovery or other request, such Party shall provide written notice of such related information for which disclosure is not prohibited by applicable Law and use reasonable best efforts to inform the other Party of any related information such Party reasonably determines is necessary or appropriate for the other Party to be informed of to enable the other Party to review the privileged Information and to assert its rights, under this Section 7.08 or otherwise, to prevent the production or disclosure of such privileged Information.

(f) The Parties agree that their respective rights to any access to Information, witnesses and other Persons, the furnishing of notices and documents and other cooperative efforts between the Parties contemplated by this Agreement, and the transfer of privileged Information between the Parties and members of their respective Groups pursuant to this Agreement, shall not be deemed a waiver of any privilege that has been or may be asserted under this Agreement or otherwise. The Parties further agree that: (i) the exchange by one Party to the other Party of any Information that should not have been exchanged pursuant to the terms of Section 7.09 shall not be deemed to constitute a waiver of any privilege or immunity that has been or may be asserted under this Agreement or otherwise with respect to such privileged Information; and (ii) the Party receiving such privileged Information shall promptly return such privileged Information to the Party who has the right to assert the privilege or immunity.

#### Section 7.09 Confidential Information.

(a) Each of Nuance and SpinCo, on behalf of itself and each Person in its respective Group, shall hold, and cause its respective directors, officers, employees, agents, accountants, subcontractors, counsel and other advisors and representatives (each, a "Representative") to hold, in strict confidence, not release or disclose and protect with at least the same degree of care, but no less than a reasonable degree of care, that it applies to its own confidential and proprietary information pursuant to policies in effect as of the Distribution Date, all confidential or proprietary Information concerning the other Group or its business that is either in its possession (including such Information in its possession prior to the Distribution) or furnished by the other Group or its respective Representatives at any time pursuant to this Agreement or any Ancillary Agreement, and shall not use any such Information other than for such purposes as shall be expressly permitted hereunder or thereunder, except, in each case, to the extent that such Information is: (i) in the public domain through no fault of any member of the Nuance Group or the SpinCo Group, as applicable, or any of its respective Representatives; (ii) later lawfully acquired from other sources by any of Nuance, SpinCo or its respective Group, Representatives, as applicable, which sources are not themselves bound by a confidentiality obligation to the knowledge of any of Nuance, SpinCo or Persons in its respective Group, as applicable; (iii) independently generated after the date hereof without reference to any proprietary or confidential Information of the Nuance Group or the SpinCo Group, as applicable; or (iv) required to be disclosed by Law; provided, however, that the Person required to disclose such Information gives the applicable Person prompt and, to the extent reasonably practicable and legally permissible, prior notice of such disclosure and an opportunity to contest such disclosure and shall use reasonable best efforts to cooperate, at the expense of the requesting Person, in seeking any reasonable protective arrangements requested by such Person. In the event that such appropriate protective order or other remedy is not obtained, the Person that is required to disclose such Information shall furnish, or cause to be furnished, only that portion of such Information that is legally required to be disclosed and shall use reasonable best efforts to ensure that confidential

treatment is accorded such Information. Notwithstanding the foregoing, each of Nuance and SpinCo may release or disclose, or permit to be released or disclosed, any such confidential or proprietary Information concerning the other Group (x) to their respective Representatives who need to know such Information (who shall be advised of the obligations hereunder with respect to such Information) and (y) to any nationally recognized statistical rating organization as it reasonably deems necessary, solely for the purpose of obtaining a rating of securities or other debt instruments upon normal terms and conditions; provided, however, that, with respect to clause (x) hereof: (i) such Representatives shall keep such Information confidential and will not disclose such Information to any other Person; (ii) such Representatives shall not use such non-public information in a manner that is detrimental to the interests of the Party whose Information is being disclosed; and (iii) each Party agrees that it is responsible to the other Party for any action or failure to act that would constitute a breach or violation of this Section 7.09(a) by any such Representative; and, with respect to clause (y) hereof, the Party whose Information is being disclosed or released to such rating organization is promptly notified thereof.

(b) Without limiting the foregoing, when any confidential or proprietary Information concerning the other Group or its business is no longer needed for the purposes contemplated by this Agreement or any Ancillary Agreement, each of Nuance and SpinCo will, promptly after the request of the other Party, either return all such Information in a tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or certify to the other Party, as applicable, that it has destroyed such Information, other than, in each case, any such Information electronically preserved or recorded within any computerized data storage device or component (including any hard-drive or database) pursuant to automatic or routine backup procedures generally accessible only by legal, IT or compliance personnel.

(c) Notwithstanding anything to the contrary in this Agreement and without prejudice to whether any such device would constitute a SpinCo Asset, SpinCo shall, and shall cause its Group members and their respective employees and other personnel to, at SpinCo's sole cost and expense, promptly provide to Nuance any personal computing devices, mobile devices, data storage equipment or devices or other similar equipment or devices used in the SpinCo Business as may be requested by Nuance in connection with obtaining, removing, deleting, copying or otherwise accessing therefrom, or confirming the absence therein of, any Information of or related to the Nuance Business or for any other valid business purpose. If requested by SpinCo, Nuance shall, at Nuance's election, return such device upon completion of Nuance's use thereof or provide a suitable replacement or cost reimbursement therefor. In addition and without limiting the foregoing, SpinCo shall, and shall cause its Group members and their respective employees and other personnel to, at SpinCo's sole cost and expense, promptly provide to Nuance any such Information of or related to the Nuance Business in any of their respective possession or control, or, subject to SpinCo's rights thereto under the Intellectual Property Agreement (if applicable), permanently delete and destroy the same and certify (and represent) such deletion and destruction to Nuance in writing, executed by an executive officer of SpinCo, in each case as may be requested by Nuance.

Section 7.10 Conflicts Waiver. Each of the Parties acknowledges, on behalf of itself and each other member of its Group, notwithstanding anything to the contrary contained herein, that Nuance has retained Paul, Weiss, Rifkind, Wharton & Garrison LLP and Baker McKenzie (collectively, the "Known Counsel") to act as its counsel in connection with this

Agreement, the Ancillary Agreements and the transactions contemplated hereby and thereby. SpinCo hereby agrees on behalf of itself and each member of its Group that, notwithstanding anything to contrary contained herein, in the event that a dispute arises between or among (x) any member of the SpinCo Group, any SpinCo Indemnitee or any of their respective Affiliates, on the one hand, and (y) any member of the Nuance Group, any Nuance Indemnitee or any of their respective Affiliates, on the other hand, any Known Counsel may represent any member of the Nuance Group, any Nuance Indemnitee or any of their respective Affiliates in such dispute even though the interests of such Person may be directly adverse to any Person described in clause (x), and even though such Known Counsel may have represented a Person described in clause (x), in a matter substantially related to such dispute, or may be handling ongoing matters for a Person described in clause (x), and SpinCo hereby waives, on behalf of itself and each other Person described in clause (x), as applicable, any conflict of interest in connection with such representation by such Known Counsel. Each of SpinCo and Nuance, on behalf of itself and each other member of its Group, agrees to take, and to cause their respective then-Affiliates to take, all steps necessary to implement the intent of this Section 7.10. Each of SpinCo and Nuance, on behalf of itself and each other member of its Group, further agrees that each Known Counsel and its respective partners and employees are third party beneficiaries of this Section 7.10.

## ARTICLE VIII

### INSURANCE

Section 8.01 Maintenance of Insurance. Until the Distribution Date, Nuance shall (i) cause the members of the SpinCo Group and their respective employees, officers and directors to continue to be covered as insured parties under Nuance's policies of insurance in a manner which is no less favorable than the coverage provided for the Nuance Group and (ii) permit the members of the SpinCo Group and their respective employees, officers and directors to submit claims relating to, arising out of or resulting from facts, circumstances, events or matters that occurred prior to the Distribution Date to the extent permitted under such policies. With respect to policies currently procured by SpinCo for the sole benefit of the SpinCo Group, SpinCo shall continue to maintain such insurance coverage through the Distribution Date in a manner no less favorable than currently provided. Except as otherwise expressly permitted in this Article VIII, Nuance and SpinCo acknowledge that, as of immediately prior to the Distribution Date, Nuance intends to take such action as it may deem necessary or desirable to remove the members of the SpinCo Group and their respective employees, officers and directors as insured parties under any policy of insurance issued to any member of the Nuance Group by any insurance carrier effective immediately prior to the Distribution Date. The SpinCo Group will not be entitled on or following the Distribution Date, absent mutual agreement otherwise, to make any claims for insurance thereunder to the extent such claims are based upon facts, circumstances, events or matters occurring on or after the Distribution Date or, subject to Section 8.02, to the extent any claims are made pursuant to any Nuance claims-made policies on or after the Distribution Date. No member of the Nuance Group shall be deemed to have made any representation or warranty as to the availability of any coverage under any such insurance policy. Notwithstanding the foregoing, Nuance shall, and shall cause the other members of the Nuance Group to, use reasonable best efforts to cause all insurance policies of the Nuance Group that immediately prior to the Distribution provide coverage to or with respect to the members of the SpinCo Group and their respective employees, officers and directors to continue to provide such coverage with respect to

acts, omissions or events occurring prior to the Distribution in accordance with their terms as if the Distribution had not occurred; provided, however, that in no event shall Nuance be required to extend or maintain coverage under claims-made policies with respect to any claims first made against a member of the SpinCo Group or first reported to the insurer on or after the Distribution.

Section 8.02 Claims Under Nuance Insurance Policies.

(a) On and after the Distribution Date, the members of each of the Nuance Group and the SpinCo Group shall have the right to assert Nuance Policy Pre-Separation Insurance Claims and the members of the SpinCo Group shall have the right to participate with Nuance to resolve Nuance Policy Pre-Separation Insurance Claims under the applicable Nuance insurance policies up to the full extent of the applicable and available limits of liability of such policy. Nuance shall have primary control over those Nuance Policy Pre-Separation Insurance Claims for which the Nuance Group or the SpinCo Group, respectively, bears the underlying loss, subject to the terms and conditions of the relevant policy of insurance governing such control. If a member of the SpinCo Group is unable to assert a Nuance Policy Pre-Separation Insurance Claim because it is no longer an “insured” under a Nuance insurance policy, then Nuance shall, to the extent permitted by applicable Law and the terms of such insurance policy, assert such claim in its own name and deliver the Insurance Proceeds to SpinCo.

(b) With respect to Nuance Policy Pre-Separation Insurance Claims, whether or not known or reported on or prior to the Distribution Date, SpinCo shall, or shall cause the applicable member of the SpinCo Group to, report such claims arising from the SpinCo Business as soon as practicable to each of Nuance and the applicable insurer(s), and SpinCo shall, or shall cause the applicable member of SpinCo Group to, individually, and not jointly, assume and be responsible (including, upon the request of Nuance, by reimbursement to Nuance for amounts paid or payable by it) for the reimbursement liability (including any deductible, coinsurance or retention payment) related to its portion of the liability, unless otherwise agreed in writing by Nuance. Each of Nuance and SpinCo shall, and shall cause each member of the Nuance Group and SpinCo Group, respectively, to, cooperate and assist the applicable member of the SpinCo Group and the Nuance Group, as applicable, with respect to such claims. The applicable member of the SpinCo Group shall provide to Nuance any collateral (or a letter of credit in an amount equal to the value of such collateral) in respect of the reimbursement obligations as may reasonably be requested by the insurers and, upon the request of Nuance, any other collateral required by the insurers in respect of insurance policies under which Nuance Policy Pre-Separation Insurance Claims may be recoverable based upon Nuance’s reasonable estimate of the proportion of the requested collateral attributable to claims that may be made by the SpinCo Group. Nuance agrees that Nuance Policy Pre-Separation Insurance Claims of members of the SpinCo Group shall receive the same priority as Nuance Policy Pre-Separation Insurance Claims of members of the Nuance Group and be treated equitably in all respects, including in connection with deductibles, retentions and coinsurance.

Section 8.03 Claims Under SpinCo Insurance Policies.

(a) On and after the Distribution Date, the members of each of the SpinCo Group and the Nuance Group shall have the right to assert SpinCo Policy Pre-Separation Insurance Claims and the members of the Nuance Group shall have the right to participate with

SpinCo to resolve SpinCo Policy Pre-Separation Insurance Claims under the applicable SpinCo insurance policies up to the full extent of the applicable and available limits of liability of such policy. SpinCo or Nuance, as the case may be, shall have primary control over those SpinCo Policy Pre-Separation Insurance Claims for which the SpinCo Group or the Nuance Group, respectively, bears the underlying loss, subject to the terms and conditions of the relevant policy of insurance governing such control. If a member of the Nuance Group is unable to assert a SpinCo Policy Pre-Separation Insurance Claim because it is no longer an “insured” under a SpinCo insurance policy, then SpinCo shall, to the extent permitted by applicable Law and the terms of such insurance policy, assert such claim in its own name and deliver the Insurance Proceeds to Nuance.

(b) With respect to SpinCo Policy Pre-Separation Insurance Claims, whether or not known or reported on or prior to the Distribution Date, Nuance shall, or shall cause the applicable member of the Nuance Group to, report such claims arising from the Nuance Business as soon as practicable to each of SpinCo and the applicable insurer(s), and Nuance shall, or shall cause the applicable member of Nuance Group to, individually, and not jointly, assume and be responsible (including, upon the request of SpinCo, by reimbursement to SpinCo for amounts paid or payable by it) for the reimbursement liability (including any deductible, coinsurance or retention payment) related to its portion of the liability, unless otherwise agreed in writing by SpinCo. Each of SpinCo and Nuance shall, and shall cause each member of the SpinCo Group and Nuance Group, respectively, to, cooperate and assist the applicable member of the Nuance Group and the SpinCo Group, as applicable, with respect to such claims. The applicable member of the Nuance Group shall provide to SpinCo any collateral (or a letter of credit in an amount equal to the value of such collateral) in respect of the reimbursement obligations as may reasonably be requested by the insurers and, upon the request of SpinCo, any other collateral required by the insurers in respect of insurance policies under which SpinCo Policy Pre-Separation Insurance Claims may be recoverable based upon SpinCo’s reasonable estimate of the proportion of the requested collateral attributable to claims that may be made by the Nuance Group. SpinCo agrees that SpinCo Policy Pre-Separation Insurance Claims of members of the Nuance Group shall receive the same priority as SpinCo Policy Pre-Separation Insurance Claims of members of the SpinCo Group and be treated equitably in all respects, including in connection with deductibles, retentions and coinsurance.

Section 8.04 Insurance Proceeds. Any Insurance Proceeds received by the Nuance Group for members of the SpinCo Group or by the SpinCo Group for members of the Nuance Group shall be for the benefit, respectively, of the SpinCo Group (in the former case) or the Nuance Group (in the latter case). Any Insurance Proceeds received for the benefit of both the Nuance Group and the SpinCo Group shall be distributed pro rata based on the respective share of the underlying loss.

Section 8.05 Claims Not Reimbursed. Nuance shall not be liable to SpinCo for claims, or portions of claims, not reimbursed by insurers under any policy for any reason, including coinsurance provisions, deductibles, quota share deductibles, self-insured retentions, bankruptcy or insolvency of any insurance carrier(s), policy limitations or restrictions (including exhaustion of limits), any coverage disputes, any failure to timely file a claim by any member of the Nuance Group or any member of the SpinCo Group or any defect in such claim or its processing. In the event that insurable claims of both Nuance and SpinCo (or the members of their

respective Groups) exist relating to the same occurrence, the Parties shall jointly defend and waive any conflict of interest necessary to the conduct of the joint defense and shall not settle or compromise any such claim without the consent of the other (which consent shall not be unreasonably withheld, conditioned or delayed subject to the terms and conditions of the applicable insurance policy). Nothing in this Section 8.05 shall be construed to limit or otherwise alter in any way the obligations of the Parties, including those created by this Agreement, by operation of Law or otherwise.

Section 8.06 D&O Policies. On and after the Distribution Date, Nuance shall not, and shall cause the members of the Nuance Group not to, take any action that would limit the coverage of the individuals who acted as directors or officers of SpinCo (or members of the SpinCo Group) prior to the Distribution Date under any directors and officers liability insurance policies or fiduciary liability insurance policies (collectively, “D&O Policies”) maintained by the members of the Nuance Group in respect of claims relating to a period prior to the Distribution Date. Nuance shall, and shall cause the members of the Nuance Group to, reasonably cooperate with the individuals who acted as directors or officers of SpinCo (or members of the SpinCo Group) prior to the Distribution Date in their pursuit of any coverage claims under such D&O Policies which could inure to the benefit of such individuals. Nuance shall, and shall cause members of the Nuance Group to, allow SpinCo and its agents and representatives, upon reasonable prior notice and during regular business hours, to examine the relevant D&O Policies maintained by Nuance and members of the Nuance Group pursuant to this Section 8.06. Nuance shall provide, and shall cause other members of the Nuance Group to provide, such cooperation as is reasonably requested by SpinCo in order for SpinCo to have in effect on and after the Distribution Date such new D&O Policies as SpinCo deems appropriate with respect to claims reported on or after the Distribution Date. Except as provided in this Section 8.06, the Nuance Group may, at any time, without liability or obligation to the SpinCo Group, amend, commute, terminate, buy-out, extinguish liability under or otherwise modify any “occurrence-based” insurance policy or “claims-made-based” insurance policy (and such claims will be subject to any such amendments, commutations, terminations, buy-outs, extinguishments and modifications); provided, however, that Nuance will notify SpinCo of any termination of any insurance policy.

Section 8.07 Insurance Cooperation. The Parties shall use reasonable best efforts to cooperate with respect to the various insurance matters contemplated by this Article VIII.

## ARTICLE IX

### FURTHER ASSURANCES AND ADDITIONAL COVENANTS

#### Section 9.01 Further Assurances.

(a) In addition to the actions specifically provided for elsewhere in this Agreement, but subject to the express limitations of this Agreement and of the Ancillary Agreements, each of the Parties shall, subject to Section 5.03, use reasonable best efforts, prior to, on and after the Distribution Date, to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable Laws and agreements to consummate, and make effective, the transactions contemplated by this Agreement.

(b) Without limiting the foregoing, but subject to the express limitations of this Agreement and of the Ancillary Agreements, prior to, on and after the Distribution Date, each Party shall cooperate with the other Party, without any further consideration, but at the expense of the requesting Party: (i) to execute and deliver, or use reasonable best efforts to execute and deliver, or cause to be executed and delivered, all instruments, including any instruments of conveyance, assignment and transfer as such Party may reasonably be requested to execute and deliver by the other Party; (ii) to make, or cause to be made, all filings with, and to obtain, or cause to be obtained, all Consents of any Governmental Authority or any other Person under any permit, license, Contract, indenture or other instrument; (iii) to obtain, or cause to be obtained, any Governmental Approvals or other Consents required to effect the Spin-Off; and (iv) to take, or cause to be taken, all such other actions as such Party may reasonably be requested to take by the other Party from time to time, consistent with the terms of this Agreement and the Ancillary Agreements, in order to effectuate the provisions and purposes of this Agreement, the Ancillary Agreements and any transfers of Assets or assignments and assumptions of Liabilities hereunder and the other transactions contemplated hereby.

(c) On or prior to the Distribution Date, Nuance and SpinCo, in their respective capacities as direct and indirect stockholders of their respective Subsidiaries, shall each ratify any actions that are reasonably necessary or desirable to be taken by SpinCo or any other Subsidiary of Nuance, as the case may be, to effectuate the transactions contemplated by this Agreement.

(d) Prior to the Distribution, if either Party identifies any commercial or other service that is needed to ensure a smooth and orderly transition of its business in connection with the consummation of the transactions contemplated hereby, and that is not otherwise governed by the provisions of this Agreement or any Ancillary Agreement, the Parties will cooperate in good faith to determine whether there is a mutually acceptable arm's-length basis on which the other Party will provide such service.

#### Section 9.02 Non-Solicit.

(a) SpinCo agrees that, for a period of 18 months following the Distribution Date, it shall not, and shall cause its Subsidiaries and Affiliates not to, without the prior written consent of Nuance, directly or indirectly, on its own behalf or in the service or on behalf of others, hire or attempt to hire, whether as an employee, consultant, independent contractor or otherwise, any (i) employee or consultant of the Nuance Group or (ii) former employee or consultant of the Nuance Group who was on the payroll of the Nuance Group within eight (8) months of the date of such hiring or attempted hiring by SpinCo or any SpinCo Subsidiary or Affiliate; provided that SpinCo and its Subsidiaries and Affiliates may hire any employee or former employee of the Nuance Group if such employee or former employee is hired more than eight (8) months after the Distribution Date in response to a general solicitation for employment by use of advertisements in the media that are not specifically directed at employees of Nuance.

(b) Nuance agrees that, for a period of 18 months following the Distribution Date, it shall not, and shall cause its Subsidiaries and Affiliates not to, without the prior written consent of SpinCo, directly or indirectly, on its own behalf or in the service or on behalf of others, hire or attempt to hire, whether as an employee, consultant, independent



contractor or otherwise, any (i) employee or consultant of the SpinCo Group or (ii) former employee or consultant of the SpinCo Group who was on the payroll of the SpinCo Group within eight (8) months of the date of such hiring or attempted hiring by Nuance or any Nuance Subsidiary or Affiliate; provided that Nuance and its Subsidiaries and Affiliates may hire any employee or former employee of the SpinCo Group if such employee or former employee is hired more than eight (8) months after the Distribution Date in response to a general solicitation for employment by use of advertisements in the media that are not specifically directed at employees of SpinCo.

(c) If a final and non-appealable judicial determination is made that any provision of this Section 9.02 constitutes an unreasonable or otherwise unenforceable restriction with respect to any particular jurisdiction, the provisions of this Section 9.02 will not be rendered void but will be deemed to be modified solely with respect to the applicable jurisdiction to the minimum extent necessary to remain in force and effect for the greatest period and to the greatest extent that such court determines constitutes a reasonable restriction under the circumstances.

Section 9.03 Covenants Against Taking Certain Actions. Except to the extent otherwise contemplated by this Agreement or any Ancillary Agreement (including the Registration Rights Agreement), SpinCo hereby covenants and agrees that it shall not, and shall cause its Subsidiaries not to take, or cause to be taken, directly or indirectly, any action, including making or failing to make any election under applicable Law (a "SpinCo Action"), which has the effect, directly or indirectly, of restricting or limiting the ability of Nuance or any of its Affiliates to freely sell, transfer, assign, pledge or otherwise dispose of shares of SpinCo Common Stock (a "Restriction"), in each case without the prior written consent of Nuance, which consent may not be unreasonably withheld, conditioned or delayed, other than in the case of (i) any SpinCo Action expressly purporting to limit, or directly limiting, by contractual agreement or otherwise, the ability of Nuance or any of its Affiliates to sell, transfer, assign, pledge or otherwise dispose of shares of SpinCo Common Stock or (ii) any SpinCo Action which would have a disproportionate negative effect (including by absence of any positive effect, right or privilege) on Nuance or its Affiliates as a SpinCo stockholder in relation to any other SpinCo stockholder or SpinCo stockholders generally, in which such cases, such consent shall be at the sole discretion of Nuance. Without limiting the generality of the foregoing, SpinCo shall not, without the prior written consent of Nuance, take any SpinCo Action, or recommend to its stockholders any action, which would limit the legal rights of, or deny any benefit to, Nuance or its Affiliates as a SpinCo stockholder in a manner not applicable to SpinCo stockholders generally. Notwithstanding anything to the contrary in this Section 9.03, no Restriction shall be deemed to have occurred under this Section 9.03 from any SpinCo Action solely as a result of any market reaction to such SpinCo Action or any related press release or other disclosure or publication regarding such SpinCo Action, if any (including any decrease in the stock price or sales volume of the SpinCo Common Stock or any other market factors that make the sale of SpinCo Common Stock more difficult), so long as the SpinCo Action, including making or failing to make any election under applicable Law, giving rise to such market reaction was not taken with the intent to, directly or indirectly, result in a Restriction.

## ARTICLE X

### TERMINATION

Section 10.01 Termination. This Agreement may be terminated by Nuance at any time, in its sole discretion, prior to the Distribution.

Section 10.02 Effect of Termination. In the event of any termination of this Agreement prior to the Distribution, neither Party (nor any member of their Group or any of their respective directors or officers) shall have any Liability or further obligation to the other Party or any member of its Group under this Agreement or the Ancillary Agreements.

## ARTICLE XI

### ADDITIONAL AGREEMENTS

Section 11.01 Voting of Company Common Stock.

(a) From the Distribution Date and until the date that Nuance and its Subsidiaries cease to own any shares of SpinCo Common Stock owned by Nuance and its Subsidiaries immediately prior to the Distribution not distributed in the Distribution (the "Retained Shares"), Nuance shall, and shall cause its Subsidiaries to (in each case, to the extent that they own any Retained Shares), be present, in person or by proxy, at each and every SpinCo stockholder meeting, and otherwise to cause all Retained Shares owned by them to be counted as present for purposes of establishing a quorum at any such meeting, and to vote, abstain or consent on any matter (including waivers of contractual or statutory rights), or cause to be voted, abstained or consented on any such matter, all such Retained Shares in proportion to the votes cast by the other holders of SpinCo Common Stock on such matter, it being understood and agreed that for purposes of determining such proportions, votes not cast (whether as abstentions, absences or otherwise) by the other holders of SpinCo Common Stock on any such matter shall be treated as having abstained from such vote.

(b) From the Distribution Date and until the date that Nuance and its Subsidiaries cease to own any Retained Shares, Nuance hereby grants, and shall cause its Subsidiaries (in each case, to the extent that they own any Retained Shares) to grant, an irrevocable proxy, which shall be deemed coupled with an interest sufficient in law to support an irrevocable proxy to SpinCo or its designees, to vote or abstain, with respect to any matter (including waivers of contractual or statutory rights), all Retained Shares owned by them, in proportion to the votes cast or abstained by the other holders of SpinCo Common Stock on such matter in accordance with Section 11.01(a); provided, that (i) such proxy shall automatically be revoked as to a particular Retained Share upon any sale, transfer or other disposition of such Retained Share from Nuance or any of its Subsidiaries to a Person other than Nuance or any of its Subsidiaries and (ii) nothing in this Section 11.01(b) shall limit or prohibit any such sale, transfer or disposition.

## ARTICLE XII

### MISCELLANEOUS

#### Section 12.01 Counterparts; Entire Agreement; Corporate Power.

(a) This Agreement may be executed in one or more counterparts, all of which counterparts shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each Party and delivered to the other Party. This Agreement may be executed by facsimile or PDF signature and scanned and exchanged by electronic mail, and such facsimile or PDF signature or scanned and exchanged copies shall constitute an original for all purposes.

(b) This Agreement, the Ancillary Agreements and the Appendices, Exhibits and Schedules hereto and thereto contain the entire agreement between the Parties with respect to the subject matter hereof and supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings between the Parties with respect to the subject matter hereof other than those set forth or referred to herein or therein. In the event of conflict or inconsistency between the provisions of this Agreement or any Ancillary Agreement, on the one hand, and the provisions of any Local Transfer Agreement, on the other hand, the provisions of this Agreement and any such any Ancillary Agreement shall prevail and remain in full force and effect; without limiting the foregoing, no Assets or Liabilities, other than SpinCo Assets and SpinCo Liabilities (in each case, as defined in this Agreement), shall be transferred by Seller (as defined in the Local Transfer Agreements) or accepted by Buyer (as defined in the Local Transfer Agreements) under the Local Transfer Agreements notwithstanding anything to the contrary therein (including the definition of SpinCo Assets and SpinCo Liabilities (in each case, as defined in the Local Transfer Agreements)). Each Party hereto shall, and shall cause each of its Subsidiaries to, implement the provisions of and the transactions contemplated by the Local Transfer Agreement in accordance with the immediately preceding sentence.

(c) Nuance represents on behalf of itself and each other member of the Nuance Group, and SpinCo represents on behalf of itself and each other member of the SpinCo Group, as follows:

(i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform each of this Agreement and each Ancillary Agreement to which it is a party and to consummate the transactions contemplated hereby and thereby; and

(ii) this Agreement and each Ancillary Agreement to which it is a party has been (or, in the case of any Ancillary Agreement, will be on or prior to the Distribution Date) duly executed and delivered by it and constitutes, or will constitute, a valid and binding agreement of it enforceable in accordance with the terms thereof.

Section 12.02 Dispute Resolution. In furtherance of the provisions set forth in Section 6.02 and Section 6.03, in the event that either Party, acting reasonably, forms the view that

another Party has caused a material breach of the terms of this Agreement, then the Party that forms such a view shall serve written notice of the alleged breach on the other Party and the Parties shall work together in good faith to resolve any such alleged breach within thirty (30) days of such notice (a “Dispute”). If any such alleged breach is not so resolved, then a senior executive of each Party shall, in good faith, attempt to resolve any such alleged breach within the following thirty (30) days of the referral of the matter to the senior executives. If no resolution is reached with respect to any such alleged breach in accordance with the procedures contained in this [Section 12.02](#), then the Parties may seek to resolve such matter in accordance with [Section 6.02](#), [Section 6.03](#), [Section 12.03](#), [Section 12.04](#), [Section 12.05](#) and [Section 12.06](#).

**Section 12.03 Governing Law; Jurisdiction.** Any disputes relating to, arising out of or resulting from this Agreement, including to its execution, performance, or enforcement, shall be governed by, and construed in accordance with, the Laws of the State of Delaware, regardless of the Laws that might otherwise govern under applicable principles of conflicts of Laws thereof. Each Party irrevocably consents to the exclusive jurisdiction, forum and venue of the Delaware Court of Chancery (and if the Delaware Court of Chancery shall be unavailable, any Delaware State court or the federal court sitting in the State of Delaware) over any and all claims, disputes, controversies or disagreements between the Parties or any of their respective Affiliates, successors and assigns under or related to this Agreement or any of the transactions contemplated hereby, including their execution, performance or enforcement, whether in contract, tort or otherwise. Each of the Parties hereby agrees that it shall not assert, and shall hereby waive, any claim or right or defense that it is not subject to the jurisdiction of such courts, that the venue is improper, that the forum is inconvenient or any similar objection, claim or argument. Each Party agrees that a final judgment in any legal proceeding resolved in accordance with this [Section 12.03](#), [Section 12.04](#), [Section 12.05](#) and [Section 12.06](#) shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law.

**Section 12.04 Waiver of Jury Trial.** EACH PARTY HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION RELATING TO, ARISING OUT OF OR RESULTING FROM THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY INCLUDING THEIR EXECUTION, PERFORMANCE OR ENFORCEMENT, WHETHER IN CONTRACT, TORT OR OTHERWISE. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING CONTRACT CLAIMS, TORT CLAIMS (INCLUDING NEGLIGENCE), BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THIS SECTION HAS BEEN FULLY DISCUSSED BY EACH OF THE PARTIES AND THESE PROVISIONS WILL NOT BE SUBJECT TO ANY EXCEPTIONS.

**Section 12.05 Court-Ordered Interim Relief.** In accordance with [Section 12.03](#) and [Section 12.04](#), at any time after giving notice of a Dispute, each Party shall be entitled to interim measures of protection duly granted by a court of competent jurisdiction: (1) to preserve the status quo pending resolution of the Dispute; (2) to prevent the destruction or loss of documents and other information or things relating to the Dispute; or (3) to prevent the transfer, disposition or hiding of assets. Any such interim measure (or a request therefor to a court of competent jurisdiction) shall not be deemed incompatible with the provisions of [Section 12.02](#), [Section 12.03](#)

and Section 12.04. Until such Dispute is resolved in accordance with Section 12.02 or final judgment is rendered in accordance with Section 12.03 and Section 12.04, each Party agrees that such Party shall continue to perform its obligations under this Agreement and that such obligations shall not be subject to any defense or setoff, counterclaim, recoupment or termination.

Section 12.06 Specific Performance. Subject to Section 12.02 and Section 12.05, in the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the affected Party shall have the right to specific performance and injunctive or other equitable relief of its rights under this Agreement, in addition to any and all other rights and remedies at Law or in equity, and all such rights and remedies shall be cumulative. The other Party shall not oppose the granting of such relief on the basis that money damages are an adequate remedy. The Parties agree that the remedies at Law for any breach or threatened breach hereof, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at Law would be adequate is waived. Any requirements for the securing or posting of any bond or similar security with such remedy are waived.

Section 12.07 Assignability. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of Law or otherwise by either Party without the prior written consent of the other Party. Any purported assignment without such consent shall be void. Subject to the preceding sentences, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective successors and assigns. Notwithstanding the foregoing, if any Party to this Agreement (or any of its successors or permitted assigns) (a) shall enter into a consolidation or merger transaction in which such Party is not the surviving entity and the surviving entity acquires or assumes all or substantially all of such Party's Assets or (b) shall transfer all or substantially all of such Party's Assets to any Person, then, in each such case, the assigning Party (or its successors or permitted assigns, as applicable) shall ensure that the assignee or successor-in-interest expressly assumes in writing all of the obligations of the assigning Party under this Agreement, and the assigning Party shall not be required to seek consent, but shall provide written notice and evidence of such assignment, assumption or succession to the non-assigning Party. No assignment permitted by this Section 12.07 shall release the assigning Party from liability for the full performance of its obligations under this Agreement.

Section 12.08 Third-Party Beneficiaries. Except as expressly set forth in Section 7.10 and for the indemnification rights under this Agreement of any Nuance Indemnitee or SpinCo Indemnitee in his, her or its respective capacities as such, (a) the provisions of this Agreement are solely for the benefit of the Parties hereto and are not intended to confer upon any Person except the Parties hereto any rights or remedies hereunder and (b) there are no third-party beneficiaries of this Agreement and this Agreement shall not provide any third person with any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.

Section 12.09 Notices. All notices or other communications under this Agreement shall be in writing and shall be deemed to be duly given (a) when delivered in person, (b) on the date received, if sent by a nationally recognized delivery or courier service, (c) upon written confirmation of receipt after transmittal by electronic mail or (d) upon the earlier of

confirmed receipt or the fifth (5<sup>th</sup>) business day following the date of mailing if sent by registered or certified mail, return receipt requested, postage prepaid and addressed as follows:

If to Nuance, to:

Nuance Communications, Inc.  
1 Wayside Road  
Burlington, MA 01803  
Attn: Wendy Cassity, EVP and Chief Legal Officer  
David Garfinkel, SVP Corporate Development  
email: wendy.cassity@nuance.com  
david.garfinkel@nuance.com

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas  
New York, NY 10019-6064  
Attn: Scott A. Barshay  
Steven J. Williams  
Michael Vogel  
email: sbarshay@paulweiss.com  
swilliams@paulweiss.com  
mvogel@paulweiss.com  
Facsimile: 212-492-0040

If to SpinCo, to:

Cerence Inc.  
15 Wayside Road  
Burlington, MA 01803  
Attn: Leanne Fitzgerald, General Counsel  
Mark Gallenberger, Chief Financial Officer  
email:

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas  
New York, NY 10019-6064  
Attn: Scott A. Barshay  
Steven J. Williams  
Michael Vogel  
email: sbarshay@paulweiss.com  
swilliams@paulweiss.com  
mvogel@paulweiss.com  
Facsimile: 212-492-0040

Either Party may, by notice to the other Party, change the address to which such notices are to be given. Each Party agrees that nothing in this Agreement shall affect the other Party's right to serve process in any other manner permitted by Law (including pursuant to the rules for foreign service of process authorized by the Hague Convention).

Section 12.10 Severability. If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances, or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either Party. Upon any such determination, any such provision, to the extent determined to be invalid, void or unenforceable, shall be deemed replaced by a provision that such court determines is valid and enforceable and that comes closest to expressing the intention of the invalid, void or unenforceable provision.

Section 12.11 Publicity. Each of Nuance and SpinCo shall consult with the other, and shall, subject to the requirements of Section 7.09, provide the other Party the opportunity to review and comment upon any press releases or other public statements in connection with the Spin-Off or any of the other transactions contemplated hereby and any filings with any Governmental Authority or national securities exchange with respect thereto, in each case prior to the issuance or filing thereof, as applicable (including the Information Statement, the Parties' respective Current Reports on Form 8-K to be filed on the Distribution Date, the Parties' respective Quarterly Reports on Form 10-Q filed with respect to the fiscal quarter during which the Distribution Date occurs, or if such quarter is the fourth fiscal quarter, the Parties' respective Annual Reports on Form 10-K filed with respect to the fiscal year during which the Distribution Date occurs (each such Quarterly Report on Form 10-Q or Annual Report on Form 10-K, a "First Post-Distribution Report")). Each Party's obligations pursuant to this Section 12.11 shall terminate on the date on which such Party's First Post-Distribution Report is filed with the Commission.

Section 12.12 Expenses. Except as otherwise expressly provided in this Agreement or in any Ancillary Agreement, (i) all third-party fees, costs and expenses incurred by

either the Nuance Group or the SpinCo Group in connection with effecting the Spin-Off prior to or on the Distribution Date, whether payable prior to, on or following the Distribution Date (but excluding, for the avoidance of doubt, any financing fees or interest payable in respect of any indebtedness incurred by SpinCo in connection with the Spin-Off), will be borne and paid by Nuance and (ii) all third-party fees, costs and expenses incurred by either the Nuance Group or the SpinCo Group in connection with effecting the Spin-Off following the Distribution Date, whether payable prior to, on or following the Distribution Date, will be borne and paid by the Party incurring such fee, cost or expense. For the avoidance of doubt, this Section 12.12 shall not affect each Party's responsibility to indemnify Nuance Liabilities or SpinCo Liabilities, as applicable, arising from the transactions contemplated by the Distribution.

Section 12.13 Headings. The article, section and paragraph headings contained in this Agreement, including in the table of contents of this Agreement, are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 12.14 Survival of Covenants. Except as expressly set forth in this Agreement, the covenants in this Agreement and the Liabilities for the breach of any obligations in this Agreement shall survive the Spin-Off and shall remain in full force and effect.

Section 12.15 Waivers of Default. No failure or delay of any Party (or the applicable member of its Group) in exercising any right or remedy under this Agreement or any Ancillary Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, or any course of conduct, preclude any other or further exercise thereof or the exercise of any other right or power. Waiver by any Party of any default by the other Party of any provision of this Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default.

Section 12.16 Amendments. No provisions of this Agreement shall be deemed waived, amended, supplemented or modified by any Party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of each Party.

Section 12.17 Interpretation. Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires. The terms "hereof," "herein," "herewith" and words of similar import, unless otherwise stated, shall be construed to refer to this Agreement as a whole (including all of the schedules hereto) and not to any particular provision of this Agreement. Article, Section or Schedule references are to the articles, sections and schedules of or to this Agreement unless otherwise specified. Any capitalized terms used in any Schedule to this Agreement or to any Ancillary Agreement but not otherwise defined therein shall have the meaning as defined in this Agreement or the Ancillary Agreement to which such Schedule is attached, as applicable. Any definition of or reference to any agreement, instrument or other document herein (including any reference herein to this Agreement) shall, unless otherwise stated, be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth therein, including in Section 12.16 above). The word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless the context



otherwise requires or unless otherwise specified. The word “or” shall not be exclusive. The word “extent” in the phrase “to the extent” shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply “if.” All references to “\$” or dollar amounts are to the lawful currency of the United States of America. In the event that an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring either Party by virtue of the authorship of any provisions hereof.

IN WITNESS WHEREOF, the Parties have caused this Separation and Distribution Agreement to be executed by their duly authorized representatives.

NUANCE COMMUNICATIONS, INC.

By: \_\_\_\_\_  
Name:  
Title:

CERENCE INC.

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Separation and Distribution Agreement]

**AMENDED AND RESTATED**  
**CERTIFICATE OF INCORPORATION**  
**OF**  
**CERENCE INC.**  
**, 2019**

CERENCE INC., a corporation organized and existing under the laws of the State of Delaware, DOES HEREBY CERTIFY AS FOLLOWS:

1. The name of the corporation is Cerence Inc. The corporation was originally formed as a limited liability company in the State of Delaware on February 14, 2019. The corporation converted from a limited liability company to a corporation on \_\_\_\_\_, 2019, upon the filing of the Certificate of Conversion with the Secretary of State of the State of Delaware. The original Certificate of Incorporation of the corporation was filed with the Secretary of State of the State of Delaware on \_\_\_\_\_, 2019 (as amended and in effect immediately prior to the adoption and effectiveness hereof, the "Original Certificate of Incorporation").

2. This Amended and Restated Certificate of Incorporation has been duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware (the "DGCL"), and by the written consent of its sole stockholder in accordance with Section 228 of the DGCL, and shall be effective as of \_\_\_\_\_ p.m., New York City time, on October 1, 2019.

3. The Original Certificate of Incorporation is hereby amended and restated to read in its entirety as follows:

ARTICLE I

The name of the corporation (hereinafter called the "Corporation") is Cerence Inc.

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, Corporation Trust Center, Wilmington, New Castle County, Delaware 19801. The name of the Corporation's registered agent at such address is Corporation Trust Company.

ARTICLE III

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

ARTICLE IV

Section 4.1 The total number of shares of all classes of stock which the Corporation shall have authority to issue is \_\_\_\_\_ shares of capital stock, consisting of (a) \_\_\_\_\_ shares of Preferred Stock, par value \$0.01 per share ("Preferred Stock"), and (b) \_\_\_\_\_ shares of Common Stock, par value \$0.01 per share ("Common Stock"). The number of authorized shares of either the Preferred Stock or the Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), voting as a single class, and no vote of the holders of either the Preferred Stock or the Common Stock voting separately as a class shall be required therefor.

Section 4.2 The Board of Directors of the Corporation (the "Board of Directors") is hereby expressly authorized, by resolution or resolutions and without stockholder approval, to provide, out of the unissued shares of Preferred Stock, for series of Preferred Stock and, with respect to each such series, to fix the number of shares constituting such series and the designation of such series, the voting powers (if any) of the shares of such series, and the preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of such series. The powers, preferences and relative, participating, optional and other special rights of each series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

Section 4.3 (a) Each holder of Common Stock, as such, shall be entitled to one vote for each share of Common Stock held of record by such holder on all matters on which stockholders generally are entitled to vote; provided, however, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock) or pursuant to the DGCL.

(b) Except as otherwise required by law, holders of a series of Preferred Stock, as such, shall be entitled only to such voting rights, if any, as shall expressly be granted to such holders by this Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to such series).

(c) Subject to applicable law and the rights, if any, of the holders of any outstanding series of Preferred Stock, dividends may be declared and paid on the Common Stock at such times and in such amounts as the Board of Directors in its discretion shall determine.

(d) Upon the dissolution, liquidation or winding up of the Corporation, subject to the rights, if any, of the holders of any outstanding series of Preferred Stock, the holders of the Common Stock, as such, shall be entitled to receive the assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them. For the avoidance of doubt, a dissolution, liquidation or winding up shall not be deemed to be occasioned by or to include, without limitation, any voluntary consolidation, reorganization, conversion or merger of the Corporation with or into any other corporation or entity or other corporation or entities or a sale, lease, transfer, exchange or conveyance of all or a part of the Corporation's assets.

(e) Shares of Common Stock shall not entitle any holder thereof to any pre-emptive, subscription, redemption or conversion rights.

#### ARTICLE V

Section 5.1 (a) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. Except as otherwise fixed pursuant to the terms of any outstanding series of Preferred Stock pursuant to this Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to such series of Preferred Stock), the number of directors of the Corporation shall be fixed from time to time by the Board of Directors. In no event shall a decrease in the number of directors constituting the Board of Directors shorten the term of any incumbent director.

(b) The directors, other than those who may be elected by the holders of any series of Preferred Stock voting separately pursuant to this Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to such series of Preferred Stock), shall be elected by the stockholders entitled to vote thereon at each annual meeting of the stockholders. From the effective date of this Amended and Restated Certificate of Incorporation until the election of the directors at the 2023 annual meeting of stockholders, the directors of the Corporation shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. If the number of directors has changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class. The initial assignment of directors to each such class shall be made by the Board of Directors. The term of office of the initial Class I directors shall expire at the 2020 annual meeting of stockholders, the term of office of the initial Class II directors shall expire at the 2021 annual meeting of stockholders and the term of office of the initial Class III directors shall expire at the 2022 annual meeting of stockholders. Each director elected at the 2020, 2021 or 2022 annual meeting of stockholders shall belong to the same class as the director whose term shall have then expired and who is being succeeded by such director. Each Class I director elected at the 2020 annual meeting of stockholders, each Class II director elected at the 2021 annual meeting of stockholders and each Class III director elected at the 2022 annual meeting of stockholders shall hold office until the 2023 annual meeting of stockholders and, in each case, until his or her respective

successor shall have been duly elected and qualified or until his or her earlier resignation or removal. Commencing with the 2023 annual meeting of stockholders, each director shall be elected annually and shall hold office until the next annual meeting of stockholders and until his or her respective successor shall have been duly elected and qualified or until his or her earlier resignation or removal. Pursuant to such procedures, effective as of the conclusion of the 2023 annual meeting of stockholders, the Board of Directors will no longer be classified under Section 141(d) of the DGCL and directors shall no longer be divided into three classes. The election of directors need not be by written ballot.

Section 5.2 Advance notice of nominations for the election of directors shall be given in the manner and to the extent provided in the By-laws of the Corporation.

Section 5.3 (a) Except as otherwise provided for or fixed by or pursuant to the provisions of this Amended and Restated Certificate of Incorporation relating to the rights of the holders of any outstanding series of Preferred Stock (including any Certificate of Designation relating to such series of Preferred Stock), newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation, removal or other cause shall only be filled by the Board of Directors by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director. Any director elected in accordance with the first sentence of this Section 5.3 shall hold office until the earlier of the expiration of the term of office of the director he or she has replaced, a successor shall have been duly elected and qualified or until his or her death, resignation or removal.

(b) From the effective date of this Amended and Restated Certificate of Incorporation until the election of directors at the 2023 annual meeting of stockholders, any director or the entire Board of Directors may only be removed for cause, such removal to require the affirmative vote of shares representing at least a majority of the voting power of the then outstanding shares of all classes and series of capital stock of the Corporation entitled generally to vote on the election of directors of the Corporation. From and after the 2023 annual meeting of stockholders, any director or the entire Board of Directors may be removed with or without cause, and, in either case, such removal shall require the affirmative vote of shares representing at least a majority of the voting power of the then outstanding shares of all classes and series of capital stock of the Corporation entitled generally to vote on the election of directors of the Corporation. Notwithstanding the foregoing, whenever holders of outstanding shares of one or more series of Preferred Stock voting separately are entitled to elect directors of the Corporation pursuant to the provisions of this Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to such series of Preferred Stock), any such director of the Corporation so elected may be removed in accordance with this Amended and Restated Certificate of Incorporation (including such Certificate of Designation).

## ARTICLE VI

Subject to the rights of the holders of any outstanding series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders. Except as otherwise required by law and subject to the rights of the holders of any outstanding series of Preferred Stock, special meetings of stockholders of the Corporation may only be called by the Chairman of the Board of Directors or the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors (the entire Board of Directors being the total number of authorized directors, whether or not there exist any vacancies or unfilled previously authorized directorships) or as otherwise provided in the By-laws of the Corporation.

## ARTICLE VII

In furtherance and not in limitation of the powers conferred upon it by law, the Board of Directors is expressly authorized to adopt, repeal, alter or amend the By-laws of the Corporation by the vote of a majority of the entire Board of Directors (the entire Board of Directors being the total number of authorized directors, whether or not there exist any vacancies or unfilled previously authorized directorships). In addition to any requirements of law and any other provision of this Amended and Restated Certificate of Incorporation (and notwithstanding the fact that a lesser percentage may be specified by law), the affirmative vote of the holders of at least a majority of the combined voting power of the then outstanding shares of all classes and series of capital stock of the Corporation entitled generally to vote in the election of directors of the Corporation, voting together as a single class, shall be required for stockholders to adopt, amend, alter or repeal any provision of the By-laws of the Corporation.

## ARTICLE VIII

The Corporation reserves the right to amend, alter or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are subject to this reservation.

## ARTICLE IX

Section 9.1 To the fullest extent that the DGCL or any other law of the State of Delaware as it exists or as it may hereafter be amended permits the limitation or elimination of the liability of directors, no director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

Section 9.2 To the fullest extent that the DGCL or any other law of the State of Delaware as it exists or as it may hereafter be amended permits, including to the extent that such law or amendment permits the Corporation to provide broader indemnification rights than permitted prior to such law or amendment, the Corporation may provide indemnification of (and advancement of expenses to) (a) its current and former, and any predecessor to the Corporation's former, managers, directors, officers, employees and agents, (b) persons whose testators or intestates are a current or former director, officer, employee or agent of the Corporation or any predecessor to the Corporation and (c) any other persons to which the DGCL permits the Corporation to provide indemnification through By-law provisions, agreements with such agents or other persons, votes of stockholders or disinterested directors or otherwise.

Section 9.3 No amendment to or repeal of any Section of this Article IX, nor the adoption of any provision of this Amended and Restated Certificate of Incorporation inconsistent with this Article IX, shall eliminate or reduce the effect of this Article IX, in respect of any matter occurring, or any action or proceeding accruing or arising, prior to such amendment, repeal or adoption of an inconsistent provision.

#### ARTICLE X

Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer or other employee or stockholder of the Corporation to the Corporation or the Corporation's stockholders, (c) any action asserting a claim arising pursuant to any provision of the DGCL (or any successor provision thereto) or as to which the DGCL (or any successor provision thereto) confers jurisdiction on the Court of Chancery of the State of Delaware, (d) any action asserting a claim governed by the internal affairs doctrine or (e) any other action asserting an "internal corporate claim" as that term is defined in Section 115 of the DGCL shall be the Court of Chancery of the State of Delaware, in all cases to the fullest extent permitted by law, or, if the Court of Chancery of the State of Delaware does not have jurisdiction, any other state or federal court located within the State of Delaware.

#### ARTICLE XI

The Corporation is to have perpetual existence.

#### ARTICLE XII

If any provision (or any part thereof) of this Amended and Restated Certificate of Incorporation shall be held invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (a) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Amended and Restated Certificate of Incorporation (including, without limitation, each portion of any section of this Amended and Restated Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (b) to the fullest extent possible, the provisions of this Amended and Restated Certificate of Incorporation (including, without limitation, each such portion of any section containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to permit the Corporation to protect its directors, officers, employees and agents from personal liability in respect of their good faith service or for the benefit of the Corporation to the fullest extent permitted by law.



IN WITNESS WHEREOF, Cerence Inc. has caused this Amended and Restated Certificate of Incorporation to be duly executed in its corporate name as of the date first written above.

CERENCE INC.

By: \_\_\_\_\_  
Name:  
Title:

## CERENCE INC.

## AMENDED AND RESTATED BY-LAWS

Effective as of \_\_\_\_\_, 2019

## ARTICLE I

Offices

SECTION 1.1 Registered Office. The registered office of Cerence Inc. (hereinafter, the "Corporation") in the State of Delaware shall be at 1209 Orange Street, Corporation Trust Center, Wilmington, New Castle County, Delaware 19801, and the registered agent shall be Corporation Trust Company, or such other office or agent as the Board of Directors of the Corporation (the "Board") shall from time to time select.

SECTION 1.2 Other Offices. The Corporation may also have an office or offices, and keep the books and records of the Corporation, except as may otherwise be required by law, at such other place or places, either within or outside of the State of Delaware, as the Board may from time to time determine or the business of the Corporation may require.

## ARTICLE II

Meetings of Stockholders

SECTION 2.1 Place of Meeting. All meetings of the stockholders of the Corporation (the "stockholders") shall be at a place either within or outside of the State of Delaware, or by means of remote communication, to be determined by the Board and as specified in the notice of meeting. In the absence of such a determination, a meeting of stockholders shall be held at the principal executive office of the Corporation.

SECTION 2.2 Annual Meetings. The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on such date and at such hour as shall from time to time be fixed by the Board. Any previously scheduled annual meeting of the stockholders may be postponed, rescheduled or cancelled by action of the Board taken prior to the time previously scheduled for such annual meeting of the stockholders.

SECTION 2.3 Special Meetings.

(a) Except as otherwise required by law or the Amended and Restated Certificate of Incorporation of the Corporation (the "Certificate"), and subject to the rights of the holders of any outstanding series of Preferred Stock, special meetings of the stockholders for any purpose or purposes may be called by the Chairperson of the Board or a majority of the Whole Board (as hereinafter defined). Subject to the satisfaction of the requirements of these bylaws, a special meeting of the stockholders shall be called by the

Chairperson of the Board upon the written request of holders of an aggregate of at least twenty percent (20%) of all of the votes entitled to be cast on any issue to be considered at the proposed special meeting (such a meeting, a “Stockholder Requested Special Meeting”). Only such business as is specified in the Corporation’s notice of any special meeting of stockholders shall come before such meeting. A special meeting shall be held at such place (or remotely), on such date and at such time as shall be fixed by the Board. Any previously scheduled special meeting of the stockholders may be postponed, rescheduled or (except in the case of a Stockholder Requested Special Meeting) cancelled by action of the Board taken prior to the time previously scheduled for such special meeting of the stockholders. Notwithstanding the foregoing, the Chairman of the Board shall not be required to call a Stockholder Requested Special Meeting if (i) the Board has called or calls an annual meeting of stockholders to be held not later than ninety (90) days after the applicable stockholder request where the Board determines in good faith that the business of such annual meeting (among any other matters properly brought before the annual meeting) includes the business specified in the stockholders’ request; (ii) an annual or special meeting that included the business specified in the request (as determined by the Board in good faith) was held not more than ninety (90) days before the applicable stockholder request; (iii) the request relates to an item of business that is not a proper subject for action by the stockholders of the corporation under applicable law; or (iv) was made in a manner that involved a violation of applicable law.

(b) Any request for a Stockholder Requested Special Meeting shall (i) be signed and dated by each requesting stockholder (or their duly authorized agents) and delivered to the Secretary at the principal executive offices of the Corporation, (ii) set forth a statement of the specific purpose or purposes of the proposed meeting and the matters proposed to be acted on at such meeting, and (iii) include the information that would be required in a Notice of Business (as defined below) pursuant to Section 2.7(c) of Article II of these bylaws with respect to an annual meeting, including with respect to the stockholders requesting the Stockholder Requested Special Meeting (treating such requesting stockholders as the Proponents thereunder), and any business proposed to be conducted. Any nomination of directors for election at a special meeting at which directors are to be elected shall be made in accordance with Section 3.3 of Article III of these bylaws. In addition, the stockholder and any duly authorized agent shall promptly provide any other information reasonably requested by the Corporation. A stockholder providing a request for business proposed to be brought before a Stockholder Requested Special Meeting shall update and supplement such request in accordance with Section 2.7(d).

(c) A stockholder may revoke a request for a Stockholder Requested Special Meeting at any time by written revocation delivered to the Secretary, and if, following such revocation there are un-revoked requests from stockholders holding in the aggregate less than the requisite number of shares entitling the stockholders to request the calling of a Stockholder Requested Special Meeting, the Board, in its discretion, may cancel the Stockholder Requested Special Meeting. If none of the stockholders who submitted the request for a Stockholder Requested Special Meeting appears or sends a qualified representative to present the nominations proposed to be presented or other business proposed to be conducted at such meeting, the Corporation need not present such nominations or other business for a vote at such meeting.

(d) Any Stockholder Requested Special Meeting shall be held at such date, time and place within or without the State of Delaware as may be fixed by the Board; provided, however, that the date of any Stockholder Requested Special Meeting shall be not more than sixty (60) days after the record date for such meeting.

SECTION 2.4 Notice of Meetings. Except as otherwise provided by law, notice, including by electronic transmission in the manner provided by the General Corporation Law of the State of Delaware (the “DGCL”), of each meeting of the stockholders, whether annual or special, shall be given by the Corporation not less than 10 days nor more than 60 days before the date of the meeting to each stockholder of record entitled to notice of the meeting. If mailed, such notice shall be deemed given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder’s address as it appears on the records of the Corporation. Each such notice shall state the place (or, if applicable, that the meeting will be held remotely), the date and the hour of the meeting, and, in the case of a special meeting, the purpose or purposes for

which the meeting is called. Notice of any meeting of the stockholders shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy without protesting, prior to or at the commencement of the meeting, the lack of proper notice to such stockholder, or who shall waive notice thereof as provided in Article X of these By-laws. Notice of adjournment of a meeting of the stockholders need not be given if the time and place, if any, to which it is adjourned are announced at such meeting, unless the adjournment is for more than 30 days or, after adjournment, a new record date is fixed for the adjourned meeting.

SECTION 2.5 Quorum. Except as otherwise provided by law or by the Certificate, the holders of a majority in voting power of the shares of capital stock of the Corporation entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum at any meeting of the stockholders; provided, however, that in the case of any vote to be taken by classes or series, the holders of a majority in voting power of the shares of any such class or series of capital stock of the Corporation entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum of such class or series. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum.

SECTION 2.6 Adjournments. The chairperson of the meeting or the holders of a majority in voting power of the shares of capital stock of the Corporation entitled to vote and who are present in person or by proxy may adjourn the meeting from time to time whether or not a quorum is present. In the event that a quorum does not exist with respect to any vote to be taken by a particular class or series, the chairperson of the meeting or the holders of a majority in voting power of the shares of such class or series who are present in person or by proxy may adjourn the meeting with respect to the vote(s) to be taken by such class or series. At any such adjourned meeting at which a quorum may be present, any business may be transacted which might have been transacted at the meeting as originally called.

#### SECTION 2.7 Order of Business.

(a) At each meeting of the stockholders, the Chairperson of the Board or, in the absence of the Chairperson of the Board, the Chief Executive Officer or, in the absence of the Chairperson of the Board and the Chief Executive Officer, such person as shall be selected by the Board, shall act as chairperson of the meeting. The order of business at each such meeting shall be as determined by the chairperson of the meeting. Business transacted at a Stockholder Requested Special Meeting shall be limited to the purposes described in the special meeting requested; provided, however, that nothing herein shall prohibit the Corporation from submitting matters to a vote of the stockholders at any Stockholder Requested Special Meeting. The chairperson of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the Corporation, restrictions on entry to such meeting after the time prescribed for the commencement thereof and the opening and closing of the voting polls.

(b) At any annual meeting of the stockholders, only such business shall be conducted as shall have been brought before the annual meeting (i) by or at the direction of the chairperson of the meeting or (ii) by any stockholder who is a holder of record at the time of the giving of the notice provided for in this Section 2.7, who is entitled to vote at the meeting and who complies with the procedures set forth in this Section 2.7 (such business, "Stockholder Business"). This Section 2.7 and Section 2.3 are the exclusive means by which a stockholder may bring business before a meeting of stockholders.

(c) For business (other than nominations for election of directors, which are governed by Section 3.3) properly to be brought before an annual meeting of stockholders by a stockholder, the stockholder must have given timely notice thereof (a "Notice of Business") in proper written form to the Secretary of the Corporation (the "Secretary"). To be timely, a Notice of Business must be delivered to or mailed and received by the Secretary at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the first anniversary of the date of the immediately preceding annual meeting as first specified in the Corporation's notice of meeting (without regard to any postponements or adjournments of such meeting after such notice was first sent); provided, however, that in the event that the date of the annual meeting is more than 30 days earlier or more than 60 days later than such anniversary date, a Notice of Business to be timely must be so delivered or received not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made; provided, further, that for the purpose of calculating the timeliness of a Notice of Business for the 2020 annual meeting of stockholders, the date of the immediately preceding annual meeting shall be deemed to be February 28, 2019. In no event shall the public announcement of an adjournment or postponement, or an adjournment or postponement, of a meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. To be in proper written form, the Notice of Business must set forth:

(i) the name and record address of each stockholder proposing to bring business before the annual meeting (each, a "Proponent"), as they appear on the Corporation's books;

(ii) the name and address of each Stockholder Associated Person (as defined below);

(iii) as to each Proponent and each Stockholder Associated Person, (A) the class or series and number of shares of stock directly or indirectly held of record and beneficially by such Proponent and Stockholder Associated Person, (B) a description of any agreement, arrangement or understanding, direct or indirect, with respect to the business to be brought before the annual meeting, between or among any Proponent and any Stockholder Associated Person, (C) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, hedging transactions, convertible securities and borrowed or loaned shares) that has been entered into, directly or indirectly, as of the date of the notice by, or on behalf of, any Proponent or any Stockholder Associated Person, the

effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, any Proponent or any Stockholder Associated Person with respect to shares of stock of the Corporation (a "Derivative"), (D) a description in reasonable detail of any proxy (including revocable proxies), agreement, arrangement, understanding or other relationship pursuant to which any Proponent or any Stockholder Associated Person has a right to vote any shares of stock of the Corporation and (E) any profit-sharing or any performance-related fees (other than an asset-based fee) that any Proponent or any Stockholder Associated Person is entitled to, based on any increase or decrease in the value of stock of the Corporation or Derivatives thereof, if any, as of the date of such notice. The information specified in Section 2.7(c)(i) to (iii) of this Article II is referred to herein as "Stockholder Information";

(iv) a representation that each Proponent is a holder of record of stock of the Corporation entitled to vote at the annual meeting and intends to appear in person or by proxy at the annual meeting to propose such business;

(v) a brief description of the business desired to be brought before the annual meeting, the text of the proposal (including the text of any resolutions proposed for consideration and, if such business includes a proposal to amend the By-laws, the language of the proposed amendment) and the reasons for conducting such business at the annual meeting;

(vi) any material interest of any Proponent and any Stockholder Associated Person in such proposed business;

(vii) a representation as to whether the Proponent(s) intend (A) to deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt such Stockholder Business or (B) otherwise to solicit proxies from stockholders in support of such Stockholder Business;

(viii) all other information that would be required to be filed with the U.S. Securities and Exchange Commission ("SEC") if the Proponent(s) or Stockholder Associated Persons were participants in a solicitation subject to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (or any successor of such Section); and

(ix) a representation and agreement that each Proponent shall provide any other information reasonably requested by the Corporation.

(d) In addition, each Proponent shall affirm as true and correct the information provided to the Corporation in the Notice of Business or at the Corporation's request pursuant to Section 2.7(c)(ix) of this Article II (and shall update or supplement such information as needed so that such information shall be true and correct) as of (i) the record date for the meeting and (ii) the date that is 10 business days prior to the announced date of the annual meeting to which the Notice of Business relates. Such affirmation, update and/or supplement must be delivered personally or mailed to, and received at the principal executive offices of the Corporation, addressed to the Secretary, by no later than five business days after the applicable date specified in clause (i) and (ii) of the foregoing sentence.

(e) The person presiding over the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the procedures set forth in this Section 2.7, and, if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

(f) If the Proponent (or a qualified representative of the Proponent) does not appear at the meeting of stockholders to present the Stockholder Business, such business shall not be transacted, and votes in favor of such matter shall not be counted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. A “qualified representative” of the Proponent or any stockholder means a person who is a duly authorized officer, manager or partner of such stockholder or has been authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy with respect to the specific matter to be considered at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction (to the reasonable satisfaction of the person presiding over the meeting) of the writing or electronic transmission, at the meeting of stockholders prior to the taking of action by such person on behalf of the stockholder.

(g) “Stockholder Associated Person” means with respect to any Proponent or Nominating Stockholder, (i) any other beneficial owner of stock of the Corporation owned of record or beneficially by such Proponent or Nominating Stockholder and (ii) any person that directly, or indirectly through one or more intermediaries, controls, is controlled by, is under common control with such Proponent or Nominating Stockholder.

(h) “Control” (including the terms “controlling,” “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.

(i) The notice requirements of this Section 2.7 shall be deemed satisfied with respect to stockholder proposals that have been properly brought under Rule 14a-8 of the Exchange Act (or any such successor rule) and that are included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. Further, nothing in this Section 2.7 shall be deemed to affect any rights of the holders of any series of preferred stock of the Corporation pursuant to any applicable provision of the Certificate.

**SECTION 2.8 List of Stockholders.** It shall be the duty of the Secretary or other officer who has charge of the stock ledger to prepare and make, at least 10 days before each meeting of the stockholders, a complete list of the stockholders entitled to vote thereat, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in such stockholder’s name. Such list shall be produced and kept available at the times and places required by law.

SECTION 2.9 Voting.

(a) Except as otherwise provided by law or by the Certificate, each stockholder of record of any series of Preferred Stock shall be entitled at each meeting of the stockholders to such number of votes, if any, for each share of such stock as may be fixed in the Certificate (or relevant Certificate of Designation) or in the resolution or resolutions adopted by the Board providing for the issuance of such stock, and each stockholder of record of Common Stock shall be entitled at each meeting of the stockholders to one vote for each share of such stock, in each case, registered in such stockholder's name on the books of the Corporation:

(i) on the date fixed pursuant to Section 7.6 of these By-laws as the record date for the determination of stockholders entitled to notice of and to vote at such meeting; or

(ii) if no such record date shall have been so fixed, then at the close of business on the day before the day on which notice of such meeting is given, or, if notice is waived, at the close of business on the day before the day on which the meeting is held.

(b) Each stockholder entitled to vote at any meeting of the stockholders may authorize another person or persons to act for such stockholder by proxy. Any such proxy shall be delivered to the secretary of such meeting at or prior to the time designated for holding such meeting, but in any event not later than the time designated in the order of business for so delivering such proxies. No such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

(c) Except as otherwise required by law and except as otherwise provided in the Certificate or these By-laws, at each meeting of the stockholders, all corporate actions to be taken by vote of the stockholders shall be authorized by holders of a majority in voting power of the shares of capital stock of the Corporation entitled to vote thereon and who are present in person or represented by proxy, and where a separate vote by class or series is required, by holders of a majority in voting power of the shares of such class or series who are entitled to vote thereon and are present in person or represented by proxy shall be the act of such class or series.

(d) Unless required by law or determined by the chairperson of the meeting to be advisable, the vote on any matter, including, without limitation, the election of directors, need not be by written ballot.

SECTION 2.10 Inspectors. The chairperson of the meeting shall appoint one or more inspectors to act at any meeting of the stockholders. Such inspectors shall perform such duties as shall be required by law or specified by the chairperson of the meeting. Inspectors need not be stockholders. No director or nominee for the office of director shall be appointed such inspector.



SECTION 2.11 Public Announcements. For the purpose of Section 2.7 of this Article II, “public announcement” shall mean disclosure (i) in a press release reported by the Dow Jones Newswire, Business Wire, Reuters Information Service or any similar or successor news wire service, (ii) in a communication distributed generally to stockholders or (iii) in a document publicly filed by the Corporation with the SEC pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

### ARTICLE III

#### Board of Directors

SECTION 3.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board, which may exercise all such powers of the Corporation (or grant authority to exercise such powers) and do all such lawful acts and things as are not by law or by the Certificate directed or required to be exercised or done by the stockholders.

#### SECTION 3.2 Number, Qualification and Election.

(a) The number of directors constituting the Whole Board shall be determined in accordance with the Certificate. The term “Whole Board” shall mean the total number of authorized directors, whether or not there exist any vacancies or unfilled previously authorized directorships. The terms of office of directors shall be governed by the Certificate.

(b) Each director shall be at least 21 years of age. Directors need not be stockholders of the Corporation. No person shall qualify for service as a director of the Corporation (i) if he or she is a party to any compensatory, payment, indemnification or other financial agreement, arrangement or understanding with any person or entity other than the Corporation, or has received any such compensation or other payment from any person or entity other than the Corporation, in each case in connection with candidacy or service as a director of the Corporation, unless he or she discloses such compensatory, payment or other financial agreement, arrangement or understanding, or receipt of any such compensation or other payment, to the Corporation pursuant to the requirements and procedures set forth in Section 3.3(a)(iv) of this Article III as if such person were a Stockholder Nominee thereunder or (ii) unless such person agrees to submit upon appointment, election or re-nomination to the Board an irrevocable resignation effective upon (x) such person’s failure to receive a majority of the votes cast in an uncontested election and (y) the acceptance of such resignation by the Board.

(c) In any uncontested election of directors, each person receiving a majority of the votes cast shall be deemed elected. For purposes of this paragraph, a “majority of the votes cast” shall mean that the number of votes cast “for” a director must exceed the number of votes cast “against” that director (with “abstentions” and “broker non-votes” not counted as a vote cast with respect to that director). In any contested election of directors, the persons receiving a plurality of the votes cast, up to the number of directors to be elected in such election, shall be deemed elected. A contested election is one in which, as of the date that is 14 calendar days in advance of the date the Corporation files its definitive proxy statement with the SEC (regardless of whether or not it is thereafter revised or supplemented), the number of nominees exceeds the number of directors to be elected. An uncontested election is any election that is not a contested election.

(d) With respect to a resignation provided pursuant to Section 3.2(b)(ii), the Board shall consider such resignation and may either (i) accept the resignation or (ii) reject the resignation and seek to address the underlying cause(s) of the majority-withheld vote. While the Board may delegate to a committee the authority to assist the Board in its review of the matter, the Board shall decide whether to accept or reject the resignation within 90 days following the certification of the stockholder vote. Once the Board makes this decision, the Corporation will promptly make a public announcement of the Board’s decision in the manner described in Section 2.11. If the Board rejects the resignation, the public announcement will include a statement regarding the reasons for its decision.

(e) The chairperson of the nominating and governance committee established pursuant to Section 4.1 will have the authority to manage the Board’s review of the resignation. In the event it is the chairperson of the nominating and governance committee who received a majority-withheld vote, the independent directors who did not receive majority-withheld votes shall select a director or group of directors to manage the process, and such director or directors shall have the authority otherwise delegated to the chairperson of the nominating and governance committee by this Section 3.2. Any director whose resignation is being considered as a result of a majority-withheld vote shall not participate in the committee’s or the Board’s deliberations or vote on whether to accept or reject his or her resignation; provided that any director, regardless of whether such director received a majority-withheld vote, may participate in such deliberations or vote regarding another director’s resignation.

### SECTION 3.3 Notification of Nominations.

(a) Subject to the rights of the holders of any outstanding series of Preferred Stock, nominations for the election of directors may be made by the Board or by any stockholder pursuant to (i) this Section 3.3 who is a stockholder of record at the time of giving of the notice of nomination provided for in this Section 3.3 and who is entitled to vote for the election of directors or (ii) Section 3.15. This Section 3.3 and Section 3.15 are the exclusive means by which a stockholder may nominate a person for election to the Board. Any stockholder of record entitled to vote for the election of directors at a meeting may nominate persons for election as directors only if timely written notice (a “Notice of Nomination”) of such stockholder’s intent to make such nomination is given in proper written form to the Secretary. To be timely, a Notice of Nomination must be delivered to or mailed and received at the principal executive offices of the Corporation (i) with respect to an election to be held at an annual meeting of the stockholders, not less

than 90 days nor more than 120 days prior to the first anniversary of the date of the immediately preceding annual meeting as first specified in the Corporation's notice of meeting (without regard to any postponements or adjournments of such meeting after such notice was first sent); provided, however, that in the event that the date of the annual meeting is more than 30 days earlier or more than 60 days later than such anniversary date, a Notice of Nomination to be timely must be so delivered or received not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made; provided, further, that for the purpose of calculating the timeliness of stockholder notices for the 2020 annual meeting of stockholders, the date of the immediately preceding annual meeting shall be deemed to be February 28, 2019 and (ii) with respect to an election to be held at a special meeting of the stockholders for the election of directors at which directors are to be elected pursuant to the corporation's notice, not earlier than the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominee(s) proposed by the Board to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement, or an adjournment or postponement, of a meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. To be in proper written form, the Notice of Nomination shall set forth:

(i) the Stockholder Information with respect to each stockholder nominating persons for election to the Board (each, a "Nominating Stockholder") and each Stockholder Associated Person;

(ii) a representation that each Nominating Stockholder is a holder of record of stock of the Corporation entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to propose such nomination;

(iii) all information regarding each Nominating Stockholder, each nominee (each, a "Stockholder Nominee") and each Stockholder Associated Person that would be required to be disclosed in a solicitation of proxies subject to Section 14 of the Exchange Act;

(iv) (A) each Stockholder Nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (B) a completed and duly executed written questionnaire completed and signed by each Stockholder Nominee with respect to the background, qualifications and independence of such Stockholder Nominee (in the form provided by the Secretary upon written request); (C) a completed and duly executed written questionnaire with respect to the background and qualification with respect to such Nominating Stockholder and any other person or entity on whose behalf, directly or indirectly, the nomination is being made (in the form provided by the Secretary upon written request) and (D) each Stockholder Nominee's written representation and agreement (in the form provided by the Secretary upon written request), (1) that if elected as a director of the Corporation, such person will submit an irrevocable resignation effective upon (x) such person's failure to receive a majority of the votes cast in an uncontested election and (y) the acceptance of such resignation by the

Board, (2) that such person currently intends to serve as a director for the full term for which such person is standing for election, (3) that such person is not and will not become party to any agreement, arrangement or understanding with, and has not given any commitment, representation or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law, (4) that such person is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed to the Corporation, and (5) that such person, in the person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with, all applicable publicly disclosed corporate governance, ethics, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation, and any other Corporation policies and guidelines applicable to Corporation directors;

(v) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among a Nominating Stockholder, Stockholder Associated Person or others acting in concert therewith, including all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K (or any such successor rule) if the Nominating Stockholder, Stockholder Associated Person or any person acting in concert therewith, were the "registrant" for purposes of such rule and the Stockholder Nominee were a director or executive of such registrant;

(vi) a duly executed representation as to whether the Nominating Stockholder(s) intend (A) to deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve the nomination or (B) otherwise to solicit proxies from stockholders in support of such nomination;

(vii) all other information that would be required to be filed with the SEC if the Nominating Stockholder(s) and Stockholder Associated Person were participants in a solicitation subject to Section 14 of the Exchange Act (or any such successor section); and

(viii) a duly executed representation that each Nominating Stockholder shall provide any other information reasonably requested by the Corporation.

(b) In addition, each Proponent and Nominating Stockholder shall affirm as true and correct the information provided to the Corporation in the Notice of Nomination or, at the Corporation's request, such information provided pursuant to Section 3.3(a)(vii) of this Article III (and shall update or supplement such information as needed so that such information shall be true and correct) as of (i) the record date for the meeting and (ii) the date that is 10 business days prior to the announced date of the meeting to which the Notice of Nomination relates. Such affirmation, update and/or supplement must be delivered personally or mailed to, and received at the principal executive offices of the Corporation, addressed to the Secretary, by no later than five business days after the applicable date specified in clause (i) and (ii) of the foregoing sentence.

(c) The person presiding over the meeting shall, if the facts warrant, determine and declare to the meeting, that the nomination was not made in accordance with the procedures set forth in this Section 3.3, and, if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

(d) If the Nominating Stockholder (or a qualified representative of the stockholder) does not appear at the applicable stockholder meeting to nominate the Stockholder Nominees (as defined below), such nomination shall be disregarded and no election of such Stockholder Nominees shall be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(e) Nothing in this Section 3.3 shall be deemed to affect any rights of the holders of any series of preferred stock of the Corporation pursuant to any applicable provision of the Certificate or any Certificate of Designation.

(f) Notwithstanding anything in the immediately preceding paragraph of this Section 3.3 to the contrary, in the event that the number of directors to be elected to the Board at an annual meeting of the stockholders is increased and there is no public announcement specifying the size of the increased Board made by the Corporation at least 90 days prior to the first anniversary of the date of the immediately preceding annual meeting, a stockholder's notice required by this Section 3.3 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to or mailed to and received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation; provided, further, that for the purpose of calculating the timeliness of the stockholder's notice for the 2020 annual meeting of stockholders, the date of the immediately preceding annual meeting of stockholders shall be deemed to be February 28, 2019.

**SECTION 3.4 Quorum and Manner of Acting.** Except as otherwise provided by law, the Certificate or these By-laws, a majority of the Whole Board shall constitute a quorum for the transaction of business at any meeting of the Board, and, except as so provided, the vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board. The chairperson of the meeting or a majority of the directors present may adjourn the meeting to another time and place, if any, whether or not a quorum is present. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

SECTION 3.5 Place of Meeting. Subject to Sections 3.6 and 3.7 of this Article III, the Board may hold its meetings at such place or places, if any, either within or outside of the State of Delaware, as the Board may from time to time determine, or as shall be specified or fixed in the respective notices or waivers of notice thereof.

SECTION 3.6 Regular Meetings. Regular meetings of the Board shall be held at such times as the Board shall from time to time determine, at such locations as the Board may determine. No fewer than four meetings of the Board shall be held per year.

SECTION 3.7 Special Meetings. Special meetings of the Board shall be held whenever called by the Chairperson of the Board, the Chief Executive Officer or by a majority of the non-employee directors, and shall be held at such place, if any, on such date and at such time as he, she or they, as applicable, shall fix.

SECTION 3.8 Notice of Meetings. Notice of regular meetings of the Board or of any adjourned meeting thereof need not be given. Notice of each special meeting of the Board shall be given by overnight delivery service or mailed to each director, in either case addressed to such director at such director's residence or usual place of business, at least 48 hours before the day on which the meeting is to be held or shall be sent to such director at such place by telecopy or by electronic transmission or shall be given personally or by telephone, not later than 24 hours before the meeting is to be held, but notice need not be given to any director who shall, either before or after the meeting, submit a waiver of such notice or who shall attend such meeting without protesting, prior to or at its commencement, the lack of notice to such director. Unless otherwise required by these By-laws, every such notice shall state the time and place, if any, but need not state the purpose of the meeting.

SECTION 3.9 Rules and Regulations. The Board may adopt such rules and regulations not inconsistent with the provisions of law, the Certificate or these By-laws for the conduct of its meetings and management of the affairs of the Corporation as the Board may deem proper.

SECTION 3.10 Participation in Meeting by Means of Communications Equipment. Any one or more members of the Board or any committee thereof may participate in any meeting of the Board or of any such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other or as otherwise permitted by law, and such participation in a meeting shall constitute presence in person at such meeting.

SECTION 3.11 Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board or any committee thereof may be taken without a meeting if all of the members of the Board or of any such committee consent thereto in writing or as otherwise permitted by law and, if required by law, the writing or writings are filed with the minutes or proceedings of the Board or of such committee.

SECTION 3.12 Chairperson. The Board of Directors shall annually select one of its members to be Chairperson and shall fill any vacancy in the position of Chairperson at such time and in such manner as the Board of Directors shall determine.

SECTION 3.13 Resignations. Any director of the Corporation may at any time resign by giving written notice to the Board, the Chairperson of the Board, the Chief Executive Officer or the Secretary. Such resignation shall take effect at the time specified therein or, if the time be not specified therein, upon receipt thereof; and, unless otherwise specified therein or in these By-laws, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 3.14 Compensation. Each director, in consideration of such person serving as a director, shall be entitled to receive from the Corporation such amount per annum and such fees (payable in cash or stock-based compensation) for attendance at meetings of the Board or of committees of the Board, or both, and for acting as a chair of a committee of the Board, and/or any other compensation in each case as the Board or a committee thereof shall from time to time determine. In addition, each director shall be entitled to receive from the Corporation reimbursement for the reasonable expenses incurred by such person in connection with the performance of such person's duties as a director. Nothing contained in this Section 3.14 shall preclude any director from serving the Corporation or any of its subsidiaries in any other capacity and receiving compensation therefor.

SECTION 3.15 Proxy Access.

(a) The Corporation shall include in its proxy statement and on its form of proxy for an annual meeting of stockholders the name of, and the Required Information (as defined below) relating to, any nominee for election or reelection to the Board who satisfies the eligibility requirements in this Section 3.15 (a "Proxy Access Nominee") and who is identified in a notice that complies with Section 3.15(f) of this Article III and that is timely delivered pursuant to Section 3.15(g) of this Article III (the "Stockholder Notice") by one stockholder, or a group of no more than 20 stockholders, who:

(i) elects at the time of delivering the Stockholder Notice to have such Proxy Access Nominee included in the Corporation's proxy materials;

(ii) as of the date of the Stockholder Notice and the record date for determining stockholders entitled to vote at the annual meeting of stockholders, Owns (as defined below in Section 3.15(c) of this Article III) a number of shares of the Corporation that represents at least 3% of the outstanding shares of the Corporation entitled to vote generally in the election of directors (the "Required Shares") and has Owned continuously the Required Shares (as adjusted for any stock splits, stock dividends or similar events) for at least three years; and

(iii) satisfies the additional requirements in these By-laws (such stockholder or group of stockholders, collectively, an "Eligible Stockholder").

(b) For purposes of satisfying the Ownership requirement under Section 3.15(a) of this Article III:

(i) the outstanding shares of the Corporation Owned by a group of one or more stockholders may be aggregated (for the avoidance of doubt, the number of stockholders and other beneficial owners whose ownership of shares is aggregated for such purpose shall not exceed 20); and

(ii) two or more funds that are (A) under common management and investment control, (B) under common management and funded primarily by the same employer or (C) a “group of investment companies,” as such term is defined in Section 12(d)(1)(G)(ii) of the Investment Company Act of 1940, as amended, shall, in each case, be treated as one stockholder.

(c) For purposes of this Section 3.15, an Eligible Stockholder “Owns” only those outstanding shares of the Corporation as to which the stockholder or group of stockholders possesses both:

(i) the full voting and investment rights pertaining to the shares; and

(ii) the full economic interest in (including, without limitation, the opportunity for profit and risk of loss on) such shares;

provided that the number of shares calculated in accordance with clauses (i) and (ii) of this Section 3.15(c) shall not include any shares:

(A) sold by such stockholder or any affiliate (as defined below in this Section 3.15(c)) in any transaction that has not been settled or closed, including, without limitation, any short sale;

(B) borrowed by such stockholder or any affiliate for any purposes or purchased by such stockholder or any affiliate pursuant to an agreement to resell; or

(C) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such stockholder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of outstanding shares of the Corporation, in any such case which instrument or agreement has, or is intended to have, or if exercised would have, the purpose or effect of:

- (1) reducing in any manner, to any extent or at any time in the future, such stockholder’s or any of its affiliates’ full right to vote or direct the voting of any such shares; and/or



- (2) hedging, offsetting or altering to any degree gain or loss arising from the full economic interest in such shares by such stockholder or affiliate.

A stockholder “Owns” shares held in the name of a nominee or other intermediary so long as the stockholder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. A stockholder’s Ownership of shares shall be deemed to continue during any period in which the stockholder has delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement that is revocable at any time by the stockholder. A stockholder’s Ownership of shares shall be deemed to continue during any period in which the stockholder has loaned such shares; provided, that the stockholder has the power to recall such loaned shares on five business days’ notice and has recalled such loaned shares as of the date of the Stockholder Notice and through the date of the annual meeting of stockholders. The terms “Owned,” “Owning” and other variations of the word “Own” shall have correlative meanings. Whether outstanding shares of the Corporation are “Owned” for these purposes shall be determined by the Board.

For purposes of this Section 3.15, the term “affiliate” or “affiliates” shall have the meaning ascribed thereto under the General Rules and Regulations under the Exchange Act.

(d) No stockholder may be a member of more than one group of stockholders constituting an Eligible Stockholder under this Section 3.15, and no shares of the Corporation may be attributed to more than one Eligible Stockholder or group constituting an Eligible Stockholder.

(e) For purposes of this Section 3.15, the “Required Information” that the Corporation will include in its proxy materials is:

(i) the information concerning the Proxy Access Nominee and the Eligible Stockholder that is required to be disclosed in the Corporation’s proxy materials by the applicable requirements of the Exchange Act and the rules and regulations thereunder; and

(ii) if the Eligible Stockholder so elects, a written statement of the Eligible Stockholder, not to exceed 500 words, in support of its Proxy Access Nominee, which must be provided at the same time as the Stockholder Notice for inclusion in the Corporation’s proxy materials for the annual meeting of stockholders.

Notwithstanding anything to the contrary contained in this Section 3.15, the Corporation may omit from its proxy materials any information or statement that it, in good faith, believes would violate any applicable law, rule, regulation or listing standard. Nothing in this Section 3.15 shall limit the Corporation’s ability to solicit against a stockholder nominee and include in its proxy materials its own statements relating to any Eligible Stockholder or Proxy Access Nominee.

(f) The Stockholder Notice shall set forth the information required under Section 3.3(a) of this Article III (replacing the term “Proponent” with “Eligible Stockholder” and the term “Stockholder Nominee” with “Proxy Access Nominee”), including the questionnaire, agreement and other materials required by Section 3.3(a)(iv), and, in addition, shall include:

(i) a copy of the Schedule 14N that has been or concurrently is filed with the SEC under Exchange Act Rule 14a-18 (or any successor schedule or rule); and

(ii) the written agreement of the Eligible Stockholder (or in the case of a group, each stockholder whose shares are aggregated for purposes of constituting an Eligible Stockholder) addressed to the Corporation (in the form provided by the Secretary upon written request), setting forth the following additional agreements, representations and warranties:

(A) a certification as to the number of shares of the Corporation it Owns and has Owned continuously for at least three years as of the date of the Stockholder Notice and agreeing to continue to Own such shares through the date of the annual meeting of stockholders, which statement shall also be included in the written statements set forth in Item 4 of the Schedule 14N (or any successor schedule) filed by the Eligible Stockholder with the SEC;

(B) the Eligible Stockholder’s agreement to provide the information required under Section 3.3(a) of this Article III and the written statements from the record holder and intermediaries as required under Section 3.15(h) of this Article III verifying the Eligible Stockholder’s continuous Ownership of the Required Shares through and as of the business day immediately preceding the date of the annual meeting of stockholders;

(C) the Eligible Stockholder’s representation and agreement that the Eligible Stockholder (including each member of any group of stockholders that together is an Eligible Stockholder under this Section 3.15):

- (1) acquired the Required Shares in the ordinary course of business and not with the intent to change or influence control of the Corporation, and does not presently have such intent;
- (2) will provide facts, statements and other information in all communications with the Corporation and stockholders of the Corporation that are true and correct in all material respects and do not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- (3) has not nominated and will not nominate for election to the Board at the annual meeting of stockholders any person other than the Proxy Access Nominee(s) being nominated pursuant to this Section 3.15;

- (4) has not engaged and will not engage in a, and has not been and will not be a “participant” (as defined in Item 4 of the Exchange Act Schedule 14A) (or any successor schedule) in other person’s, “solicitation” within the meaning of Exchange Act Rule 14a-1(l) (or any successor rule), in support of the election of any individual as a director at the annual meeting of stockholders other than its Proxy Access Nominee or a nominee of the Board; and
- (5) will not distribute to any stockholder any form of proxy for the annual meeting of stockholders other than the form distributed by the Corporation.

(D) the Eligible Stockholder’s agreement to:

- (1) assume all liability stemming from any legal or regulatory violation arising out of the Eligible Stockholder’s communications with the stockholders of the Corporation or out of the information that the Eligible Stockholder provided to the Corporation;
- (2) indemnify and hold harmless the Corporation and each of its directors, officers and employees individually against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its directors, officers or employees arising out of any nomination submitted by the Eligible Stockholder pursuant to this Section 3.15; provided, however, that the indemnification by the Eligible Stockholder under this Section 3.15(f)(ii)(D)(2) shall no longer be required or apply with respect to any acts or omissions by the Proxy Access Nominee that occur after such Proxy Access Nominee’s election to the Board;
- (3) comply with all other laws, rules, regulations and listing standards applicable to any solicitation in connection with the annual meeting of stockholders;
- (4) file all materials described below in Section 3.15(h)(iii) of this Article III with the SEC, regardless of whether any such filing is required under Exchange Act Regulation 14A (or any successor regulation), or whether any exemption from filing is available for such materials under Exchange Act Regulation 14A (or any successor regulation);
- (5) provide to the Corporation prior to the annual meeting of stockholders such additional information as necessary or reasonably requested by the Corporation; and

- (6) promptly disclose to the Corporation if the Eligible Stockholder does not intend to continue to Own the Required Shares for at least one year following the annual meeting of stockholders; and
- (7) in the case of a nomination by a group of stockholders that together is an Eligible Stockholder, the designation by all group members of one group member that is authorized to act on behalf of all such members with respect to the nomination and matters related thereto, including, without limitation, any withdrawal of the nomination.

(g) To be timely under this Section 3.15, the Stockholder Notice must be delivered to or mailed and received at the principal executive offices of the Corporation with respect to an election to be held at an annual meeting of the stockholders, not less than 120 days nor more than 150 days prior to the first anniversary of the date the definitive proxy statement was first released to stockholders in connection with the previous year's annual meeting of stockholders; provided, however, that in the event that the date of the annual meeting of stockholders is more than 30 days earlier or more than 60 days later than such anniversary date, the Stockholder Notice to be timely must be so delivered or received not earlier than the 150th day prior to such annual meeting of stockholders and not later than the close of business on the later of the 120th day prior to such annual meeting of stockholders or the 10th day following the day on which public announcement of the date of such meeting is first made; provided, further, that for the purpose of calculating the timeliness of the Stockholder Notice for the 2020 annual meeting of stockholders, the date the definitive proxy statement was first released to stockholders in connection with the previous year's annual meeting of stockholders shall be deemed to be February 28, 2019. In no event shall any adjournment or postponement of an annual meeting of stockholders, or the announcement thereof, commence a new time period (or extend any time period) for the giving of the Stockholder Notice as described above. For purposes of Rule 14a-18 under the Exchange Act (or any successor rule), the applicable "date specified by the registrant's advance notice provision" shall be the date determined pursuant to this Section 3.15(g).

(h) An Eligible Stockholder (or in the case of a group, each stockholder whose shares are aggregated for purposes of constituting an Eligible Stockholder) must:

(i) within five business days after the date of the Stockholder Notice, provide one or more written statements from the record holder(s) of the Required Shares and from each intermediary through which the Required Shares are or have been held, in each case during the requisite three-year holding period, verifying that the Eligible Stockholder Owns, and has Owned continuously for the preceding three years, the Required Shares;

(ii) include in the written statements provided pursuant to Item 4 of Schedule 14N (or any successor schedule) filed with the SEC a statement certifying that it Owns and continuously has Owned the Required Shares for at least three years;

(iii) file with the SEC any solicitation or other communication relating to the current year annual meeting of stockholders, one or more of the Corporation's directors or director nominees or any Proxy Access Nominee, regardless of whether any such filing is required under Exchange Act Regulation 14A (or any successor regulation) or whether any exemption from filing is available for such solicitation or other communication under Exchange Act Regulation 14A (or any successor regulation); and

(iv) as to any group of funds whose shares are aggregated for purposes of constituting an Eligible Stockholder, within five business days after the date of the Stockholder Notice, provide documentation reasonably satisfactory to the Corporation that demonstrates that the funds satisfy Section 3.15(b)(ii) of this Article III.

(i) Notwithstanding anything to the contrary contained in this Section 3.15, the Corporation may omit from its proxy materials any Proxy Access Nominee, and such nomination shall be disregarded and no vote on such Proxy Access Nominee will occur, notwithstanding that proxies in respect of such vote may have been received by the Corporation, if:

(i) the Secretary receives notice that a stockholder intends to nominate a person for election to the Board, which stockholder does not elect to have its nominee(s) included in the Corporation's proxy materials pursuant to this Section 3.15;

(ii) the Eligible Stockholder or Proxy Access Nominee breaches any of its respective agreements, representations or warranties set forth in the Stockholder Notice or otherwise required by this Section 3.15, or if any of the information in the Stockholder Notice (or otherwise submitted pursuant to this Section 3.15) was not, when provided, true, correct and complete or the requirements of this Section 3.15 have otherwise not been met;

(iii) the Proxy Access Nominee or the stockholder or group of stockholders (including any member thereof) who has nominated such Proxy Access Nominee has engaged in or is currently engaged in, or has been or is a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act, in support of the election of any individual as a director at the meeting other than such Proxy Access Nominee or a nominee of the Board;

(iv) the Proxy Access Nominee (A) is not independent under the listing standards of the principal U.S. exchange upon which the shares of the Corporation are listed, any applicable rules of the SEC and any publicly disclosed standards used by the Board in determining and disclosing the independence of the Corporation's directors, (B) does not qualify as independent under the audit committee independence requirements set forth in the rules of the principal U.S. exchange on which shares of the Corporation are listed, as a "non-employee director" under Exchange Act Rule 16b-3 (or any successor rule), (C) is or has been, within the three years preceding the date the Corporation first mails to the stockholders its notice of the meeting that includes the Proxy Access Nominee, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, as amended, (D) is an officer, director or general partner of any legal entity where a fellow officer, director or general partner of such legal entity is an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, as amended, (E) is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in a criminal proceeding within the 10 years preceding the date the Corporation first mails to the stockholders its notice of the meeting that includes the Proxy Access Nominee or (F) is subject to any order of the type specified in Rule 506(d) of Regulation D (or any successor rule) promulgated under the Securities Act of 1933, as amended; or

(v) the election of the Proxy Access Nominee to the Board would cause the Corporation to be in violation of the Certificate, these By-laws or any applicable state or federal law, rule, regulation or listing standard.

Any such determination by the Board (or any other person or body authorized by the Board) regarding a nomination's satisfaction of this Section 3.15(i) shall be binding on the Corporation and its stockholders.

(j) The maximum number of Proxy Access Nominees appearing in the Corporation's proxy materials with respect to an annual meeting of stockholders pursuant to this Section 3.15 (including, without limitation, any Proxy Access Nominee whose name was submitted for inclusion in the Corporation's proxy materials for such annual meeting of stockholders but who is nominated by the Board as a Board nominee for such annual meeting of stockholders), together with:

(i) any nominees who were previously elected to the Board as (A) Proxy Access Nominees pursuant to this Section 3.15 (including, without limitation, any Proxy Access Nominee whose name was submitted for inclusion in the Corporation's proxy materials for such prior annual meeting of stockholders but who was nominated by the Board as a Board nominee for such prior annual meeting of stockholders) or (B) a nominee of any stockholder in any other manner, in either case at any of the preceding two annual meetings of stockholders and who are re-nominated for election at such annual meeting of stockholders by the Board, and

(ii) any Proxy Access Nominee who was qualified for inclusion in the Corporation's proxy materials for such annual meeting of stockholders but whose nomination is subsequently withdrawn,

shall not exceed the greater of (x) two or (y) 20% of the number of directors in office as of the last day on which a Stockholder Notice may be delivered pursuant to this Section 3.15 with respect to such annual meeting of stockholders, or if such amount as calculated in clause (y) of this Section 3.15(j) is not a whole number, the closest whole number below 20%; provided that if there is a vacancy on the Board and the number of directors is decreased prior to such annual meeting of stockholders, then the 20% of the number of directors shall be calculated based on the number of directors in office as of the date of such decrease in the number of directors. In the event that the number of Proxy Access Nominees submitted by Eligible Stockholders pursuant to this Section 3.15 exceeds this maximum number, each Eligible Stockholder will select one Proxy Access Nominee for inclusion in the Corporation's proxy materials until the maximum number is reached, going in order of the number (largest to smallest) of shares of the Corporation each Eligible Stockholder disclosed as Owned in its respective Stockholder Notice submitted to the Corporation. If the maximum number is not reached after each Eligible Stockholder has selected one Proxy Access Nominee, this selection process will continue as many times as necessary, following the same order each time, until the maximum number is reached.

(k) Notwithstanding the foregoing provisions of this Section 3.15, unless otherwise required by law or otherwise determined by the person presiding over the meeting, if none of (i) the Eligible Stockholder or (ii) a qualified representative of the Eligible Stockholder appears at the annual meeting of stockholders to present such Eligible Stockholder's Proxy Access Nominees, such nomination or nominations shall be disregarded and conclusively deemed withdrawn, notwithstanding that proxies in respect of the election of the Proxy Access Nominees may have been received by the Corporation.

(l) Any Proxy Access Nominee who is included in the Corporation's proxy materials for a particular annual meeting of stockholders but either (i) withdraws from or becomes ineligible or unavailable for election at the annual meeting of stockholders, or (ii) does not receive at least 25% of the votes cast in favor of the Proxy Access Nominee's election, will be ineligible to be a Proxy Access Nominee pursuant to this Section 3.15 for the next two annual meetings of stockholders.

(m) The Corporation may request such additional information as necessary to permit the Board to determine if each Proxy Access Nominee is independent under the listing standards of the principal United States exchange upon which the shares of the Corporation are listed, any applicable rules of the SEC and any publicly disclosed standards used by the Board in determining and disclosing the independence of the Corporation's directors.

(n) This Section 3.15 shall be the exclusive method for stockholders to include nominees for director election in the Corporation's proxy materials.

#### ARTICLE IV

##### Committees of the Board of Directors

SECTION 4.1 Committees of the Board. The Board shall designate such committees as may be required by the listing standards of the principal United States exchange upon which the shares of the Corporation are listed and may from time to time designate other committees of the Board (including, without limitation, an executive

committee), with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board and shall, for those committees and any others provided for herein, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternate members who may replace any absent or disqualified member at any meeting of the committee.

SECTION 4.2 Conduct of Business. Any committee, to the extent allowed by law and provided in the resolution establishing such committee or the charter of such committee, shall have and may exercise all the duly delegated powers and authority of the Board in the management of the business and affairs of the Corporation. The Board shall have the power to prescribe the manner in which proceedings of any such committee shall be conducted. In the absence of any such prescription, any such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless the Board or such committee shall otherwise provide, regular and special meetings and other actions of any such committee shall be governed by the provisions of Article III applicable to meetings and actions of the Board. Each committee shall keep regular minutes and report on its actions to the Board.

## ARTICLE V

### Officers

SECTION 5.1 Number; Term of Office. The officers of the Corporation shall be elected by the Board and may consist of: a Chief Executive Officer, a President, a Chief Operating Officer, a Chief Financial Officer and one or more Vice Presidents (including, without limitation, Senior Vice Presidents) and a Treasurer, Controller and Secretary and such other officers and agents with such titles and such duties as the Board may from time to time determine, each to have such authority, functions or duties as in these By-laws provided or as the Board may from time to time determine, and each to hold office for such term as may be prescribed by the Board and until such person's successor shall have been chosen and shall qualify, or until such person's death or resignation, or until such person's removal in the manner hereinafter provided. One person may hold the offices and perform the duties of any two or more of said officers; provided, however, that no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument is required by law, the Certificate or these By-laws to be executed, acknowledged or verified by two or more officers. The Board may require any officer or agent to give security for the faithful performance of such person's duties.

SECTION 5.2 Removal. Subject to Section 5.13 of this Article V, any officer may be removed, either with or without cause, by the Board at any meeting thereof called for the purpose, by the Chief Executive Officer, or by any other superior officer upon whom such power may be conferred by the Board.

SECTION 5.3 Resignation. Any officer may resign at any time by giving notice to the Board, the Chief Executive Officer or the Secretary. Any such resignation shall take effect at the date of receipt of such notice or at any later date specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.



SECTION 5.4 Chief Executive Officer. The Chief Executive Officer shall have general supervision and direction of the business and affairs of the Corporation, subject to the control of the Board, and shall report directly to the Board.

SECTION 5.5 President. The President shall perform such senior duties as he or she may agree with the Chief Executive Officer (if the position is held by an individual other than the Chief Executive Officer) or as the Board shall from time to time determine.

SECTION 5.6 Chief Operating Officer. The Chief Operating Officer shall perform such senior duties in connection with the operations of the Corporation as he or she may agree with the Chief Executive Officer or as the Board shall from time to time determine. The Chief Operating Officer shall, when requested, counsel with and advise the other officers of the Corporation.

SECTION 5.7 Chief Financial Officer. The Chief Financial Officer shall perform all the powers and duties of the office of the chief financial officer and in general have overall supervision of the financial operations of the Corporation. The Chief Financial Officer shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as he or she may agree with the Chief Executive Officer or as the Board may from time to time determine.

SECTION 5.8 Vice Presidents. Any Vice President shall have such powers and duties as shall be prescribed by his or her superior officer or the Board. A Vice President shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as he or she may agree with the Chief Executive Officer or as the Board may from time to time determine. A Vice President need not be an officer of the Corporation and shall not be deemed an officer of the Corporation unless elected by the Board.

SECTION 5.9 Treasurer. The Treasurer shall supervise and be responsible for all the funds and securities of the Corporation; the deposit of all moneys and other valuables to the credit of the Corporation in depositories of the Corporation; borrowings and compliance with the provisions of all indentures, agreements and instruments governing such borrowings to which the Corporation is a party; the disbursement of funds of the Corporation and the investment of its funds; and in general shall perform all of the duties incident to the office of the Treasurer. The Treasurer shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as he or she may agree with the Chief Executive Officer or the Chief Financial Officer or as the Board may from time to time determine.

SECTION 5.10 Controller. The Controller shall be the chief accounting officer of the Corporation. The Controller shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as he or she may agree with the Chief Executive Officer or the Chief Financial Officer or as the Board may from time to time determine.

SECTION 5.11 Secretary. It shall be the duty of the Secretary to act as secretary at all meetings of the Board, of the committees of the Board and of the stockholders and to record the proceedings of such meetings in a book or books to be kept for that purpose; the Secretary shall see that all notices required to be given by the Corporation are duly given and served; the Secretary shall be custodian of the seal of the Corporation and when deemed necessary shall affix the seal or cause it to be affixed to all certificates of stock, if any, of the Corporation (unless the seal of the Corporation on such certificates shall be a facsimile, as hereinafter provided) and to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these By-laws; the Secretary shall have charge of the books, records and papers of the Corporation and shall see that the reports, statements and other documents required by law to be kept and filed are properly kept and filed; and in general shall perform all of the duties incident to the office of Secretary. The Secretary shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as he or she may agree with the Chief Executive Officer or as the Board may from time to time determine.

SECTION 5.12 Assistant Treasurers, Assistant Controllers and Assistant Secretaries. Any Assistant Treasurers, Assistant Controllers and Assistant Secretaries shall perform such duties as shall be assigned to them by the Board or by the Treasurer, Controller or Secretary, respectively, or by the Chief Executive Officer. An Assistant Treasurer, Assistant Controller or Assistant Secretary need not be an officer of the Corporation and shall not be deemed an officer of the Corporation unless elected by the Board.

SECTION 5.13 Additional Matters. The Chief Executive Officer, the President, the Chief Operating Officer and the Chief Financial Officer of the Corporation shall have the authority to designate employees of the Corporation to have the title of Vice President, Assistant Vice President, Assistant Treasurer, Assistant Controller or Assistant Secretary. Any employee so designated shall have the powers and duties determined by the officer making such designation. The persons upon whom such titles are conferred shall not be deemed officers of the Corporation unless elected by the Board or appointed by any duly elected officer or assistant officer authorized by the Board to appoint such person.

## ARTICLE VI

### Indemnification

SECTION 6.1 Right to Indemnification. The Corporation, to the fullest extent permitted or required by the DGCL or other applicable law, as the same exists or may hereafter be amended (but, in the case of any such amendment and unless applicable law otherwise requires, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide

prior to such amendment), shall indemnify and hold harmless any person who is or was a director or officer of the Corporation and who is or was involved in any manner (including, without limitation, as a party or a witness) or is threatened to be made so involved in any threatened, pending or completed investigation, claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action, suit or proceedings by or in the right of the Corporation to procure a judgment in its favor) (a “Proceeding”) by reason of the fact that such person, or another person of whom such person is the legal representative, is or was a director, officer of the Corporation (or manager of any predecessor to the Corporation), or is or was serving at the request of the Corporation as a director, officer or agent of another corporation, partnership, joint venture, trust or other enterprise (including, without limitation, any employee benefit plan) (a “Covered Entity”), whether the basis of such Proceeding is alleged action in an official capacity as a director, officer or agent or in any other capacity while serving as a director, officer or agent, against all expenses, liabilities and losses (including, without limitation, attorneys’ fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) actually and reasonably incurred by such person in connection with such Proceeding and such indemnification shall continue as to a person who has ceased to be a director, officer or agent of the Corporation or a Covered Entity; provided, however, that, except as provided in Section 6.4(d) of this Article VI with respect to an adjudication of entitlement to indemnification, the Corporation shall indemnify and hold harmless any such Indemnitee in connection with a Proceeding initiated by such Indemnitee only if such Proceeding was authorized by the Board. Any person entitled to indemnification as provided in this Section 6.1 is hereinafter called an “Indemnitee.” Any right of an Indemnitee to indemnification shall be a contract right and shall include the right to receive, prior to the conclusion of any Proceeding, payment of any expenses incurred by the Indemnitee in connection with such Proceeding, consistent with the provisions of the DGCL or other applicable law, as the same exists or may hereafter be amended (but, in the case of any such amendment and unless applicable law otherwise requires, only to the extent that such amendment permits the Corporation to provide broader rights to payment of expenses than such law permitted the Corporation to provide prior to such amendment), and the other provisions of this Article VI; provided that payment of expenses incurred by a person other than a director or officer of the Corporation prior to the conclusion of any Proceeding shall be made, unless otherwise determined by the Board, only upon delivery to the Corporation of an undertaking by or on behalf of such person to the same effect as any undertaking required to be delivered to the Corporation by any director or officer of the Corporation pursuant to the DGCL or other applicable law.

SECTION 6.2 Insurance, Contracts and Funding. The Corporation may purchase and maintain insurance to protect itself and any director, officer, employee or agent of the Corporation or of any Covered Entity against any expenses, liabilities or losses as specified in Section 6.1 of this Article VI or incurred by any such director, officer, employee or agent in connection with any Proceeding referred to in Section 6.1 of this Article VI, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL. The Corporation may enter into contracts with any director, officer, employee or agent of the Corporation or of any Covered Entity in furtherance of the provisions of this Article VI and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided or authorized in this Article VI.

SECTION 6.3 Indemnification Not Exclusive Right. The right of indemnification provided in this Article VI shall not be exclusive of any other rights to which an Indemnitee may otherwise be entitled, and the provisions of this Article VI shall inure to the benefit of the heirs and legal representatives of any Indemnitee under this Article VI and shall be applicable to Proceedings commenced or continuing after the adoption of this Article VI, whether arising from acts or omissions occurring before or after such adoption.

SECTION 6.4 Advancement of Expenses; Procedures; Presumptions and Effect of Certain Proceedings; Remedies. In furtherance, but not in limitation, of the foregoing provisions, the following procedures, presumptions and remedies shall apply with respect to advancement of expenses and the right to indemnification under this Article VI:

(a) Advancement of Expenses. All reasonable expenses (including, without limitation, attorneys' fees) incurred by or on behalf of the Indemnitee in connection with any Proceeding shall be advanced to the Indemnitee by the Corporation within 20 days after the receipt by the Corporation of a statement or statements from the Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the expenses incurred by the Indemnitee and, if required by law or the provisions of this Article VI at the time of such advance, shall include or be accompanied by an undertaking by or on behalf of the Indemnitee to repay the amounts advanced if ultimately it should be determined that the Indemnitee is not entitled to be indemnified against such expenses pursuant to this Article VI.

(b) Procedure for Determination of Entitlement to Indemnification.

(i) To obtain indemnification under this Article VI, an Indemnitee shall submit to the Secretary a written request including such documentation and information as is reasonably available to the Indemnitee and reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification (the "Supporting Documentation"). The determination of the Indemnitee's entitlement to indemnification shall be made not later than 60 days after receipt by the Corporation of the written request for indemnification together with the Supporting Documentation. The Secretary shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that the Indemnitee has requested indemnification.

(ii) The Indemnitee's entitlement to indemnification under this Article VI shall be determined in one of the following ways: (A) by a majority vote of the Disinterested Directors (as hereinafter defined in Section 6.4(e) of this Article VI), whether or not they constitute a quorum of the Board, or by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors; (B) by a written opinion of Independent Counsel (as hereinafter defined in Section 6.4(e) of this Article VI) if there are no Disinterested Directors or a majority of such Disinterested Directors so directs; (C) by the stockholders of the Corporation if the Board so directs; or (D) as provided in Section 6.4(c) of this Article VI.

(iii) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 6.4(b)(ii) of this Article VI, a majority of the Disinterested Directors shall select the Independent Counsel, but only an Independent Counsel to which the Indemnitee does not reasonably object.

(c) Presumptions and Effect of Certain Proceedings. If the person or persons empowered under Section 6.4(b) of this Article VI to determine entitlement to indemnification shall not have been appointed or shall not have made a determination within 60 days after receipt by the Corporation of the request therefor, together with the Supporting Documentation, the Indemnitee shall be deemed to be, and shall be, entitled to indemnification, unless (A) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (B) such indemnification is prohibited by law. The termination of any Proceeding described in Section 6.1 of this Article VI, or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, adversely affect the right of the Indemnitee to indemnification or create a presumption that the Indemnitee did not act in good faith and in a manner which the Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal proceeding, that the Indemnitee had reasonable cause to believe that such conduct was unlawful.

(d) Remedies of Indemnitee. (i) In the event that a determination is made pursuant to Section 6.4(b) of this Article VI that the Indemnitee is not entitled to indemnification under this Article VI, (A) the Indemnitee shall be entitled to seek an adjudication of entitlement to such indemnification either, at the Indemnitee's sole option, in (x) an appropriate court of the State of Delaware or any other court of competent jurisdiction or (y) an arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association and (B) any such judicial proceeding or arbitration shall be *de novo* and the Indemnitee shall not be prejudiced by reason of such adverse determination.

(ii) If a determination shall have been made or deemed to have been made, pursuant to Section 6.4(b) or (c) of this Article VI, that the Indemnitee is entitled to indemnification, the Corporation shall be obligated to pay the amounts constituting such indemnification within 45 days after such determination has been made or deemed to have been made and shall be conclusively bound by such determination, unless (A) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (B) such indemnification is prohibited by law. In the event that (X) advancement of expenses is not timely made pursuant to Section 6.4(a) of this Article VI or (Y) payment of indemnification is not made within 45 days after a determination of entitlement to indemnification has been made or

deemed to have been made pursuant to Section 6.4(b) or (c) of this Article VI, the Indemnitee shall be entitled to seek judicial enforcement of the Corporation's obligation to pay to the Indemnitee such advancement of expenses or indemnification. Notwithstanding the foregoing, the Corporation may bring an action, in an appropriate court in the State of Delaware or any other court of competent jurisdiction, contesting the right of the Indemnitee to receive indemnification hereunder due to the occurrence of an event described in sub-clause (A) or (B) of this clause (ii) (a "Disqualifying Event"); provided, however, that in any such action the Corporation shall have the burden of proving the occurrence of such Disqualifying Event.

(iii) The Corporation shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 6.4(d) that the procedures and presumptions of this Article VI are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Corporation is bound by all the provisions of this Article VI.

(iv) In the event that the Indemnitee, pursuant to this Section 6.4(d), seeks a judicial adjudication of or an award in arbitration to enforce rights under, or to recover damages for breach of, this Article VI, or in the event of a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any expenses actually and reasonably incurred by the Indemnitee if the Indemnitee prevails in such judicial adjudication, arbitration or suit. If it shall be determined in such judicial adjudication, arbitration or suit that the Indemnitee is entitled to receive part, but not all, of the indemnification or advancement of expenses sought, the expenses incurred by the Indemnitee in connection with such judicial adjudication, arbitration or action shall be prorated accordingly.

(e) Definitions. For purposes of this Article VI:

(i) "Disinterested Director" means a director of the Corporation who is not or was not a party to the Proceeding in respect of which indemnification is sought by the Indemnitee.

(ii) "Independent Counsel" means a law firm or a member of a law firm that neither presently is, nor in the past five years has been, retained to represent (x) the Corporation or the Indemnitee in any matter material to either such party or (y) any other party to the Proceeding giving rise to a claim for indemnification under this Article VI. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing under the law of the State of Delaware, would have a conflict of interest in representing either the Corporation or the Indemnitee in an action to determine the Indemnitee's rights under this Article VI.

SECTION 6.5 Severability. If any provision or provisions of this Article VI shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Article VI (including, without limitation, all portions of any paragraph of this Article VI containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Article VI (including, without limitation, all portions of any paragraph of this Article VI containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or enforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

SECTION 6.6 Indemnification of Employees and Agents. Notwithstanding any other provision or provisions of this Article VI, the Corporation, to the fullest extent of the provisions of this Article VI with respect to the indemnification of directors and officers of the Corporation or any Covered Entity, may indemnify any person other than a director or officer of the Corporation or any Covered Entity, who is or was an employee or agent of the Corporation or a Covered Entity and who is or was involved in any manner (including, without limitation, as a party or a witness) or is threatened to be made so involved in any threatened, pending or completed Proceeding by reason of the fact that such person, or another person of whom such person is the legal representative, is or was a director, officer, employee or agent of the Corporation or of a Covered Entity, whether the basis of such Proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, against all expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) actually and reasonably incurred by such person in connection with such Proceeding. The Corporation may also advance expenses incurred by such employee or agent in connection with any such Proceeding, consistent with the provisions of this Article VI with respect to the advancement of expenses of directors, officers and employees of the Corporation.

## ARTICLE VII

### Capital Stock

#### SECTION 7.1 Certificates for Shares and Uncertificated Shares.

(a) The shares of stock of the Corporation shall be uncertificated shares that may be evidenced by a book-entry system maintained by the registrar of such stock, or shall be represented by certificates, or a combination of both. To the extent that shares are represented by certificates, such certificates whenever authorized by the Board shall be in such form as shall be approved by the Board. The certificates representing shares of stock of each class shall be signed by, or in the name of, the Corporation by any two authorized officers of the Corporation, and sealed with the seal of the Corporation, which may be a facsimile thereof. Any or all such signatures may be facsimiles if countersigned by a transfer agent or registrar. Although any officer, transfer agent or registrar whose manual or facsimile signature is affixed to such a certificate ceases to be such officer, transfer agent or registrar before such certificate has been issued, it may nevertheless be issued by the Corporation with the same effect as if such officer, transfer agent or registrar were still such at the date of its issue. Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written notice in accordance with Section 151(f) of the DGCL.

(b) The stock ledger and blank share certificates, if any, shall be kept by the Secretary or by a transfer agent or by a registrar or by any other officer or agent designated by the Board.

SECTION 7.2 Transfer of Shares. Transfers of shares of stock of each class of the Corporation shall be made only on the books of the Corporation upon authorization by the registered holder thereof, or by such holder's attorney thereunto authorized by a power of attorney duly executed and filed with the Secretary or a transfer agent for such stock, if any, and if such shares are represented by a certificate, upon surrender of the certificate or certificates for such shares properly endorsed or accompanied by a duly executed stock transfer power (or by proper evidence of succession, assignment or authority to transfer) and the payment of any taxes thereon; provided, however, that the Corporation shall be entitled to recognize and enforce any lawful restriction on transfer. The person in whose name shares are registered on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation; provided, however, that whenever any transfer of shares shall be made for collateral security and not absolutely, and written notice thereof shall be given to the Secretary or to such transfer agent, such fact shall be stated in the entry of the transfer. No transfer of shares shall be valid as against the Corporation, its stockholders and creditors for any purpose, except to render the transferee liable for the debts of the Corporation to the extent provided by law, until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

SECTION 7.3 Registered Stockholders and Addresses of Stockholders.

(a) The Corporation shall be entitled to recognize the exclusive right of a person registered on its records as the owner of shares of stock to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments a person registered on its records as the owner of shares of stock, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares of stock on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

(b) Each stockholder shall designate to the Secretary or transfer agent of the Corporation an address at which notices of meetings and all other corporate notices may be given to such person, and, if any stockholder shall fail to designate such address, corporate notices may be given to such person by mail directed to such person at such person's post office address, if any, as the same appears on the stock record books of the Corporation or at such person's last known post office address.



SECTION 7.4 Lost, Destroyed and Mutilated Certificates. The holder of any certificate representing any shares of stock of the Corporation shall immediately notify the Corporation of any loss, theft, destruction or mutilation of such certificate; the Corporation may issue to such holder a new certificate or certificates for shares, upon the surrender of the mutilated certificate or, in the case of loss, theft or destruction of the certificate, upon satisfactory proof of such loss, theft or destruction; the Board, or a committee designated thereby, or the transfer agents and registrars for the stock, may, in their discretion, require the owner of the lost, stolen or destroyed certificate, or such person's legal representative, to give the Corporation a bond in such sum and with such surety or sureties as they may direct to indemnify the Corporation and said transfer agents and registrars against any claim that may be made on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 7.5 Regulations. The Board may make such additional rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificated or uncertificated shares of stock of each class and series of the Corporation and may make such rules and take such action as it may deem expedient concerning the issue of certificates in lieu of certificates claimed to have been lost, destroyed, stolen or mutilated.

SECTION 7.6 Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of the stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than 60 days nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. A determination of stockholders entitled to notice of or to vote at a meeting of the stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

SECTION 7.7 Transfer Agents and Registrars. The Board may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars.

## ARTICLE VIII

### Seal

The Board may approve a suitable corporate seal. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

ARTICLE IX

Fiscal Year

The fiscal year of the Corporation shall be as fixed by the Board from time to time. If the Board makes no determination to the contrary, the fiscal year of the Corporation shall end on the 30th day of September in each year.

ARTICLE X

Waiver of Notice

Whenever any notice whatsoever is required to be given by these By-laws, by the Certificate or by law, the person entitled thereto may, either before or after the meeting or other matter in respect of which such notice is to be given, waive such notice in writing or as otherwise permitted by law, which shall be filed with or entered upon the records of the meeting or the records kept with respect to such other matter, as the case may be, and in such event such notice need not be given to such person and such waiver shall be deemed equivalent to such notice.

ARTICLE XI

Amendments

These By-laws may be altered, amended or repealed, in whole or in part, or new By-laws may be adopted by the stockholders or by the Board at any meeting thereof; provided, however, that notice of such alteration, amendment, repeal or adoption of new By-laws is contained in the notice of such meeting of the stockholders or in the notice of such meeting of the Board and, in the latter case, such notice is given not less than 24 hours prior to the meeting. Unless a higher percentage is required by the Certificate, all such amendments must be approved by either the holders of a majority of the combined voting power of the outstanding shares of all classes and series of capital stock of the Corporation entitled generally to vote in the election of directors of the Corporation, voting as a single class, or by a majority of the directors of the Board.

ARTICLE XII

Miscellaneous

SECTION 12.1 Execution of Documents. The Board or any committee thereof shall designate the officers, employees and agents of the Corporation who shall have power to execute and deliver deeds, contracts, mortgages, bonds, debentures, indentures, notes, checks, drafts and other orders for the payment of money and other documents for and in the name of the Corporation and may authorize (including, without limitation, authority to redelegate) by written instrument to other officers, employees or agents of the Corporation. Such delegation may be by resolution or otherwise and the authority granted shall be general or confined to specific matters, all as the Board or any such committee may determine. In the absence of such designation referred to in the first sentence of this Section, the officers of the Corporation shall have such power so referred to, to the extent incident to the normal performance of their duties.

SECTION 12.2 Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation or otherwise as the Board or any committee thereof or any officer of the Corporation to whom power in respect of financial operations shall have been delegated by the Board or any such committee or in these By-laws shall select.

SECTION 12.3 Checks. All checks, drafts and other orders for the payment of money out of the funds of the Corporation, and all notes or other evidences of indebtedness of the Corporation, shall be signed on behalf of the Corporation in such manner as shall from time to time be determined by resolution of the Board or of any committee thereof or by any officer of the Corporation to whom power in respect of financial operations shall have been delegated by the Board or any such committee thereof or as set forth in these By-laws.

SECTION 12.4 Proxies in Respect of Stock or Other Securities of Other Corporations. The Board or any committee thereof shall designate the officers of the Corporation who shall have authority from time to time to appoint an agent or agents of the Corporation to exercise in the name and on behalf of the Corporation the powers and rights which the Corporation may have as the holder of stock or other securities in any other corporation or other entity, and to vote or consent in respect of such stock or securities; such designated officers may instruct the person or persons so appointed as to the manner of exercising such powers and rights; and such designated officers may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, such written proxies, powers of attorney or other instruments as they may deem necessary or proper in order that the Corporation may exercise its said powers and rights.

SECTION 12.5 Subject to Law and Certificate of Incorporation. All powers, duties and responsibilities provided for in these By-laws, whether or not explicitly so qualified, are qualified by the provisions of the Certificate and applicable laws.

TRANSITION SERVICES AGREEMENT

by and between

NUANCE COMMUNICATIONS, INC.

and

CERENCE OPERATING COMPANY

---

Dated as of \_\_\_\_\_, 2019

---

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I Definitions	1
Section 1.01 Definitions	1
ARTICLE II Services	5
Section 2.01 Provision of Services	5
Section 2.02 Service Amendments and Additions	8
Section 2.03 Migration Projects	9
Section 2.04 No Management Authority	9
Section 2.05 Acknowledgement and Representation	9
ARTICLE III Real Estate	10
Section 3.01 Occupancy Rights	10
Section 3.02 Use	10
Section 3.03 License Fee	10
Section 3.04 License Term	10
Section 3.05 Access and Common Areas	10
Section 3.06 Compliance with Service Provider’s Policies	11
Section 3.07 Insurance	11
Section 3.08 Surrender	11
Section 3.09 License Rights	12
Section 3.10 Relocation	12
Section 3.11 Alterations	12
Section 3.12 Controlling Provisions	12
ARTICLE IV Additional Arrangements	12
Section 4.01 Cooperation and Access	12
Section 4.02 Intellectual Property	14
Section 4.03 Customer Receipt Payments and Bank Account Transition Process	15
Section 4.04 IT Agreements	16
Section 4.05 Certain Supplier Agreements	16
ARTICLE V Compensation	16
Section 5.01 Compensation for Services	16
Section 5.02 Payment Terms	17
Section 5.03 DISCLAIMER OF WARRANTIES	18

	<u>Page</u>
Section 5.04 Books and Records	19
ARTICLE VI Term	19
Section 6.01 Commencement	19
Section 6.02 Service Extension	19
Section 6.03 Termination	20
Section 6.04 Partial Termination	21
Section 6.05 Effect of Termination	21
ARTICLE VII Indemnification; Limitation of Liability	23
Section 7.01 Indemnification by Cerence Subsidiary	23
Section 7.02 Indemnification by Nuance	23
Section 7.03 Indemnification Procedures	23
Section 7.04 Exclusion of Other Remedies	24
Section 7.05 Other Indemnification Obligations Unaffected	24
Section 7.06 Limitation on Liability	24
ARTICLE VIII Other Covenants	25
Section 8.01 Attorney-in-Fact	25
Section 8.02 Further Assurances	25
ARTICLE IX Dispute Resolution	25
Section 9.01 General	25
Section 9.02 Resolution Committee	25
Section 9.03 Senior Executive Referral	26
Section 9.04 Court-Ordered Interim Relief	26
ARTICLE X Miscellaneous	26
Section 10.01 Title to Equipment; Title to Data	26
Section 10.02 Force Majeure	27
Section 10.03 Separation Agreement	27
Section 10.04 Relationship of Parties	27
Section 10.05 Confidentiality	27
Section 10.06 Counterparts; Entire Agreement	28
Section 10.07 Governing Law; Jurisdiction	28
Section 10.08 WAIVER OF JURY TRIAL	28
Section 10.09 Specific Performance	29
Section 10.10 Assignability	29
Section 10.11 Third-Party Beneficiaries	29

	<u>Page</u>
Section 10.12 Notices	29
Section 10.13 Severability	29
Section 10.14 Headings	30
Section 10.15 Waivers of Default	30
Section 10.16 Amendments	30
Section 10.17 Interpretation	30

Schedules:

Schedule A	Services to be Provided to SpinCo Group
Schedule B	Services to be Provided to Nuance Group
Schedule C	Designated Work Product
Schedule D	Related Services
Schedule E	Service Coordinators
Schedule F	Shared Real Property
Schedule G	IT Agreements
Schedule H	Certain Supplier Agreements

TRANSITION SERVICES AGREEMENT (this "Agreement"), dated as of \_\_\_\_\_, 2019, by and between Nuance Communications, Inc., a Delaware corporation ("Nuance"), and Cerence Operating Company, a Delaware corporation ("Cerence Subsidiary").

## RECITALS

WHEREAS, in connection with the contemplated Spin-Off of Cerence Inc., a Delaware corporation ("SpinCo"), and concurrently with the execution of this Agreement, Nuance and SpinCo are entering into a Separation and Distribution Agreement (the "Separation Agreement");

WHEREAS, Cerence Subsidiary is a wholly owned subsidiary of SpinCo;

WHEREAS, each of Nuance and Cerence Subsidiary may provide to the other certain services, as more particularly described in this Agreement, for a limited period of time following the Spin-Off; and

WHEREAS, each of Nuance and Cerence Subsidiary desires to reflect the terms of their agreement with respect to such services.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are acknowledged by this Agreement, Nuance and Cerence Subsidiary, for themselves, their successors and assigns, agree as follows:

## ARTICLE I

### Definitions

Section 1.01 Definitions. As used in this Agreement, the following terms have the following meanings:

"Affiliate" has the meaning ascribed thereto in the Separation Agreement.

"Agreement" has the meaning ascribed thereto in the preamble.

"Ancillary Agreements" has the meaning ascribed thereto in the Separation Agreement.

"Applicable End Date" means, with respect to each Service, the date that is the Applicable Original Duration with respect to such Service following the Applicable Termination Date with respect to such Service.

"Applicable Original Duration" means, with respect to each Service, the duration of the period from the Distribution Date to the Applicable Termination Date with respect to such Service.

"Applicable Termination Date" means, with respect to each Service, the date that is twelve (12) months following the Distribution Date, or such other termination date



specified with respect to such Service, as applicable, in Schedule A or Schedule B, as applicable.

“Assets” has the meaning ascribed thereto in the Separation Agreement.

“Certain Supplier Agreements” means any contract or agreement of any member of the Nuance Group with a third party that supplies services to the SpinCo Group set forth on Schedule H.

“Consents” has the meaning ascribed thereto in the Separation Agreement.

“Cost of Services” means, with respect to each Service, the amount specified with respect to such Service in Schedule A or Schedule B, as applicable, to be paid by a Service Recipient in respect of such Service to the Service Provider of such Service.

“Customer Receipt Payee” has the meaning ascribed thereto in Section 4.03(a).

“Customer Receipt Payment” has the meaning ascribed thereto in Section 4.03(a).

“Customer Receipt Payment Period” has the meaning ascribed thereto in Section 4.03(a).

“Designated Work Product” means the work product developed during the term for Service Recipient’s exclusive use as part of the provision of Services hereunder and that are listed or described on Schedule C.

“Dispute” has the meaning ascribed thereto in Section 9.01.

“Dispute Notice” has the meaning ascribed thereto in Section 9.02.

“Distribution” has the meaning ascribed thereto in the Separation Agreement.

“Distribution Date” has the meaning ascribed thereto in the Separation Agreement.

“Force Majeure Event” has the meaning ascribed thereto in Section 10.02.

“Governmental Authority” has the meaning ascribed thereto in the Separation Agreement.

“Group” means either the Nuance Group or the SpinCo Group, as the context requires.

“Hourly Services” has the meaning ascribed thereto in Section 5.01(b).

“Hourly Services Expenses” has the meaning ascribed thereto in Section 5.01(b).

“Indemnitee” means a Nuance Indemnitee or a SpinCo Indemnitee, as the context requires.

“Information” has the meaning ascribed thereto in the Separation Agreement.

“Insurance Proceeds” has the meaning ascribed thereto in the Separation Agreement.

“Intended Payee” has the meaning ascribed thereto in Section 4.03(a).

“Interruption” has the meaning ascribed thereto in Section 2.01(j).

“IT Agreements” has the meaning ascribed thereto in Section 4.04.

“Law” has the meaning ascribed thereto in the Separation Agreement.

“Liabilities” has the meaning ascribed thereto in the Separation Agreement.

“Misdirected Customer Payment” has the meaning ascribed thereto in Section 4.03(a).

“Monthly License Fee” has the meaning ascribed thereto in Section 3.03.

“Nuance” has the meaning ascribed thereto in the preamble.

“Nuance Business” has the meaning ascribed thereto in the Separation Agreement.

“Nuance Group” has the meaning ascribed thereto in the Separation Agreement.

“Nuance Indemnitees” has the meaning ascribed thereto in the Separation Agreement.

“Omitted Services” has the meaning ascribed thereto in Section 2.02(a).

“Other Areas” has the meaning ascribed thereto in Section 3.05.

“Party” means either party hereto, and “Parties” means both parties hereto.

“Person” has the meaning ascribed thereto in the Separation Agreement.

“Personal Data” has the meaning ascribed thereto by the EU General Data Protection Regulation, (EU) 2016/679 (“GDPR”).

“Process” has the meaning ascribed thereto by the GDPR.

“Project Work” has the meaning ascribed thereto in Section 2.03.

“Project Work Request” has the meaning ascribed thereto in Section 2.03.

“Related Service” has the meaning ascribed thereto in Section 6.02.

“Resolution Committee” has the meaning ascribed thereto in Section 9.02.

“Separation Agreement” has the meaning ascribed thereto in the recitals.

“Service Charge” has the meaning ascribed thereto in Section 5.01(a).

“Service Coordinator” has the meaning ascribed thereto in Section 2.01(c).

“Service Extension” has the meaning ascribed thereto in Section 6.02.

“Service Provider” means any member of the SpinCo Group or the Nuance Group, as applicable, in its capacity as the provider of any Services to any member of the Nuance Group or the SpinCo Group, respectively.

“Service Recipient” means any member of the SpinCo Group or the Nuance Group, as applicable, in its capacity as the recipient of any Services from any member of the Nuance Group or the SpinCo Group, respectively.

“Services” means the individual services identified in Schedule A or Schedule B, as applicable.

“Shared Real Property” has the meaning ascribed thereto in Section 3.01.

“Shutdown” has the meaning ascribed thereto in Section 2.01(i).

“Spin-Off” has the meaning ascribed thereto in the Separation Agreement.

“SpinCo” has the meaning ascribed thereto in the preamble.

“SpinCo Business” has the meaning ascribed thereto in the Separation Agreement.

“SpinCo Group” has the meaning ascribed thereto in the Separation Agreement.

“SpinCo Indemnitees” has the meaning ascribed thereto in the Separation Agreement.

“Sub-Contractor” has the meaning ascribed thereto in Section 2.01(e).

“Subsidiary” has the meaning ascribed thereto in the Separation Agreement.

“Taxes” has the meaning ascribed thereto in Section 5.01(d).

“Termination Charges” has the meaning ascribed thereto in Section 6.05(d).

“Third-Party Claim” has the meaning ascribed thereto in the Separation Agreement.

## ARTICLE II

### Services

#### Section 2.01 Provision of Services.

(a) Commencing immediately after the Distribution, Nuance shall, and shall cause the applicable members of the Nuance Group to, (i) provide, or otherwise make available, to Cerence Subsidiary and the applicable members of the SpinCo Group the Services set forth in Schedule A and (ii) pay, perform, discharge and satisfy, as and when due, its and their respective obligations as Service Recipients under this Agreement, in each case in accordance with the terms of this Agreement.

(b) Commencing immediately after the Distribution, Cerence Subsidiary shall, and shall cause the applicable members of the SpinCo Group to, (i) provide, or otherwise make available, to Nuance and the applicable members of the Nuance Group the Services set forth in Schedule B and (ii) pay, perform, discharge and satisfy, as and when due, its and their respective obligations as Service Recipients under this Agreement, in each case in accordance with the terms of this Agreement.

(c) Each Service Recipient and its respective Service Provider shall cooperate in good faith with each other in connection with the performance of the Services hereunder. Each of Nuance and Cerence Subsidiary agrees to appoint an employee representative (each such representative, a "Service Coordinator") who will have overall responsibility for implementing, managing and coordinating the Services pursuant to this Agreement on behalf of Nuance and Cerence Subsidiary, respectively. Initially, the Service Coordinators will be the individuals set forth on Schedule E. Either Party may change its designated Service Coordinator at any time upon notice given to the other Party in accordance with Section 10.12. The Service Coordinators will consult and coordinate with each other on a regular basis, and no less frequently than monthly, during the term of this Agreement.

(d) The Service Provider shall determine the personnel who shall perform the Services to be provided by it. All personnel providing Services will remain at all times, and be deemed to be, employees or representatives solely of the Service Provider (or its Affiliates or Sub-Contractors) responsible for providing such Services for all purposes, and not to be deemed employees or representatives of the Service Recipient. The Service Provider (or its Affiliates or Sub-Contractors) will be solely responsible for payment of (i) all compensation, (ii) all income, disability, withholding and other employment taxes and (iii) all medical benefit premiums, vacation pay, sick pay and other employee benefits payable to or with respect to personnel who perform Services on behalf of such Service Provider. All such personnel will be under the sole direction, control and supervision of the Service Provider and the Service Provider has the sole right to exercise all authority with respect to the employment, substitution, termination, assignment and compensation of such personnel.

(e) The Service Provider may, at its option, from time to time, delegate any or all of its obligations to perform Services under this Agreement to any one or more of its Affiliates or engage the services of other professionals, consultants or other third

parties (each, a “Sub-Contractor”) in connection with the performance of the Services; provided, however, that (i) the Service Provider shall remain ultimately responsible for ensuring that its obligations with respect to the nature, scope, quality and other aspects of the Services are satisfied with respect to any Services provided by any such Affiliate or Sub-Contractor and shall be liable for any failure of a Sub-Contractor to so satisfy such obligations (or if a Sub-Contractor otherwise breaches any provision hereof) and (ii) such Sub-Contractor agrees in writing to be bound by confidentiality provisions at least as restrictive to it as the terms of Section 10.05 of this Agreement. Except as agreed by the Parties in Schedule A or Schedule B or otherwise in writing, and subject to Section 2.01(g), any costs associated with engaging the services of an Affiliate of the Service Provider or a Sub-Contractor shall not affect the Cost of Services payable by the Service Recipient under this Agreement, and the Service Provider shall remain solely responsible with respect to payment for such Affiliate’s or Sub-Contractor’s costs, fees and expenses.

(f) Subject to the provisions of this Section 2.01, the Services shall be performed in substantially the same manner, scope, time frame, skill, care, nature and quality, with the same care, and to the same extent and service level as such Services (or substantially similar services) were provided to the SpinCo Business or the Nuance Business, as applicable, immediately prior to the Distribution Date, unless the Services are being provided by a Sub-Contractor who is also providing the same services to the Service Provider or a member of such Service Provider’s Group, in which case the Services shall be performed for the Service Recipient in the same manner, scope, time frame, nature and quality, with the same care, and to the same extent and service level as they are being performed for the Service Provider or such member of such Service Provider’s Group, as applicable. If the Service Provider has not provided such Services (or substantially similar services) immediately prior to the Distribution Date and such Services are not being performed by a Sub-Contractor who is also providing the same services to such Service Provider’s Group, then the Services shall be performed in a competent and professional manner consistent with industry standards. The Services shall be used solely for the operation of the SpinCo Business or the Nuance Business, as applicable (including any natural evolutions thereof), for substantially the same purpose as used by the applicable Service Recipient immediately prior to the date of this Agreement.

(g) The Parties acknowledge that the Service Provider may make changes from time to time in the manner of performing Services (including in respect of those Services provided by a Sub-Contractor) if the Service Provider is making similar changes in performing the same or substantially similar Services for itself or other members of its Group; provided, however, that, unless expressly contemplated in Schedule A or Schedule B, such changes shall not affect the Cost of Services for such Service payable by the Service Recipient under this Agreement or decrease the manner, scope, time frame, nature, quality or level of the Services provided to the Service Recipient, except (i) upon prior written approval of the Service Recipient and (ii) any actual and reasonable increase to the Service Provider in the cost of providing a Service may be charged to the Service Recipient on a pass-through basis to the extent such actual and reasonable increase is applied on a non-discriminatory basis as compared to the Service Provider’s Group.

(h) Nothing in this Agreement shall be deemed to require the provision of any Service by any Service Provider (or any Affiliate or Sub-Contractor of a Service Provider)

to any Service Recipient if the provision of such Service requires the Consent of any Person (including any Governmental Authority), whether under applicable Law, by the terms of any contract to which such Service Provider or any other member of its Group is a party or otherwise, unless and until, subject to Section 2.01(h)(ii), such Consent has been obtained.

(i) The Service Provider shall use commercially reasonable efforts to obtain as promptly as possible any Consent of any Person that may be necessary for the performance of the Service Provider's obligations pursuant to this Agreement. Any fees, expenses or extra costs incurred in connection with obtaining any such Consents shall be paid by the Service Recipient, and the Service Recipient shall use commercially reasonable efforts to provide assistance as necessary in obtaining such Consents.

(ii) In the event that the Consent of any Person, if required in order for the Service Provider to provide Services, is not obtained reasonably promptly after the Distribution Date, the Service Provider shall notify the Service Recipient and the Parties shall cooperate in devising an alternative manner for the provision of the Services affected by such failure to obtain such Consent and the Cost of Services associated therewith, such alternative manner and Cost of Services to be reasonably satisfactory to both Parties and agreed to in writing. If the Parties elect such an alternative plan, the Service Provider shall provide the Services in such alternative manner and the Service Recipient shall pay for such Services based on the alternative Cost of Services.

(iii) The Services shall not include, and no Service Provider (or any Affiliate or Sub-Contractor of a Service Provider) shall be obligated to provide, any service the provision of which to a Service Recipient following the Distribution would constitute a violation of any Law. In addition, notwithstanding anything to the contrary herein, the Service Provider (and the Affiliates and Sub-Contractors of the Service Provider) will not be required to perform or to cause to be performed any of the Services for the benefit of any third party or any other Person other than the applicable Service Recipient.

(iv) To the extent that any third-party proprietor of information or software to be disclosed or made available to any Service Recipient in connection with performance of the Services hereunder requires a specific form of non-disclosure agreement as a condition to its Consent to use the same for the benefit of the Service Recipient, or to permit the Service Recipient access to such information or software, the Service Recipient shall, as a condition to the receipt of such portion of the Services, execute (and shall cause its employees and Affiliates to execute, if required) any such form.

(i) If a Service Provider determines that it is necessary or appropriate to temporarily suspend a Service due to scheduled or emergency maintenance, modification, repairs, alterations or replacements (any such event, a "Shutdown"), Service Provider shall use commercially reasonable efforts to provide Service Recipient with reasonable prior notice of such Shutdown (including information regarding the nature and the projected length of such Shutdown), unless it is not reasonably practicable under the circumstances to provide such prior notice, and thereafter such Service Provider shall use commercially reasonable efforts to cooperate with Service Recipient to minimize any impact on the Services caused by such Shutdown.

(j) The Parties acknowledge that there may be unanticipated temporary interruptions in the provision of a Service, in each case for a period of less than forty-eight (48) hours (any such event, an “Interruption”). Service Provider shall use commercially reasonable efforts to provide Service Recipient with notice of such Interruption as soon as possible (including information regarding the nature and the projected length of such Interruption), and thereafter such Service Provider shall use commercially reasonable efforts to cooperate with Service Recipient to minimize any impact on the Services caused by such Interruption. The Service Provider shall not be excused from performance if it fails to use commercially reasonable efforts to remedy the situation causing such Interruption.

(k) In the event the obligations of Service Provider to provide any Service shall be suspended in accordance with Section 2.01(i) or Section 2.01(j), Service Provider and its Affiliates shall not have any liability whatsoever to Service Recipient arising out of or resulting from such suspension of Service Provider’s provision of such Service, except to the extent resulting from a breach by Service Provider of any agreement or covenant required to be performed or complied with by Service Provider pursuant to Section 2.01(i) or Section 2.01(j) (but subject to the other limitations on liability set forth in this Agreement).

(l) Neither Party nor any of their respective Affiliates shall have any obligation to purchase, upgrade, enhance or otherwise modify any computer hardware, software or network environment currently used by such Party or such Party’s Affiliates, or to provide any support or maintenance services for any computer hardware, software or network environment that has been upgraded, enhanced or otherwise modified from the computer hardware, software or network environments that are currently used by such Party or such Party’s Affiliates.

#### Section 2.02 Service Amendments and Additions.

(a) Within the first forty-five (45) days following the Distribution Date, each of Nuance and Cerence Subsidiary may request the other Party to provide services that (i) were provided by the Nuance Business or the SpinCo Business, as applicable, within the twelve (12) months prior to the Distribution Date and (ii) are reasonably necessary for the operation of the Nuance Business or the SpinCo Business, as applicable, as conducted as of the Distribution Date (“Omitted Services”). Any request for an Omitted Service shall be in writing and shall specify, as applicable, (A) the type and the scope of the requested service, (B) who is requested to perform the requested service, (C) where and to whom the requested service is to be provided and (D) the proposed term for the requested service. The Parties shall discuss in good faith the terms under which such Omitted Services may be provided.

(b) If a Party agrees to provide Omitted Services pursuant to Section 2.02(a), then the Parties shall in good faith negotiate an amendment to Schedule A or Schedule B, as applicable, which will describe in detail the service, project scope, term, price and payment terms to be charged for such Omitted Services. Once agreed to in writing, the amendment to Schedule A or Schedule B, as applicable, shall be deemed part of this Agreement as of such date and the Omitted Services, as applicable, shall be deemed “Services” provided hereunder, in each case subject to the terms and conditions of this Agreement; provided, however, that no Service Provider shall be required to provide any Omitted Services, at any price, that would prevent, or

be reasonably likely to prevent, or be inconsistent with the qualification of the Distribution as a tax-free transaction for U.S. federal, state and local income tax purposes.

Section 2.03 Migration Projects. Prior to the end of the applicable term, each Service Provider will provide the Service Recipient, upon written request (the "Project Work Request"), with such reasonable support as may be necessary to migrate the Services to the Service Recipient's internal organization or to a third party provider (the "Project Work"), including exporting and providing (subject to applicable Law) all relevant data and information of the applicable Service Recipient from the systems of the applicable Service Provider or any party performing the Services on its behalf. After the Service Provider receives the Project Work Request, the Parties shall meet to discuss and agree on the scope and cost of the Project Work, taking into consideration the Service Provider's then-available resources. Where required for migrating the Services, subject to applicable Law, Service Recipient's personnel will be granted reasonable access to the respective facilities of the Service Provider during normal business hours. Subject to applicable Law, Project Work may be out-sourced to external service partners (including those involving conversion programs or other programming, or extraordinary management supervision or coordination); provided, that the Service Provider shall be responsible for the performance or non-performance of such partners. The Service Recipient shall pay its internal costs incurred in connection with all Project Work performed by its personnel and the internal costs of the Service Provider and the cost of all third-party providers engaged in completing a Project Work all shall be charged by the Service Provider to the Service Recipient on a pass-through basis. For the avoidance of doubt, any portion of the cost of Project Work associated with the setup of the Service Recipient's data warehousing infrastructure or hosting environment shall be charged by the Service Provider to the Service Recipient on a pass-through basis.

Section 2.04 No Management Authority. No Service Provider (or any Affiliate or Sub-Contractor of a Service Provider) shall be authorized by, or shall have any responsibility under, this Agreement to manage the affairs of the business of any Service Recipient, or to hold itself out as an agent or representative of the Service Recipient.

Section 2.05 Acknowledgement and Representation(a) . Each Party understands that the Services provided hereunder are transitional in nature. Each Party understands and agrees that the other Party is not in the business of providing Services to third parties and, except as set forth in Section 6.02, that neither Party has any interest in continuing (i) any Service beyond the Applicable Termination Date or (ii) this Agreement beyond the expiration of all Applicable Termination Dates or the termination of all Services in accordance with Section 6.04. As a result, the Parties have allocated responsibilities and risks of loss and limited liabilities of the Parties as stated in this Agreement based on the recognition that each Party is not in the business of providing Services to third parties. Such allocations and limitations are fundamental elements of the basis of the bargain between the Parties and neither Party would be able or willing to provide the Services without the protections provided by such allocations and limitations. During the term of this Agreement, each Party agrees to work diligently and expeditiously to establish its own logistics, infrastructure and systems to enable a transition to its own internal organization or other third-party providers of the Services and agrees to use its reasonable good faith efforts to reduce or eliminate its and its Affiliates' dependency on the other Party's provision of the Services as soon as is reasonably practicable.



## ARTICLE III

### Real Estate

Section 3.01 Occupancy Rights. Each Service Provider set forth on Schedule F, with respect to the location set forth on such Schedule opposite such Service Provider's name (each, a "Shared Real Property"), hereby grants to the Service Recipient set forth on such Schedule opposite such Shared Real Property, a limited license for reasonable use and access to the space utilized by such Service Recipient or any member of its Group in the conduct of the Nuance Business or the SpinCo Business, as applicable, as of the Distribution Date, for the sole purpose of transitioning the Nuance Business or the SpinCo Business, as applicable, and in accordance with the terms, covenants and conditions of this Article III. The Service Recipient's right to use and access the applicable Shared Real Property shall be consistent with the use and access afforded to the Nuance Business or the SpinCo Business, as applicable, as of the Distribution Date. The Service Recipient's use shall include the right to use the fixtures, improvements and furnishings located within the Shared Real Property consistent with such use as of the Distribution Date.

Section 3.02 Use. Each Service Recipient shall use the applicable Shared Real Property (and the furnishings contained therein) for the same purposes as such Shared Real Property is utilized as of the Distribution Date and for no other purpose. The Shared Real Property may be occupied only by the personnel of the applicable Service Recipient reasonably required in furtherance of the activities of the Nuance Business or the SpinCo Business, as applicable, or the other purposes set forth in this Agreement. The Service Recipient shall be responsible for pickup and delivery of goods at any common shipping dock at any Shared Real Property, and any shipments shall include proper labeling to distinguish the Service Recipient's goods from the Service Provider's goods.

Section 3.03 License Fee. Each Service Recipient shall pay a monthly gross license fee for its Shared Real Property as set out on Schedule F (each, a "Monthly License Fee"). The Monthly License Fee for each Shared Real Property shall be payable in advance on or before the first (1st) day of each calendar month of the term of the license. The Monthly License Fee for any period during the respective license term which is for less than one month shall be prorated.

Section 3.04 License Term. The license granted under this Article III will be effective as of immediately after the Distribution and will automatically expire at the earlier of (I) the end of the period set forth in Schedule F with respect to each Shared Real Property, or (II) the expiration date of the relevant underlying lease pertaining to each Shared Real Property (in which case the Service Provider shall provide to the Service Recipient written notice thirty (30) days prior to such expiration).

Section 3.05 Access and Common Areas. Unless otherwise specified on Schedule F, the Service Recipient (including its personnel) shall access the applicable Shared Real Property through existing employee entrances designated by the Service Provider. Access to any other areas ("Other Areas") in, on or about the applicable Shared Real Property (including conference room(s), break area(s), designated smoking area(s), restroom(s), machine shop(s),

shipping/receiving area(s) and cafeteria(s) other than to the extent located within the Shared Real Property) shall be as otherwise designated by the Service Provider in its reasonable discretion. Except as otherwise expressly provided herein, the Service Recipient shall not access any other areas.

Section 3.06 Compliance with Service Provider's Policies. The Service Recipient shall comply with the Service Provider's reasonable policies and procedures, security requirements and rules and regulations with respect to the applicable Shared Real Property and the Service Recipient's occupancy of such Shared Real Property. Such policies may be changed from time to time upon reasonable prior notice at the applicable Service Provider's sole reasonable discretion.

Section 3.07 Insurance. Each Party agrees, during the term of this license, to cause its Service Recipients under this Article III to carry and maintain (i) commercial general liability insurance with a single combined liability limit of \$5,000,000 per occurrence and (ii) workers' compensation/employer's liability insurance with a liability limit of \$1,000,000 per occurrence, and in the case of the policies described in clauses (i) and (ii), naming the applicable Service Provider (and other parties as may be reasonably required) as an additional insured, against liability with respect to accidents occurring on, in or about the applicable Shared Real Property or arising out of the use and occupancy of such Shared Real Property by the Service Recipient and its personnel and visitors. All such insurance policies shall contain a waiver of subrogation in the applicable Service Provider's favor. The Parties acknowledge that the Service Providers shall have no responsibility to insure or actively maintain any Service Recipient's personal property, including any Service Recipient's equipment and trade fixtures, located in the Shared Real Property. Notwithstanding the aforesaid liability limits, said limits shall not diminish or otherwise impact or affect the obligations of the Parties and their Service Recipients hereunder. The policy(s) maintained by the applicable Service Recipient shall be issued by a company licensed to do business in the country where the Shared Real Property is located and the applicable Service Recipient shall deposit a certificate evidencing the same with the applicable Service Provider on or before the Distribution Date. During the term of the license granted in Section 3.01, the applicable Service Providers under this Article III shall maintain insurance policies for the Shared Real Property as in effect as of the Distribution Date.

Section 3.08 Surrender. Upon the expiration or termination of the license granted under this Article III, each Service Recipient shall, at its sole cost and expense, (i) remove their personal property, equipment, trade fixtures and other goods and effects, and repair any damage to the Shared Real Property resulting from such removal, and (ii) otherwise quit and deliver up the Shared Real Property peaceably and quietly and in as good order and condition as the same were in on the Distribution Date, reasonable wear and tear, damage by fire and the elements excepted. In the event any Service Recipient fails to repair and perform the aforementioned facilities restoration and otherwise deliver the Shared Real Property as set forth above, the Service Provider or any member of its Group shall have the right to make said reasonable repairs and reasonably perform such facilities restoration, charge such Service Recipient or any member of its Group the reasonable costs of such repairs and restoration, and such Service Recipient or any member of its Group shall reimburse the Service Provider or the member of its Group, as applicable, within thirty (30) days of receipt of invoice. Any property left in the Shared Real Property after the expiration or termination of the license granted under

this Article III shall be deemed to have been abandoned and the property of the Service Providers to dispose of as the Service Providers deem expedient and at the sole cost and expense of the Service Recipients.

Section 3.09 License Rights. The rights granted herein in favor of each Service Recipient are in the nature of a license and shall not create any leasehold or other estate or possessory rights in Shared Real Property, and if the license granted under this Article III expires or is terminated, the Service Recipient shall vacate the Shared Real Property, and any occupancy or activity of the Service Recipient thereafter in the Shared Real Property shall be considered a trespass.

Section 3.10 Relocation. Each Service Provider shall have the right, at its cost, to relocate the applicable Service Recipient to other area(s) of each Shared Real Property by providing the Service Recipient reasonable advance notice, provided that such relocation does not reduce the rights of the Service Recipient or increase the obligations of the Service Recipient under this Agreement or unreasonably interrupt the day-to-day operations of the Nuance Business or the SpinCo Business, as applicable.

Section 3.11 Alterations. The Service Recipient shall not make any alterations, additions or improvements to the Shared Real Property.

Section 3.12 Controlling Provisions. In the event of a conflict between the terms of this Article III and any other provision in this Agreement with regard to the right to use the Shared Real Property specified in this Article III, the terms of this Article III shall control. In the event of a conflict between the terms of this Agreement and the terms set forth on Schedule F attached hereto, the terms of Schedule F shall control.

## **ARTICLE IV**

### **Additional Arrangements**

#### Section 4.01 Cooperation and Access.

(a) Subject to the other terms and conditions of this Agreement, Service Recipients shall cooperate with the Service Providers to the extent necessary or appropriate to facilitate the performance of the Services in accordance with the terms of this Agreement. Without limiting the generality of the foregoing, subject to Section 10.05, (i) each Party shall make available on a timely basis to the other Party all information and materials requested by such Party to the extent reasonably necessary for the performance or receipt of the Services, (ii) each Party shall, and shall cause the members of its Group to, upon reasonable notice, give or cause to be given to the other Party and its Affiliates and Sub-Contractors reasonable access, during regular business hours and at such other times as are reasonably required, to the relevant premises and personnel to the extent reasonably necessary for the performance or receipt of the Services and (iii) each Party shall, and shall cause the members of its Group to, give the other Party and its Affiliates and Sub-Contractors reasonable access to, and all necessary rights to utilize, such Party's, and its Group's, information, facilities, personnel,

assets, systems and technologies to the extent reasonably necessary for the performance or receipt of the Services.

(b) Each Party shall (and shall cause the members of its Group and its personnel and the personnel of its Affiliates and Sub-Contractors providing or receiving Services to): (i) not attempt to obtain access to or use any information technology systems of the other Party or any member of its Group, or any confidential Information, Personal Data or competitively sensitive information owned, used or Processed by the other Party, except where it has been granted in writing the right to do so or, to the extent reasonably necessary to do so, to provide or receive Services; (ii) maintain reasonable security measures to protect the systems of the other Party and the members of its Group to which it has access pursuant to this Agreement from access by unauthorized third parties; (iii) follow applicable Laws and all of the other Party's security rules, access agreements, and procedures for restricting access and use, when allowed, to such other Party's information technology systems; (iv) when on the property of the other Party or any of its Affiliates, or when given access to any facilities, infrastructure or personnel of the other Party or any of its Affiliates, follow applicable Laws and all of the other Party's policies and procedures concerning health, safety, conduct and security which are made known to the Party receiving such access from time to time and (v) not disable, damage or erase or disrupt, interfere with or impair the normal operation of the information technology systems of the other Party or any member of its Group.

(c) Service Provider shall (i) immediately notify Service Recipient of any confirmed misuse, disclosure or loss of, or inability to account for, any Personal Data or any confidential or competitively sensitive Information, and any confirmed unauthorized access to Service Provider's facilities, systems or network, in each case, solely to the extent related to the Service Recipient; and Service Provider will investigate such confirmed security incidents and reasonably cooperate with Service Recipient's incident response team, supplying logs and other necessary information to mitigate and limit the damages resulting from such a security incident; provided that the Service Recipient agrees to reimburse Service Provider for time spent and actual travel expenses incurred in connection with any such investigation; and (ii) subject to applicable Law, use commercially reasonable efforts to comply with any commercially reasonable requests to assist Service Recipient with its electronic discovery obligations related to Services provided to the Service Recipient; provided that the Service Recipient agrees to reimburse Service Provider for time spent and actual travel expenses incurred for such response.

(d) In the event of a security breach that relates to the Services, the Parties shall, subject to any applicable Law, reasonably cooperate with each other regarding the timing and manner of (a) notification to their respective customers, potential customers, employees or agents concerning a breach or potential breach of security and (b) disclosures to appropriate Governmental Authorities.

(e) Notwithstanding anything to the contrary in this Agreement (but subject to the following proviso), any Personal Data transferred or otherwise made available to the other Party in connection with the Services shall be subject to any data transfer agreement required by applicable law, and each Party agrees to abide by the applicable provisions thereof, to the extent related to such data; provided, however, that any Personal Data provided by Service Recipient to Service Provider under this Agreement shall only be used to the extent reasonably

necessary for Service Provider to provide Services and solely for the applicable term of such Services.

Section 4.02 Intellectual Property.

(a) Each Party, on behalf of itself and its Affiliates, hereby grants to the other Party and to its Affiliates and Sub-Contractors providing Services under this Agreement a nonexclusive, nontransferable, world-wide, royalty-free, sublicensable license, for the term of this Agreement, to use the intellectual property owned by such Party and the members of its Group solely to the extent necessary for the other Party and the members of its Group to perform their obligations hereunder or receive the Services provided hereunder, as applicable.

(b) Subject to the terms of the Separation Agreement, each Service Provider acknowledges and agrees that the Designated Work Product is and shall remain the exclusive property of the applicable Service Recipient. The Service Provider acknowledges and agrees that, to the fullest extent permitted under applicable Law, the Designated Work Product is a “work made for hire,” as that phrase is defined in the Copyright Act of 1976 (17 U.S.C. §101), for the Service Recipient. To the extent title to any Designated Work Product vests in the Service Provider by operation of Law, in its capacity as a Service Provider, hereby assigns (and shall cause any such other Service Provider, and any Affiliate or Sub-Contractor of such Service Provider, to assign) to the relevant Service Recipient all right, title and interest in and to such Designated Work Product, and the Service Provider shall (and shall cause any Affiliate or Sub-Contractor of such Service Provider to) provide such assistance and execute such documents as the Service Recipient may reasonably request to assign to the relevant Service Recipient all right, title and interest in and to such work product. Each Service Recipient acknowledges and agrees that it will acquire no right, title or interest to any work product resulting from the provision of the Services hereunder that is not Designated Work Product, and such work product shall remain the exclusive property of the Service Provider.

(c) The Parties acknowledge that it may be necessary for each of them to make proprietary or third-party software available to the other in the course and for the purpose of performing Services, subject to Section 2.01(h) in the case of third-party software. Each Party (i) shall comply with all known license terms and conditions applicable to any and all proprietary or third-party software made available to such Party by the other Party in the course of the provision of Services hereunder and (ii) agrees that it shall use reasonable efforts to identify and provide to the other Party a copy of the applicable license terms (or, solely with respect to open source software or other software with publicly available license terms, information sufficient to direct such other Party to a copy thereof) for any and all proprietary or third-party software first made available to such other Party as of or after the Distribution Date, solely to the extent such provision would not violate the providing Party’s duty of confidentiality owed to any third party.

(d) Except as expressly specified in this Section 4.02, nothing in this Agreement will be deemed to grant one Party, by implication, estoppel or otherwise, any license rights, ownership rights or other rights in any intellectual property owned by the other Party (or any Affiliate or Sub-Contractor of the other Party).

Section 4.03 Customer Receipt Payments and Bank Account Transition Process.

(a) For a period of twelve (12) months immediately following the Distribution (“Customer Receipt Payment Period”), in the event any payments related to trade receivables intended for the SpinCo Group or the Nuance Group, as applicable (the “Intended Payee”), is incorrectly received by any member of the other Group (the “Customer Receipt Payee”) such Customer Receipt Payee will, as soon as reasonably practicable, but in no event in more than ten (10) business days following receipt of such payment (the “Misdirected Customer Payment”), send the applicable Intended Payee through wire transfer to an account designated by Intended Payee an amount equal to the value of such payment (each, a “Customer Receipt Payment”).

(b) For each Customer Receipt Payment, the Customer Receipt Payee must provide the applicable customer(s) payment details to allow the Intended Payee to identify the customer(s) and the related transaction(s) associated with the Customer Receipt Payment, including each customer’s name, accounts receivable account number and payment amount. On or prior to the Distribution Date, each Party shall provide the other Party with the relevant contact information of the persons to send this information.

(c) The Intended Payee will pursue corrections to the banking details internally. If a member of the SpinCo Group or the Nuance Group receives a Misdirected Customer Payment within the eleven (11) months following the Distribution, the Customer Receipt Payee will send a letter to the respective customer(s) every month following such payment for so long as such customer(s) continue to remit Misdirected Customer Payments (but in any event no longer than eleven (11) months following the Distribution), informing the customer of the need to use the correct bank account as designated by the Intended Payee. If such customer continues to send Misdirected Customer Payments in the eleventh (11th) month following the Distribution, the Customer Receipt Payee and the Intended Payee will send a final joint letter one month prior to the expiration of the Customer Receipt Payment Period.

(d) Each Party agrees to not send the other Party any Customer Receipt Payments from customers found on the U.S. Treasury Office of Foreign Assets Control’s Specially-Designated Nationals List or from any countries with which U.S. persons are prohibited from conducting business. Each Party agrees to not accept Customer Receipt Payments made in cash. Each Party agrees to immediately notify the other Party of any Customer Receipt Payments falling within the scope of this Section 4.03(d) and to cooperate with the other Party in taking any action recommended by the other Party in connection with such Customer Receipt Payments.

(e) All Customer Receipt Payments made by any Customer Receipt Payee to any Intended Payee hereunder shall be made by a wire transfer of immediately available funds in U.S. Dollars to a bank account designated in writing by the Intended Payee entitled to receive payment. Customer Receipt Payments may be bundled or sent on a per payment basis.

(f) All bank fees incurred for transmitting Customer Receipt Payments pursuant to this Section 4.03 will be paid by the Intended Payee and may be deducted from the

applicable Customer Receipt Payments sent to the Intended Payee by the Customer Receipt Payee.

Section 4.04 IT Agreements. Each Party acknowledges and agrees that the Services provided by a Service Provider through third parties or using third-party intellectual property are subject to the terms and conditions of any applicable agreements between the Service Provider and such third parties (such agreements, the "IT Agreements"), as set forth on Schedule G. The Service Provider shall use commercially reasonable efforts to obtain as promptly as possible any Consent of any Person that may be necessary for the performance of the Service Provider's obligations pursuant to this Agreement in accordance with Section 2.01(h) (it being understood that each Service Recipient shall only be granted access to IT Agreements during the term of this Agreement, and upon expiration of the applicable service term shall procure its own standalone license with the applicable third-party provider).

Section 4.05 Certain Supplier Agreements(a) . Following the Distribution and until one year after the Distribution Date, Nuance shall, and shall cause the members of the Nuance Group to, cooperate in any reasonable and permissible arrangement to provide that SpinCo and the other members of the SpinCo Group shall receive the interest in the benefits and obligations under the Certain Supplier Agreements in accordance with the provisions of such Certain Supplier Agreement. Payments due to a third party for use of the Certain Supplier Agreements by the SpinCo Business shall either, at Nuance's sole option, be (i) paid by the member of the SpinCo Group receiving the benefit of such Certain Supplier Agreement or (ii) paid by a member of the Nuance Group and charged by Nuance to Cerence Subsidiary on a pass-through basis. Any internal or third-party costs incurred by Nuance in connection with Nuance's cooperation in accordance with this Section 4.05 shall be charged by Nuance to Cerence Subsidiary on a pass-through basis. Without limiting Cerence Subsidiary's obligations under Article VIII, Cerence Subsidiary shall indemnify and hold harmless the member of the Nuance Group party to such Certain Supplier Agreement for any Liability relating to, arising out of or resulting from Cerence Subsidiary's use of the Certain Supplier Agreements and Nuance's cooperation in accordance with this Section 4.05.

## ARTICLE V

### Compensation

Section 5.01 Compensation for Services. In each case except as expressly provided in Schedule A or Schedule B:

(a) As compensation for each Service rendered pursuant to this Agreement, the Service Recipient shall be required to pay to the Service Provider a fee for the Service equal to the Cost of Services specified for such Service in Schedule A or Schedule B, as applicable (each fee constituting a "Service Charge").

(b) For Services with fees determined on an hourly basis (the "Hourly Services"), the Cost of Services are exclusive of any out-of-pocket third-party fees, costs and expenses that may be incurred by the Service Provider or any Sub-Contractor in connection with performing the Services. All of the costs and expenses described in this Section 5.01(b) ("Hourly

Services Expenses”) shall be charged by the Service Provider to the Service Recipient on a pass-through basis. For the avoidance of doubt, the Hourly Services Expenses shall be consistent with the Service Provider’s general approach with respect to such types of costs and expenses; provided that with respect to any Service, the Service Recipient’s prior written approval shall be required to the extent that Hourly Services Expenses exceed fifteen percent (15%) of the Service Charge paid and payable to the Service Provider for such Service in any calendar quarter.

(c) During the term of this Agreement, the amount of a Cost of Service for a Service may increase during a Service Extension, in accordance with Section 6.02.

(d) The amount of any actual and documented sales tax, value-added tax, goods and services tax or similar tax that is required to be assessed and remitted by the Service Provider in connection with the Services provided hereunder (“Taxes”) will be promptly paid to the Service Provider by the Service Recipient in accordance with Section 5.02. Such payment shall be in addition to the Cost of Services set forth in Schedule A or Schedule B, as applicable (unless such Tax is expressly already accounted for in the applicable Cost of Services). Notwithstanding the foregoing, (i) in the case of value-added Taxes, the Service Recipient shall not be obligated to pay such Taxes, unless the Service Provider has issued to the Service Recipient a valid value-added tax invoice in respect thereof, and (ii) in the case of all Taxes, the Service Recipient shall not be obligated to pay such Taxes if and to the extent that the Service Recipient has provided any valid exemption certificates or other applicable documentation that would eliminate or reduce the obligation to collect or pay such Taxes.

(e) Either Party shall have the right to deduct or withhold from any payments otherwise payable under this Agreement such amounts as are required by applicable Law to be deducted or withheld with respect thereto and, to the extent such amounts are duly and timely remitted to the appropriate Governmental Authority, such deducted or withheld amounts shall be treated as paid to the other Party for all purposes of this Agreement; provided, however, that each Party shall notify the other Party in writing of any anticipated withholding at least fifteen (15) business days prior to making any such deduction or withholding and will cooperate with the other Party in obtaining any available exemption from or reduction of such deduction or withholding. The Party making such deduction or withholding shall promptly provide to the other Party tax receipts or other documents evidencing the payment of any such deducted or withheld amount to the applicable Governmental Authority.

#### Section 5.02 Payment Terms.

(a) The Service Provider shall bill the Service Recipient monthly in U.S. Dollars, within thirty (30) business days after the end of each month, or at such other interval specified with respect to a particular Service in Schedule A or Schedule B, as applicable, an amount equal to the aggregate Cost of Services due for all Services provided in such month or other specified interval, as applicable, plus any Taxes. Invoices shall set forth a description of the Services provided and reasonable documentation to support the charges thereon, which invoice and documentation shall be in the same level of detail and in accordance with the procedures for invoicing as provided to the Service Provider’s other businesses. Invoices shall be directed to the Service Coordinator appointed by Nuance or Cerence Subsidiary, as applicable, or to such other Person designated in writing from time to time by such Service



Coordinator. The Service Recipient shall pay such amount in full within thirty (30) days after receipt of each invoice by wire transfer of immediately available funds to the account designated by the Service Provider for this purpose. If the thirtieth (30th) day falls on a weekend or a holiday, the Service Recipient shall pay such amount on or before the following business day. Each invoice shall set forth in reasonable detail the calculation of the charges and amounts and applicable Taxes for each Service during the month or other specified interval to which such invoice relates. In addition to any other remedies for non-payment, if any payment is not received by the Service Provider on or before the date such amount is due, then a late payment interest charge, calculated at the annual rate equal to the "Prime Rate" as reported on the thirtieth (30th) day after the date of the invoice in *The Wall Street Journal* (or, if such day is not a business day, the first business day immediately after such day), calculated on the basis of a year of 360 days and the actual number of days elapsed between the end of the thirty (30)-day payment period and the actual payment date, shall immediately begin to accrue and any such late payment interest charges shall become immediately due and payable in addition to the amount otherwise owed under this Agreement. The Service Recipient may elect by written notice to Service Provider to have invoices directed to and paid by any of Service Recipient's subsidiaries and, in such event, Service Recipient will make appropriate arrangements for the internal allocation of such invoiced costs within its Group. The Parties shall cooperate to achieve an invoicing structure that minimizes taxes for both Parties, including by implementing a local-to-local invoicing structure where applicable.

(b) The Service Recipient shall notify the Service Provider promptly, and in no event later than thirty (30) days following receipt of the Service Provider's invoice, of any disputed amounts. If the Service Recipient does not notify the Service Provider of any disputed amounts within such thirty (30)-day period, then Service Recipient will be deemed to have accepted the Service Provider's invoice. Any objection to the amount of any invoice shall be deemed to be a Dispute hereunder subject to the provisions applicable to Disputes set forth in Article IX. The Service Recipient shall pay any undisputed amount, and all Taxes (whether or not disputed), in accordance with this Section 5.02. The Service Provider shall, upon the written request of a Service Recipient, furnish such reasonable documentation to substantiate the amounts billed, including listings of the dates, times and amounts of the Services in question where applicable and practicable. The Service Recipient may withhold any payments subject to a Dispute other than Taxes; provided that any disputed payments, to the extent ultimately determined to be payable to the Service Provider, shall bear interest as set forth in Section 5.02(a).

(c) Subject to Section 5.02(b), no Service Recipient shall withhold any payments to its Service Provider under this Agreement in order to offset payments due to such Service Recipient pursuant to this Agreement, the Separation Agreement, any Ancillary Agreement or otherwise, unless such withholding is mutually agreed by the Parties or is provided for in the final ruling of a court having jurisdiction pursuant to Section 10.07. Any required adjustment to payments due hereunder will be made as a subsequent invoice.

Section 5.03 DISCLAIMER OF WARRANTIES. WITHOUT LIMITATION TO THE COVENANTS RELATING TO THE PROVISION OF SERVICES SET FORTH IN Section 2.01(f), THE SERVICES TO BE PROVIDED UNDER THIS AGREEMENT ARE FURNISHED WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS

OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY, NON-INFRINGEMENT OR FITNESS FOR ANY PARTICULAR PURPOSE. NO MEMBER OF THE NUANCE GROUP OR OF THE SPINCO GROUP, AS SERVICE PROVIDER, MAKES ANY REPRESENTATION OR WARRANTY THAT ANY SERVICE COMPLIES WITH ANY LAW, DOMESTIC OR FOREIGN.

Section 5.04 Books and Records. Nuance and Cerence Subsidiary shall each, and shall each cause the members of their Group to, maintain complete and accurate books of account as necessary to support calculations of the Cost of Services for Services rendered by it or the other members of its Group as Service Providers and shall make such books available to the other, upon reasonable notice, during normal business hours; provided, however, that to the extent Nuance's or Cerence Subsidiary's books, or the books of the members of their Group, contain Information relating to any other aspect of the Nuance Business or the SpinCo Business, as applicable, Nuance and Cerence Subsidiary shall negotiate a procedure to provide the other Party with necessary access while preserving the confidentiality of such other records.

## ARTICLE VI

### Term

Section 6.01 Commencement. This Agreement is effective as of the date hereof and shall remain in effect with respect to a particular Service until the occurrence of the Applicable Termination Date applicable to such Service (or, subject to the terms of Section 6.02, the expiration of any Service Extension applicable to such Service), unless earlier terminated (i) in its entirety or with respect to a particular Service, in each case in accordance with Section 6.03 or Section 6.04, or (ii) by mutual consent of the Parties. Notwithstanding anything to the contrary contained herein, if the Separation Agreement shall be terminated in accordance with its terms, this Agreement shall be automatically terminated and void ab initio with no further action by the Parties and shall be of no force and effect.

Section 6.02 Service Extension. Except as expressly provided in Schedule A or Schedule B, if the Service Recipient reasonably determines that it will require a Service to continue beyond the Applicable Termination Date or the end of a subsequent extension period, the Service Recipient may request the Service Provider to extend the term of such Service for the desired renewal period(s) (each, a "Service Extension") by written notice to the Service Provider no less than forty-five (45) days prior to end of the then-current Service term; provided that a Service Recipient may only request to extend a Service that is included on Schedule D if it requests to extend all other Services that are designated on Schedule D as a Related Service with respect to such Service. The Service Provider shall respond to any such request for a Service Extension within fifteen (15) days of receipt and shall use commercially reasonable efforts to comply with such Service Extension request; provided, however, that (i) the Service Extensions with respect to each Service shall not extend the term of such Service to a date beyond the Applicable End Date applicable to such Service, (ii) the Service Provider will not be in breach of its obligations under this Section 6.02 if it is unable to comply with a Service Extension request through the use of commercially reasonable efforts, including where a Consent that is required in order for the Service Provider to continue to provide the applicable Service during the requested Service Extension cannot be obtained by the Service Provider through the use of commercially

reasonable efforts, (iii) the Service Provider shall not be required to contribute capital, pay or grant any consideration or concession in any form (including by providing any letter of credit, guaranty or other financial accommodation) to any Person in order to obtain or make any Consent that is required in order for the Service Provider to continue to provide the applicable Service during the requested Service Extension (other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, all of which shall be reimbursed by the Service Recipient, as promptly as reasonably practicable) and (iv) each Service Extension is permissible under applicable Law and would not prevent, or be reasonably likely to prevent, or be inconsistent with the qualification of the Distribution as a tax-free transaction for U.S. federal, state and local income tax purposes. With respect to Schedule A or Schedule B, as applicable, the Cost of Services specified for such Service in Schedule A or Schedule B, as applicable, shall be amended to include (i) for the period from the Applicable Termination Date until the date that is one half of the Applicable Original Duration following the Applicable Termination Date, an incremental surcharge of 10% and (ii) for the period from the date that is one half of the Applicable Original Duration following the Applicable Termination Date to the Applicable End Date, an incremental surcharge of 20%. The Parties shall amend the terms of Schedule A or Schedule B, as applicable, to reflect the new Service term and Cost of Services within five (5) days following the Service Provider's agreement to a Service Extension, subject to the conditions set forth in this Section 6.02. Each such amended Schedule A or Schedule B, as applicable, as agreed to in writing by the Parties, shall be deemed part of this Agreement as of the date of such agreement.

Section 6.03 Termination.

(a) This Agreement may be terminated:

(i) by either Nuance or Cerence Subsidiary at any time upon written notice to the other Party (which notice shall specify the basis for such claim for breach of this Agreement), if the other Party materially breaches this Agreement (and the period for resolution of the Dispute relating to such breach set forth in Section 9.01 has expired), effective upon not less than thirty (30)-days' written notice of termination to the breaching Party, if the breaching Party does not cure such default within thirty (30) days after receiving written notice thereof from the non-breaching Party; or

(ii) except as otherwise provided by Law, by either Nuance or Cerence Subsidiary at any time upon written notice to the other Party, if (i) the other Party is adjudicated as bankrupt, (ii) any insolvency, bankruptcy or reorganization proceeding is commenced by the other Party under any insolvency, bankruptcy or reorganization act, (iii) any action is taken by others against the other Party under any insolvency, bankruptcy or reorganization act and such Party fails to have such proceeding stayed or vacated within ninety (90) days or (iv) if the other Party makes an assignment for the benefit of creditors, or a receiver is appointed for the other Party which is not discharged within thirty (30) days after the appointment of the receiver.

Section 6.04 Partial Termination.

(a) If a Service Provider or Service Recipient materially breaches any of its respective obligations under this Agreement with respect to a Service (and the period for resolution of the Dispute relating to such breach set forth in Section 9.01 has expired), the non-breaching Service Recipient or Service Provider, as applicable, may terminate this Agreement with respect to the Service to which such obligations apply, effective upon not less than thirty (30) days' written notice of termination to the breaching Party, if the breaching Party does not cure such default within thirty (30) days after receiving written notice thereof from the non-breaching Party. The termination of this Agreement with respect to any Service pursuant to this Section 6.04 shall not affect the Parties' rights or obligations under this Agreement with respect to any other Service.

(b) Except as otherwise provided in this Agreement or Schedule A or Schedule B, upon not less than sixty (60)-days' prior written notice, a Service Recipient shall be entitled to terminate one or more Services being provided by any Service Provider for any reason or no reason at all; provided that a Service Recipient may only terminate a Service that is included on Schedule D pursuant to this Section 6.04(b) if it simultaneously terminates all other Services that are designated on Schedule D as a Related Service with respect to such Service.

(c) In the event that a Service Provider reduces or suspends the provision of any Service due to a Force Majeure Event and such reduction or suspension continues for fifteen (15) days, the Service Recipient may immediately terminate such Service, upon written notice and without any obligations therefor, including any Service Charges in respect thereof.

Section 6.05 Effect of Termination.

(a) Each Party agrees and acknowledges that the obligations of each Party to provide the Services, or to cause the Services to be provided, hereunder shall immediately cease upon (i) the termination of any (or all) such Service(s) at the Applicable Termination Date applicable to each such Service (or, subject to the terms of Section 6.02, the expiration of any Service Extension applicable to such Service), (ii) termination of (A) this Agreement or (B) any particular Service, in each case in accordance with Section 6.04, or (iii) upon termination of the Agreement or any Service by mutual consent of the Parties. Upon cessation of the Service Provider's obligation to provide any Service, the Service Recipient shall stop using, directly or indirectly, such Service.

(b) Upon the request of the Service Recipient after the termination of a Service with respect to which the Service Provider holds books, records or files, including current and archived copies of computer files, (i) owned solely by the Service Recipient or its Affiliates and used by the Service Provider in connection with the provision of a Service pursuant to this Agreement or (ii) created by the Service Provider and in the Service Provider's possession as a function of and relating solely to the provision of Services pursuant to this Agreement, such books, records and files shall either be returned to the Service Recipient or destroyed by the Service Provider, with certification of such destruction provided to the Service Recipient, other than, in each case, such books, records and files electronically preserved or

recorded within any computerized data storage device or component (including any hard-drive or database) pursuant to automatic or routine backup procedures generally accessible only by legal, IT or compliance personnel, which such books, records and files will not be used by the Service Provider for any other purpose. The Service Recipient shall bear the Service Provider's reasonable, necessary and actual out-of-pocket costs and expenses associated with the return or destruction of such books, records or files. At its expense, the Service Provider may make one copy of such books, records or files for its legal files, subject to such Party's obligations under Section 10.05.

(c) In the event that any Service is terminated other than at the end of a month, and the Service Charge associated with such Service is determined on a monthly basis, the Service Provider shall bill the Service Recipient for the entire month in which such Service is terminated. The Parties acknowledge that there may be interdependencies among the Services being provided under this Agreement that may not be identified on Schedule A, Schedule B or Schedule D, as applicable, and agree that, if the Service Provider's ability to provide a particular Service in accordance with this Agreement is materially and adversely affected by the termination of another Service in accordance with Section 6.04, then the Parties shall negotiate in good faith to amend the Schedule A or Schedule B, as applicable, relating to such affected continuing Service.

(d) In the event of a termination under Section 6.04, the Service Recipient shall pay to the Service Provider any breakage or termination fees, and other termination costs payable by the Service Provider, solely as a result of the early termination of such Service, with respect to any resources or pursuant to any other third-party agreements that were used by the Service Provider to provide such Service (or an equitably allocated portion thereof, in the case of any such equipment, resources or agreements that also were used for purposes other than providing Services) ("Termination Charges"). The Service Provider will provide to the Service Recipient an invoice for the Termination Charges, within thirty (30) days following the date of any termination of a Service under Section 6.04 and will provide reasonable documentary evidence to substantiate such Termination Charges.

(e) In the event of any termination of this Agreement in its entirety or with respect to any Service, each Party, Service Provider and Service Recipient shall remain liable for all of their respective obligations that accrued hereunder prior to the date of such termination, including all obligations of each Service Recipient to pay any Service Charges due to any Service Provider hereunder.

(f) The following matters shall survive the termination of this Agreement, including the rights and obligations of each Party thereunder, in addition to any claim for breach arising prior to termination: Article I, Section 4.02(b), Article V, Article VII (including liability in respect of any indemnifiable Liabilities under this Agreement arising or occurring on or prior to the date of termination), this Section 6.05, Article IX, Article X and all confidentiality obligations under this Agreement.

## ARTICLE VII

### Indemnification; Limitation of Liability

#### Section 7.01 Indemnification by Cerence Subsidiary.

(a) Cerence Subsidiary, in its capacity as a Service Recipient and on behalf of each member of its Group in its capacity as a Service Recipient, shall indemnify, defend and hold harmless Nuance and the other Nuance Indemnitees from and against any and all Liabilities incurred by such Nuance Indemnitee to the extent relating to, arising out of or resulting from any Services provided by any member of the Nuance Group hereunder, except to the extent such Liabilities arise out of a Nuance Group member's (i) breach of this Agreement, (ii) violation of Laws in providing the Services or (iii) gross negligence or willful misconduct in providing the Services.

(b) Cerence Subsidiary, in its capacity as a Service Provider and on behalf of each member of its Group in its capacity as a Service Provider, shall indemnify, defend and hold harmless Nuance and the other Nuance Indemnitees from and against any and all Liabilities incurred by such Nuance Indemnitee to the extent relating to, arising out of or resulting from any Services provided by any member of the Nuance Group hereunder, to the extent such Liabilities result from a SpinCo Group member's (i) breach of this Agreement, (ii) violation of Laws in providing the Services or (iii) gross negligence or willful misconduct in providing the Services.

#### Section 7.02 Indemnification by Nuance.

(a) Nuance, in its capacity as a Service Recipient and on behalf of each member of its Group in its capacity as a Service Recipient, shall indemnify, defend and hold harmless Cerence Subsidiary and the other SpinCo Indemnitees from and against any and all Liabilities incurred by such SpinCo Indemnitee to the extent relating to, arising out of or resulting from any Services provided by any member of the SpinCo Group hereunder, except to the extent such Liabilities arise out of a SpinCo Group member's (i) breach of this Agreement, (ii) violation of Laws in providing the Services or (iii) gross negligence or willful misconduct in providing the Services.

(b) Nuance, in its capacity as a Service Provider and on behalf of each member of its Group in its capacity as a Service Provider, shall indemnify, defend and hold harmless Cerence Subsidiary and the other SpinCo Indemnitees from and against any and all Liabilities incurred by such SpinCo Indemnitee to the extent relating to, arising out of or resulting from any Services provided by any member of the Nuance Group hereunder, to the extent such Liabilities result from a Nuance Group member's (i) breach of this Agreement, (ii) violation of Laws in providing the Services or (iii) gross negligence or willful misconduct in providing the Services.

Section 7.03 Indemnification Procedures. The provisions of Section 6.05 of the Separation Agreement shall govern claims for indemnification under this Agreement, provided that, for purposes of this Section 7.03, in the event of any conflict between the provisions of

Section 6.05 of the Separation Agreement and this Article VII, the provisions of this Agreement shall control.

Section 7.04 Exclusion of Other Remedies. Without limiting the rights under Section 10.09, the provisions of Sections 7.01 and 7.02 shall, to the maximum extent permitted by applicable Law, be the sole and exclusive remedies of the Nuance Group and the SpinCo Group, as applicable, for any Liability, whether arising from statute, principle of common or civil law, principles of strict liability, tort, contract or otherwise under this Agreement.

Section 7.05 Other Indemnification Obligations Unaffected. For avoidance of doubt, this Article VII applies solely to the specific matters and activities covered by this Agreement (and not to matters specifically covered by the Separation Agreement or the other Ancillary Agreements).

Section 7.06 Limitation on Liability.

(a) No Service Provider, in its capacity as such, nor any member of its Group acting in the capacity of a Service Provider, nor any Indemnitee thereof, shall be liable (whether such liability is direct or indirect, in contract or tort or otherwise) to the other Party (or any of such other Party's Indemnitees) for any Liabilities relating to, arising out of or resulting from the Services or this Agreement, except to the extent that such Liabilities arise out of such Service Provider's (or a member of its Group's) (i) breach of this Agreement, (ii) violation of Laws in providing the Services or (iii) gross negligence or willful misconduct in providing the Services; provided that nothing in this Section 7.06 shall be deemed to limit a Service Recipient's rights under Section 7.06(d), regarding Insurance Proceeds in respect of Third-Party Claims.

(b) IN NO EVENT SHALL ANY SERVICE PROVIDER, IN ITS CAPACITY AS SUCH, NOR ANY MEMBER OF ITS GROUP ACTING IN THE CAPACITY OF A SERVICE PROVIDER, NOR ANY INDEMNITEE THEREOF, BE LIABLE, WHETHER IN CONTRACT, IN TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY) OR OTHERWISE TO THE SERVICE RECIPIENT (OR ANY OF ITS INDEMNITEES) FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES (INCLUDING LOSS OF PROFITS) AS A RESULT OF ANY BREACH, PERFORMANCE OR NON-PERFORMANCE BY SUCH SERVICE PROVIDER UNDER THIS AGREEMENT, EXCEPT AS MAY BE PAYABLE TO A CLAIMANT IN A THIRD-PARTY CLAIM.

(c) EACH GROUP'S TOTAL LIABILITY, IN ITS CAPACITY AS A SERVICE PROVIDER, TO THE OTHER GROUP RELATING TO, ARISING OUT OF OR RESULTING FROM THE SERVICES OR THIS AGREEMENT FOR ALL CLAIMS SHALL NOT EXCEED IN THE AGGREGATE AN AMOUNT EQUAL TO THE TOTAL AMOUNT PAID TO IT FOR SERVICES UNDER THIS AGREEMENT; PROVIDED, HOWEVER, THAT, NOTWITHSTANDING THE FOREGOING, IN THE CASE OF ANY LIABILITY TO THE OTHER PARTY ARISING OUT OF A THIRD-PARTY CLAIM, EACH GROUP'S TOTAL LIABILITY IN ITS CAPACITY AS A SERVICE PROVIDER TO THE OTHER GROUP SHALL BE INCREASED BY AN AMOUNT EQUAL TO THE AMOUNT, IF ANY,

OF ANY INSURANCE PROCEEDS THAT ARE ACTUALLY RECEIVED BY SUCH SERVICE PROVIDER IN ACCORDANCE WITH Section 7.06(d).

(d) If a Service Provider, in its capacity as such, or any member of its Group acting in the capacity of a Service Provider, or any Indemnitee thereof, shall be liable to the other Party for any Liability arising out of a Third-Party Claim, such Service Provider, at the request of the Indemnitee, shall use commercially reasonable efforts to pursue and recover any available Insurance Proceeds under applicable insurance policies. Promptly upon the actual receipt of any such Insurance Proceeds, such Service Provider shall pay such Insurance Proceeds to the applicable Indemnitee to the extent of the Liability arising out of the applicable Third-Party Claim. The Indemnitee shall, upon the request of such Service Provider and to the extent permitted under such Service Provider's applicable insurance policies, promptly pay directly to such Service Provider or to such Service Provider's insurer any reasonable costs or expenses incurred in the collection of such Indemnitee's portion of such Insurance Proceeds (including such Indemnitee's portion of applicable retentions or deductibles); provided, however, that in no event shall an Indemnitee's portion of such collection costs and expenses, applicable retentions and deductibles exceed the amount of Insurance Proceeds actually received by such Indemnitee.

## ARTICLE VIII

### Other Covenants

Section 8.01 Attorney-in-Fact. On a case-by-case basis, the Service Recipient shall execute documents necessary to appoint the Service Provider as its attorney-in-fact for the sole purpose of executing any and all documents and instruments reasonably required to be executed in connection with the performance by the Service Provider of any Service under this Agreement.

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

## ARTICLE IX

### Dispute Resolution

Section 9.01 General. Except as expressly provided in this Article IX, the Parties shall resolve all disputes arising under or in connection with this Agreement (each, a "Dispute") in accordance with the following procedures set forth in this Article IX (including, for the avoidance of doubt, any Dispute relating to payments with respect to the Services).

Section 9.02 Resolution Committee(a) . All Disputes will be first considered in person, by teleconference or by video conference by the Service Coordinators within five (5) business days after receipt of notice from either Party specifying the nature of the Dispute (a



“Dispute Notice”). The Service Coordinators shall enter into negotiations aimed at resolving any such Dispute. If the Service Coordinators are unable to reach a resolution with respect to the Dispute within ten (10) business days after receipt of notice of the Dispute, the Dispute shall be referred to a Resolution Committee comprised of specified transition leaders (the “Resolution Committee”) from Nuance and Cerence Subsidiary. On or prior to the Distribution Date, each Party shall provide the other Party with the name and relevant contact information for its respective initial Resolution Committee member, and either Party may replace its Resolution Committee members at any time with other persons of similar seniority by providing written notice in accordance with Section 10.12. The Resolution Committee will meet (by telephone or in person) during the next ten (10) business days and attempt to resolve the Dispute. In the event that the Resolution Committee is unable to reach a resolution with respect to the Dispute within ten (10) business days of the referral of the matter to the Resolution Committee, then the Dispute shall be referred to a senior executive of each Party in accordance with Section 9.03 and the Parties shall retain all rights with respect to remedies hereunder.

Section 9.03 Senior Executive Referral. If no resolution is reached with respect to any Dispute in accordance with Section 9.02, then a senior executive of each Party shall, in good faith, attempt to resolve any such Dispute within the following thirty (30) days of the referral of the matter to the senior executives. If no resolution is reached with respect to any such Dispute in accordance with the procedures contained in Section 9.02 and this Section 9.03, then the Parties may seek to resolve such matter in accordance with Section 10.07, Section 10.08 and Section 10.09.

Section 9.04 Court-Ordered Interim Relief(a) . In accordance with this Section 9.04 and Section 10.08, at any time after giving notice of a Dispute, each Party shall be entitled to interim measures of protection duly granted by a court of competent jurisdiction: (1) to preserve the status quo pending resolution of the dispute; (2) to prevent the destruction or loss of documents and other information or things relating to the dispute; or (3) to prevent the transfer, disposition or hiding of assets. Any such interim measure (or a request therefor to a court of competent jurisdiction) shall not be deemed incompatible with the provisions of Section 10.07 and Section 10.08. Until such Dispute is resolved in accordance with this Article IX or final judgment is rendered in accordance with Section 10.07 and Section 10.08, each Party agrees that such Party shall continue to perform its obligations under this Agreement and that such obligations shall not be subject to any defense or set-off, counterclaim, recoupment or termination.

## ARTICLE X

### Miscellaneous

Section 10.01 Title to Equipment; Title to Data.

(a) Except as otherwise expressly provided herein, each of Cerence Subsidiary and Nuance acknowledges that all procedures, methods, systems, strategies, tools, equipment, facilities and other resources used by any Service Provider in connection with the provision of Services shall remain the property of such Service Provider and shall at all times be under the sole direction and control of such Service Provider.

(b) Each of Cerence Subsidiary and Nuance acknowledges that it will acquire no right, title or interest (including any license rights or rights of use) in any firmware or software, or the licenses therefor that are owned by the other Party or its Affiliates, Subsidiaries or divisions, by reason of the provision of the Services hereunder, except as expressly provided in Section 4.02.

Section 10.02 Force Majeure. In case performance of any terms or provisions hereof shall be delayed or prevented, in whole or in part, because of or related to compliance with any Law or requirement of any national securities exchange, or because of riot, war, public disturbance, strike, labor dispute, fire, explosion, storm, flood, earthquake, pandemic, shortage of necessary equipment, materials or labor, or restrictions thereon or limitations upon the use thereof, delays in transportation, act of God or act of terrorism, in each case, that is not within the control of the Party whose performance is interfered with and which, by the exercise of reasonable diligence, such Party is unable to prevent, or for any other reason which is not within the control of such Party whose performance is interfered with and which, by the exercise of reasonable diligence, such Party is unable to prevent (each, a "Force Majeure Event"), then, upon prompt written notice stating the date and extent of such interference and the cause thereof by such Party to the other Party, such Party shall be excused from its obligations hereunder during the period such Force Majeure Event or its effects continue, and no liability shall attach against either Party on account thereof; provided, however, that the Party whose performance is interfered with promptly resumes the required performance upon the cessation of the Force Majeure Event or its effects. No Party shall be excused from performance if such Party fails to use commercially reasonable efforts to remedy the situation and remove the cause and effects of the Force Majeure Event.

Section 10.03 Separation Agreement. The Parties agree that, in the event of a conflict between the terms of this Agreement and the Separation Agreement with respect to the subject matter hereof, the terms of this Agreement shall govern.

Section 10.04 Relationship of Parties. Nothing in this Agreement shall be deemed or construed by the Parties or any third party as creating a relationship of principal and agent, partnership or joint venture between the Parties, between Service Providers and Service Recipients or with any individual providing Services, it being understood and agreed that no provision contained herein, and no act of any Party or members of their respective Groups, shall be deemed to create any relationship between the Parties or members of their respective Groups other than the relationship set forth herein. Each Party and each Service Provider shall act under this Agreement solely as an independent contractor and not as an agent or employee of any other Party or any of such Party's Affiliates.

Section 10.05 Confidentiality. Each Party hereby acknowledges that confidential Information of such Party or members of its Group may be exposed to employees and agents of the other Party or its Group who have a need to know such confidential Information as a result of, or in connection with, the activities contemplated by this Agreement. Each Party agrees, on behalf of itself and its Affiliates, that such Party's obligation (and the obligation of members of its Group) to use and keep confidential such Information of the other Party or its Group shall be governed by Section 7.09 of the Separation Agreement.

Section 10.06 Counterparts; Entire Agreement.

(a) This Agreement may be executed in one or more counterparts, all of which counterparts shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each Party and delivered to the other Party. This Agreement may be executed by facsimile or PDF signature and scanned and exchanged by electronic mail, and such facsimile or PDF signature or scanned and exchanged copies shall constitute an original for all purposes.

(b) This Agreement, the Separation Agreement, the other Ancillary Agreements and the Exhibits and Schedules hereto and thereto contain the entire agreement between the Parties with respect to the subject matter hereof and supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings between the Parties with respect to the subject matter hereof other than those set forth or referred to herein or therein.

Section 10.07 Governing Law; Jurisdiction. Any disputes relating to, arising out of or resulting from this Agreement, including to its execution, performance, or enforcement, shall be governed by, and construed in accordance with, the Laws of the State of Delaware, regardless of the Laws that might otherwise govern under applicable principles of conflicts of Laws thereof. Each Party irrevocably consents to the exclusive jurisdiction, forum and venue of the Delaware Court of Chancery (and if the Delaware Court of Chancery shall be unavailable, any Delaware State court or the federal court sitting in the State of Delaware) over any and all claims, disputes, controversies or disagreements between the Parties or any of their respective Affiliates, successors and assigns under or related to this Agreement or any of the transactions contemplated hereby, including their execution, performance or enforcement, whether in contract, tort or otherwise. Each of the Parties hereby agrees that it shall not assert and shall hereby waive any claim or right or defense that it is not subject to the jurisdiction of such courts, that the venue is improper, that the forum is inconvenient or any similar objection, claim or argument. Each Party agrees that a final judgment in any legal proceeding resolved in accordance with Article IX this Section 10.07, Section 10.08 and Section 10.09 shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law.

Section 10.08 WAIVER OF JURY TRIAL. EACH PARTY HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION RELATING TO, ARISING OUT OF OR RESULTING FROM THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY INCLUDING, WITHOUT LIMITATION, THEIR EXECUTION, PERFORMANCE OR ENFORCEMENT, WHETHER IN CONTRACT, TORT OR OTHERWISE. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS (INCLUDING NEGLIGENCE), BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THIS SECTION HAS BEEN FULLY DISCUSSED BY

EACH OF THE PARTIES AND THESE PROVISIONS WILL NOT BE SUBJECT TO ANY EXCEPTIONS.

Section 10.09 Specific Performance. Subject to Article IX, in the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the affected Party shall have the right to specific performance and injunctive or other equitable relief of its rights under this Agreement, in addition to any and all other rights and remedies at Law or in equity, and all such rights and remedies shall be cumulative. The other Party shall not oppose the granting of such relief on the basis that money damages are an adequate remedy. The Parties agree that the remedies at Law for any breach or threatened breach hereof, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at Law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived.

Section 10.10 Assignability. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of Law or otherwise by either Party without the prior written consent of the other Party, except that each Party may assign any and all of its rights under this Agreement to one or more of its wholly owned Subsidiaries. Any purported assignment without such consent shall be void. Subject to the preceding sentences, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective successors and assigns. Notwithstanding the foregoing, either Party may assign this Agreement without prior written consent in connection with (a) a merger transaction in which such Party is not the surviving entity and the surviving entity acquires or assumes all or substantially all of such Party's Assets, or (b) the sale of all or substantially all of such Party's Assets; provided, however, that the assignee or successor-in-interest expressly assumes in writing all of the obligations of the assigning Party under this Agreement, and the assigning Party provides written notice and evidence of such assignment, assumption or succession to the non-assigning Party. No assignment permitted by this Section 10.10 shall release the assigning Party from liability for the full performance of its obligations under this Agreement. Nothing in this Section 10.10 shall affect or impair a Service Provider's ability to delegate any or all of its obligations under this Agreement to one or more Affiliates or Sub-Contractors pursuant to Section 2.01(e).

Section 10.11 Third-Party Beneficiaries. Except for the indemnification rights under this Agreement of any Nuance Indemnitee or SpinCo Indemnitee in his, her or its respective capacities as such, (a) the provisions of this Agreement are solely for the benefit of the Parties hereto and are not intended to confer upon any Person except the Parties hereto any rights or remedies hereunder and (b) there are no third-party beneficiaries of this Agreement and this Agreement shall not provide any third person with any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.

Section 10.12 Notices. All notices or other communications under this Agreement shall be in writing and shall be provided in the manner set forth in the Separation Agreement.

Section 10.13 Severability. If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be

invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either Party. Upon any such determination, any such provision, to the extent determined to be invalid, void or unenforceable, shall be deemed replaced by a provision that such court determines is valid and enforceable and that comes closest to expressing the intention of the invalid, void or unenforceable provision.

Section 10.14 Headings. The article, section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 10.15 Waivers of Default. No failure or delay of any Party (or the applicable member of its Group) in exercising any right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, or any course of conduct, preclude any other or further exercise thereof or the exercise of any other right or power. Waiver by any Party of any default by the other Party of any provision of this Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default.

Section 10.16 Amendments. No provisions of this Agreement shall be deemed waived, amended, supplemented or modified by any Party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of each Party.

Section 10.17 Interpretation. The rules of interpretation set forth in Section 12.17 of the Separation Agreement are incorporated by reference into this Agreement, *mutatis mutandis*.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

**NUANCE COMMUNICATIONS, INC.**

By: \_\_\_\_\_  
Name:  
Title:

**CERENCE OPERATING COMPANY**

By: \_\_\_\_\_  
Name:  
Title:

**TAX MATTERS AGREEMENT**  
**BY AND BETWEEN**  
**NUANCE COMMUNICATIONS, INC.**  
**AND**  
**CERENCE INC.**  
**DATED AS OF           , 2019**

## TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS	1
Section 1.01    Definition of Terms	1
ARTICLE II ALLOCATION OF TAX LIABILITIES	9
Section 2.01    Taxes	9
Section 2.02    Allocation of Taxes	10
ARTICLE III PREPARATION AND FILING OF TAX RETURNS	11
Section 3.01    Parent Returns	11
Section 3.02    SpinCo Returns	11
Section 3.03    Tax Accounting Practices	12
Section 3.04    Right to Review Tax Returns	13
Section 3.05    Apportionment of Earnings and Profits and Tax Attributes	13
ARTICLE IV PAYMENTS	13
Section 4.01    Payment of Taxes	13
Section 4.02    Adjustments Resulting in Underpayments	14
Section 4.03    Indemnification Payments	14
Section 4.04    Payors; Payees; Treatment	14
ARTICLE V TAX BENEFITS	15
Section 5.01    Tax Benefits	15
ARTICLE VI TAX-FREE STATUS	16
Section 6.01    Representations of and Restrictions on SpinCo	16
Section 6.02    Restrictions on SpinCo	17
Section 6.03    Restrictions on Parent	18
Section 6.04    Procedures Regarding Post-Distribution Rulings and Unqualified Tax Opinions	19
Section 6.05    Liability for Separation Tax Losses	20
Section 6.06    Payment of Separation Taxes	21
ARTICLE VII ASSISTANCE AND COOPERATION	22
Section 7.01    Assistance and Cooperation	22
Section 7.02    Tax Return Information	22
Section 7.03    Reliance by Parent	23
Section 7.04    Reliance by SpinCo	23
ARTICLE VIII TAX RECORDS	23
Section 8.01    Retention of Tax Records	23
Section 8.02    Access to Tax Records	24
Section 8.03    Preservation of Privilege	24



	<b>Page (s)</b>
ARTICLE IX TAX CONTESTS	24
Section 9.01    Notice	24
Section 9.02    Control of Tax Contests	25
ARTICLE X EFFECTIVE DATE; TERMINATION OF PRIOR INTERCOMPANY TAX ALLOCATION AGREEMENTS	26
ARTICLE XI SURVIVAL OF OBLIGATIONS	26
ARTICLE XII TREATMENT OF PAYMENTS; TAX GROSS-UP	26
Section 12.01    Treatment of Tax Indemnity and Tax Benefit Payment	26
Section 12.02    Tax Gross-Up	27
ARTICLE XIII DISAGREEMENTS	27
Section 13.01    Dispute Resolution	27
Section 13.02    Injunctive Relief	27
ARTICLE XIV LATE PAYMENTS	28
ARTICLE XV EXPENSES	28
ARTICLE XVI MISCELLANEOUS	28
Section 16.01    Counterparts; Entire Agreement; Corporate Power	28
Section 16.02    Governing Law; Jurisdiction	29
Section 16.03    Waiver of Jury Trial	29
Section 16.04    Specific Performance	30
Section 16.05    Assignability	30
Section 16.06    Third-Party Beneficiaries	30
Section 16.07    Notices	30
Section 16.08    Severability	32
Section 16.09    Publicity	32
Section 16.10    Headings	32
Section 16.11    Waivers of Default	32
Section 16.12    Amendments	32
Section 16.13    Further Action	33
Section 16.14    Interpretation	33

Schedules

Schedule A	ATB Entities
Schedule B	Material Separation Step Plan Transactions

## TAX MATTERS AGREEMENT

This TAX MATTERS AGREEMENT (this “Agreement”) is entered into as of \_\_\_\_\_, 2019, by and between Nuance Communications, Inc., a Delaware corporation (“Parent”), and Cerence Inc., a Delaware corporation (“SpinCo”) (collectively, the “Companies” and each, a “Company”).

### RECITALS

WHEREAS, Parent and SpinCo have entered into a Separation and Distribution Agreement, dated as of \_\_\_\_\_, 2019 (the “Separation and Distribution Agreement”), providing for the separation of the SpinCo Business from the Parent Business;

WHEREAS, Parent and its Subsidiaries have engaged in certain restructuring transactions to facilitate the Spin-Off as set forth in the Separation Step Plan;

WHEREAS, pursuant to the Separation Step Plan and the terms of the Separation and Distribution Agreement, Parent will, among other things, make the Contribution and the Distribution;

WHEREAS, for U.S. federal Income Tax purposes, it is intended that the Contribution and the Distribution, taken together, qualify as a transaction that is generally tax-free pursuant to Sections 368(a)(1)(D) and 355(a) of the Code; and

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

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

### ARTICLE I

#### DEFINITIONS

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

“Active Trade or Business” means, with respect to each of the ATB Entities, the active conduct (as defined in Section 355(b)(2) of the Code and the Treasury Regulations thereunder) by such entity and its “separate affiliated group” (as defined in Section 355(b)(3)(B) of the Code) of the trades or businesses relied upon to satisfy Section 355(b) of the Code with respect to the Distribution or any other applicable transaction identified in the Tax Opinions/Rulings or Representation Letters.

“Actually Realized” or “Actually Realizes” means, for purposes of determining the timing of the incurrence of any Tax Liability or the realization of a Refund (or any related Tax cost or Tax Benefit), whether by receipt or as a credit or other offset to Taxes otherwise payable, by a Person in respect of any payment, transaction, occurrence or event, the time at which the amount of cash Taxes paid (or Refund realized) by such Person is increased above (or reduced below) the amount of cash Taxes that such Person would have been required to pay (or Refund that such Person would have realized) but for such payment, transaction, occurrence or event.

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

“Agreement” has the meaning set forth in the Recitals.

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

“ATB Entities” means the entities listed on Schedule A.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions are generally authorized or required by Law to close in New York, New York.

“Code” means the U.S. Internal Revenue Code of 1986.

“Companies” or “Company” has the meaning set forth in the Recitals.

“Consolidated Mobile Affiliated Group” means the affiliated group (as such term is defined in Section 1504 of the Code and the Treasury Regulations thereunder) of which Consolidated Mobile Corp. is the common parent following the Distribution Date.

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

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

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

“Effective Time” means the effective time of the Distribution, as set forth in the Separation and Distribution Agreement.

“Fifty-Percent or Greater Interest” has the meaning ascribed to such term for purposes of Sections 355(d) and (e) of the Code and the Treasury Regulations thereunder.

“Filing Company” has the meaning set forth in Section 4.01.

“Final Determination” means the final resolution of liability for any Tax, which resolution may be for a specific issue or adjustment or for a Tax Period, (a) by IRS Form 870 or 870-AD (or any successor forms thereto), on the date of acceptance by or on behalf of the taxpayer, or by a comparable form under the Laws of a state, local or foreign taxing jurisdiction, except that a Form 870 or 870-AD or comparable form shall not constitute a Final Determination to the extent that it reserves (whether by its terms or by operation of Law) the right of the taxpayer to file a claim for Refund or the right of the Tax Authority to assert a further deficiency in respect of such issue or adjustment or for such Tax Period (as the case may be); (b) by a decision, judgment, decree or other order by a court of competent jurisdiction, which has become final and unappealable; (c) by a closing agreement or accepted offer in compromise under Section 7121 or 7122 of the Code, or a comparable agreement under the Laws of a state, local or foreign taxing jurisdiction; (d) by any allowance of a Refund in respect of an overpayment of Tax, but only after the expiration of all periods during which such Refund may be recovered (including by way of offset) by the jurisdiction imposing such Tax; (e) by a final settlement resulting from a competent authority proceeding or determination; or (f) by any other final disposition, including by reason of the expiration of the applicable statute of limitations or by mutual agreement of the parties.

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

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

“Income Taxes” means all federal, state, local, and foreign income or franchise Taxes or other Taxes based on income or net worth.

“IRS” means the United States Internal Revenue Service.

“Joint Return” means any Tax Return that includes both a member of the Parent Group and a member of the SpinCo Group.

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

“Loss” has the meaning set forth in Section 5.01(b).

“Material Separation Step Plan Transactions” means the Separation Transactions set forth in the Separation Step Plan that are listed on Schedule B.

“Non-Filing Company” has the meaning set forth in Section 4.01.

“Non-Recoverable VAT” has the meaning set forth in Section 2.01(c).

“Notified Action” has the meaning set forth in Section 6.04(a).

“Parent” has the meaning set forth in the Recitals.

“Parent Affiliated Group” means the affiliated group (as such term is defined in Section 1504 of the Code and the Treasury Regulations thereunder) of which Parent is the common parent.

“Parent Business” means all businesses and operations of the Parent Group, other than the SpinCo Business.

“Parent Group” has the meaning given to the term “Nuance Group” in the Separation and Distribution Agreement.

“Past Practices” has the meaning set forth in Section 3.03(a).

“Person” has the meaning set forth in the Separation and Distribution Agreement. For the avoidance of doubt, any entity may be a Person regardless of whether it is treated as disregarded for U.S. federal Income Tax purposes.

“Post-Distribution Tax Period” means any Tax Period (or portion thereof) beginning after the Distribution Date.

“Pre-Distribution Tax Period” means any Tax Period (or portion thereof) ending on or before the close of the Distribution Date.

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

“Privileged Documentation” has the meaning set forth in Section 8.03.

“Proposed Acquisition Transaction” means a transaction or series of transactions (or any agreement, understanding or arrangement, within the meaning of Section 355(e) of the Code and Treasury Regulations Section 1.355-7, or any other regulations promulgated thereunder, to enter into a transaction or series of transactions), whether such transaction is supported by SpinCo management or shareholders, is a hostile acquisition, or otherwise, as a result of which SpinCo would merge or consolidate with any other Person or as a result of which any Person or Persons would (directly or indirectly) acquire, or have the right to acquire, from SpinCo and/or one or more holders of outstanding shares of SpinCo Capital Stock, a number of shares of SpinCo Capital Stock that would, when combined with any other changes in ownership of SpinCo Capital Stock pertinent for purposes of Section 355(e) of the Code, comprise 40% or more of (i) the value of all outstanding shares of stock of SpinCo as of the date of such transaction, or, in the case of a series of transactions, the date of the last transaction of such series, or (ii) the total combined voting power of all outstanding shares of voting stock of SpinCo as of the date of such transaction, or in the case of a series of transactions, the date of the last transaction of such series. Notwithstanding the foregoing, a Proposed Acquisition Transaction shall not include (i) the adoption by SpinCo of a shareholder rights plan or (ii) issuances by SpinCo that satisfy Safe Harbor VIII (relating to acquisitions in connection with a person’s performance of services) or Safe Harbor IX (relating to acquisitions by a retirement plan of an employer) of Treasury Regulations Section 1.355-7(d). For purposes of determining whether a transaction constitutes an indirect acquisition, any recapitalization resulting in a shift of voting

power or any redemption of shares of stock shall be treated as an indirect acquisition of shares of stock by the non-exchanging shareholders. This definition and the application thereof are intended to monitor compliance with Section 355(e) of the Code and shall be interpreted accordingly. Any clarification of, or change in, the statute or regulations promulgated under Section 355(e) of the Code shall be incorporated into this definition and its interpretation.

“Recipient” means, with respect to the transfers of assets and/or the assumption of liabilities occurring pursuant to any of the Separation Transactions, the Person receiving assets and/or assuming liabilities.

“Recoverable VAT” has the meaning set forth in Section 2.01(c).

“Refund” means any cash refund of Taxes or reduction of cash Taxes paid by means of credit, deduction, offset or otherwise.

“Representation Letters” means the statements of facts and representations, officer’s certificates, representation letters and any other materials (including, without limitation, a Ruling Request and any related supplemental submissions to the IRS or other Tax Authority) delivered by Parent, SpinCo or any of their respective Affiliates or representatives in connection with the rendering by Tax Counsel, and/or the issuance by the IRS or other Tax Authority, of the Tax Opinions/Rulings.

“Restriction Period” means the period beginning on the date of this Agreement and ending on, and including, the last day of the two-year period following the Distribution Date.

“Responsible Company” means, with respect to any Tax Return, the Company having responsibility for preparing such Tax Return under this Agreement.

“Retention Date” has the meaning set forth in Section 8.01.

“Ruling Request” means any letter filed by Parent with the IRS or other Tax Authority requesting a ruling regarding certain tax consequences of any of the Separation Transactions (including all attachments, exhibits, and other materials submitted with such ruling request letter) and any amendments or supplements to such ruling request letter.

“Section 336(e) Election” has the meaning set forth in Section 7.07.

“Separate Return” means (i) in the case of the SpinCo Group, a Tax Return of any member of that Group (including any consolidated, combined, affiliated or unitary Tax Return) that does not include, for all or any portion of the relevant Tax Period, any member of the Parent Group and (ii) in the case of the Parent Group, a Tax Return of any member of that Group (including any consolidated, combined, affiliated or unitary Tax Return) that does not include, for all or any portion of the relevant Tax Period, any member of the SpinCo Group.

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

“Separation Related Tax Contest” means any Tax Contest in which the IRS, another Tax Authority or any other party asserts a position that could reasonably be expected to (a) adversely affect, jeopardize or prevent (i) the Tax-Free Status of the Contribution and the Distribution, taken together, or (ii) the intended tax treatment of any Separation Transaction (other than a Separation Transaction described in clause (i)) as set forth in the Tax Opinions/Rulings (or if not set forth in the Tax Opinions/Rulings, in the Separation Step Plan) or (b) otherwise affect the amount of Taxes imposed with respect to any of the Separation Transactions.

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

“Separation Tax Losses” means (i) all Taxes imposed pursuant to (or any reduction in a Refund resulting from) any settlement, Final Determination, judgment or otherwise; (ii) all third-party accounting, legal and other professional fees and court costs incurred in connection with such Taxes (or reduction in a Refund), as well as any other out-of-pocket costs incurred in connection with such Taxes (or reduction in a Refund); and (iii) all third-party costs, expenses and damages associated with any stockholder litigation or other controversy and any amount required to be paid by Parent (or any Affiliate of Parent) or SpinCo (or any Affiliate of SpinCo) in respect of any liability of or to shareholders, whether paid to shareholders or to the IRS or any other Tax Authority, in each case, resulting from (x) the failure of the Contribution and the Distribution, taken together, to have Tax-Free Status; or (y) the failure of a Separation Transaction to have the intended tax treatment described in the Tax Opinions/Rulings (or, if not described in the Tax Opinions/Rulings, in the Separation Step Plan to the extent that such Separation Transaction is a Material Separation Step Plan Transaction); provided that amounts shall be treated as having been required to be paid for purposes of clause (iii) of this definition to the extent they are paid in a good-faith compromise or settlement of an asserted claim.

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

“SpinCo Affiliated Group” means the affiliated group (as such term is defined in Section 1504 of the Code and the Treasury Regulations thereunder) of which SpinCo is the common parent following the Distribution Date.

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

“SpinCo Business Balance Sheet” has the meaning set forth in the Separation and Distribution Agreement.

“SpinCo Capital Stock” means all classes or series of capital stock of SpinCo, including (i) the SpinCo Common Stock, (ii) all options, warrants and other rights to acquire such capital stock and (iii) all instruments properly treated as stock in SpinCo for U.S. federal Income Tax purposes.

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

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

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

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

“Straddle Period” means any Tax Period beginning on or before the Distribution Date and ending after the Distribution Date.

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

“Tax” or “Taxes” means any taxes, fees, assessments, duties or other similar charges imposed by any Tax Authority, including, income, gross income, gross receipts, profits, capital stock, franchise, withholding, payroll, social security, workers’ compensation, unemployment, disability, property, ad valorem, stamp, excise, severance, occupation, service, sales, use, license, lease, transfer, import, export, value-added, alternative minimum, estimated, unclaimed property or escheat, or other tax (including any fee, assessment, duty, or other charge in the nature of or in lieu of any tax), and any interest, penalties, additions to tax or additional amounts in respect of the foregoing. For the avoidance of doubt, Tax includes any increase in Tax as a result of a Final Determination.

“Tax Advisor” means a U.S. Tax counsel or other Tax advisor of recognized national standing reasonably acceptable to both Companies.

“Tax Advisor Dispute” has the meaning set forth in Section 13.01.

“Tax Attributes” means a net operating loss, net capital loss, unused investment credit, unused foreign tax credit, excess charitable contribution, general business credit, research and development credit or any other similar Tax item that could reduce a Tax or create a Tax Benefit.

“Tax Authority” means any Governmental Authority imposing any Tax, charged with the collection of Taxes or otherwise having jurisdiction with respect to any Tax.

“Tax Benefit” means any loss, deduction, Refund, credit, offset or other Tax item reducing Taxes paid or payable. For purposes of this Agreement, the amount of any Tax Benefit Actually Realized by a Person as a result of any such Tax item shall be determined on a “with and without basis” as the excess of (a) the hypothetical liability of such Person for the relevant Tax for the relevant Tax Period, calculated as if such Tax item had not been utilized but with all other facts unchanged, over (b) the actual liability of such Person for such Tax for such Tax



Period, calculated taking into account such Tax item (and, for this purpose, treating a Refund as a reduction in liability for Tax).

“Tax Contest” means an audit, review, examination or any other administrative or judicial proceeding with respect to Taxes (including any administrative or judicial review of any claim for any Refund or other Tax Benefit).

“Tax Counsel” means a U.S. Tax counsel or other Tax advisor of recognized national standing acceptable to Parent, in its sole discretion.

“Tax-Free Status” means the qualification of (i) the Contribution and the Distribution, taken together, as a “reorganization” described in Sections 368(a)(1)(D) and 355(a) of the Code, (ii) the Distribution as a transaction in which the stock distributed thereby is “qualified property” for purposes of Sections 355(c) and 361(c) of the Code (and neither Section 355(d) or 355(e) of the Code causes such stock to be treated as other than “qualified property” for such purposes), (iii) the Contribution and the Distribution, taken together, as a transaction in which Parent, SpinCo, and the members of each of the Parent Group and SpinCo Group, as applicable, recognize no income or gain for U.S. federal Income Tax purposes pursuant to Sections 355, 361 and/or 1032 of the Code, other than intercompany items or excess loss accounts taken into account pursuant to the Treasury Regulations promulgated pursuant to Section 1502 of the Code.

“Tax Law” means any Law relating to any Tax.

“Tax Liability” means any liability or obligation for Taxes.

“Tax Opinions/Rulings” means the opinions of Tax Counsel and/or the rulings by the IRS or other Tax Authorities delivered to Parent in connection with the Spin-Off, or otherwise with respect to the Separation Transactions.

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

“Tax Records” means any Tax Returns, Tax Return workpapers, documentation relating to any Tax Contest, and any other books of account or records (whether or not in written, electronic or other tangible or intangible forms and whether or not stored on electronic or any other medium) maintained or required to be maintained under the Code or other applicable Tax Laws or under any record retention agreement with any Tax Authority, in each case, with respect to otherwise relating to Taxes.

“Tax Return” means any report of Taxes due, any claim for Refund of Taxes paid, any information return with respect to Taxes, or any other report, statement, declaration, or document in respect of Taxes filed or required to be filed under the Code or other Tax Law, including any attachments, exhibits or other materials submitted with any of the foregoing, and including any amendments or supplements to any of the foregoing.

“Transferor” means, with respect to the transfers of assets and/or assumption of liabilities occurring pursuant to any of the Separation Transactions, the Person transferring assets and/or whose liabilities are being assumed.

“Treasury Regulations” means the regulations promulgated under the Code.

“Unqualified Tax Opinion” means an unqualified “will” opinion of a Tax Counsel, and on which Parent may rely, to the effect that (a) a transaction will not affect the Tax-Free Status of the Contribution and the Distribution, taken together, and (b) will not adversely affect any of the conclusions set forth in the Tax Opinions/Rulings; provided that any tax opinion obtained in connection with a proposed acquisition of SpinCo Capital Stock entered into during the Restriction Period shall not qualify as an Unqualified Tax Opinion unless such tax opinion concludes that such proposed acquisition will not be treated as “part of a plan (or series of related transactions),” within the meaning of Section 355(e) of the Code and the Treasury Regulations promulgated thereunder, that includes the Distribution; provided, that any such opinion must assume that the Contribution and the Distribution, taken together, would have qualified for Tax-Free Status if the transaction in question did not occur.

“VAT” means any value-added Taxes, goods and services Taxes, or any similar or equivalent Taxes in any relevant jurisdiction.

## ARTICLE II

### ALLOCATION OF TAX LIABILITIES

#### Section 2.01 Taxes.

(a) Except as otherwise provided in Section 2.01(c), Parent shall be responsible for all Taxes (i) of SpinCo and its Affiliates for any Pre-Distribution Tax Period; (ii) of SpinCo and its Affiliates for any Straddle Period, but only to the extent allocated to Parent pursuant to Section 2.02; or (iii) imposed under Treasury Regulations Section 1.1502-6 or under any comparable or similar provision of state, local or foreign Laws or regulations on SpinCo or an Affiliate solely as a result of such company being a member of a consolidated, combined, affiliated or unitary group with Parent or any Parent Affiliate during any Tax Period, in each case to the extent in excess of amounts provided for in respect of such Taxes on the SpinCo Business Balance Sheet.

(b) Except as otherwise provided in Section 2.01(c), SpinCo shall be responsible for all Taxes (i) of SpinCo and its Affiliates which are not the responsibility of Parent pursuant to Section 2.01(a) (including Income Taxes for Post-Distribution Tax Periods of SpinCo or an Affiliate of SpinCo) and (ii) of Parent and its Affiliates attributable to acts or omissions of SpinCo or its Affiliates taken after the Distribution (other than acts or omissions in the ordinary course of business or otherwise contemplated by the Separation and Distribution Agreement and Ancillary Agreements).

(c) All charges in respect of the transfers occurring pursuant to the Separation Transactions shall be exclusive of any VAT. Without limiting any provision of this

Agreement, (i) in the case of any VAT arising in connection with a Separation Transaction that is recoverable by the Recipient or any of its Affiliates under applicable Law (whether by way of Refund, input VAT, or otherwise) (any such VAT, "Recoverable VAT"), the Company of which Recipient is an Affiliate shall be responsible for any such Recoverable VAT, unless any such Recoverable VAT becomes non-recoverable as a result of an action or failure to act by the Transferor or any of its Affiliates, in which case the Company of which Transferor is an Affiliate shall be responsible for such VAT, and (b) in the case of any other VAT arising in connection with a Separation Transaction (such VAT, "Non-Recoverable VAT"), Parent shall be responsible for any such Non-Recoverable VAT, unless any such Non-Recoverable VAT becomes non-recoverable as a result of an action or failure to act by SpinCo or any of its Affiliates, in which case SpinCo shall be responsible for such VAT. Notwithstanding anything to the contrary in this Agreement, to the extent a Company (or any of its Affiliates) recovers (whether by way of Refund, input VAT, or otherwise) any VAT that was paid or otherwise borne by the other Company (or any of its Affiliates), the Company that received (or the Affiliate of which received) such recovery shall, without duplication of any other amounts payable pursuant to this Agreement, promptly pay over to such other Company (or its Affiliate) the amount of such recovery. For purposes of determining whether a Company (or its Affiliate) has received any such recovery of VAT, any Refund or input VAT received by a Company (or its Affiliate) shall be considered to be attributable to VAT arising in connection with the Separation Transactions prior to any Refund or input VAT being considered to be attributable to other payments of VAT. The Companies and their Affiliates shall cooperate to minimize any VAT and in obtaining any Refund, return or rebate of VAT, or applying an exemption or zero-rating for goods or services giving rise to any VAT, including by filing any exemption or other similar forms or providing valid tax identification numbers or other relevant registration numbers, certificates, invoices, or other documents.

#### Section 2.02 Allocation of Taxes.

(a) If Parent, SpinCo or any of their respective Affiliates is permitted but not required under applicable U.S. federal, state, local or foreign Tax Laws to treat the Distribution Date as the last day of a Tax Period with respect to any member of the SpinCo Group, then the Companies shall treat such day as the last day of the applicable Tax Period under such applicable Tax Law, and shall file any elections necessary or appropriate to such treatment; provided that, for the avoidance of doubt, this Section 2.02(a) shall not be construed to require Parent to change its taxable year or treat the Distribution Date as the last day of a Tax Period of any member of the Parent Group.

(b) Transactions occurring, or actions taken, on the Distribution Date but after the Distribution outside the ordinary course of business by, or with respect to, SpinCo or any of its Affiliates shall be deemed subject to the "next day rule" of Treasury Regulations Section 1.1502-76(b)(1)(ii)(B) (and under any comparable or similar provision under state, local or foreign Laws or regulations; provided that if there is no comparable or similar provision under state, local or foreign Laws or regulations, then the transaction will be deemed subject to the "next day rule" of Treasury Regulations Section 1.1502-76(b)(1)(ii)(B)) and as such shall for purposes of this Agreement be treated (and consistently reported by the Companies) as occurring in a Post-Distribution Tax Period of SpinCo or a SpinCo Affiliate, as appropriate.

(c) Any Taxes for a Straddle Period with respect to SpinCo and/or its Affiliates (or entities in which SpinCo and/or one of its Affiliates has an ownership interest) shall, for purposes of this Agreement, be apportioned between Parent and SpinCo based on the portion of the period ending on and including the Distribution Date and the portion of the period beginning after the Distribution Date, and each such portion of such period shall be deemed to be a Tax Period (whether or not it is in fact a Tax Period). Notwithstanding the foregoing, (a) any allocation of income or deductions required to determine any Income Taxes for a Straddle Period shall be made by means of a closing of the books and records of SpinCo and its Affiliates as of the close of business on the Distribution Date; provided that (i) Parent may elect to allocate Tax items (other than any extraordinary Tax items) ratably in the month in which the Distribution occurs (and if Parent so elects, SpinCo shall so elect) as described in Treasury Regulations Section 1.1502-76(b)(2)(iii) and corresponding provisions of state, local, and foreign Tax Laws; and (ii) subject to (i), exemptions, allowances or deductions that are calculated on an annual basis, and not on a closing of the books method, (including depreciation and amortization deductions) shall be allocated between the period ending on and including the Distribution Date and the period beginning after the Distribution Date based on the number of days for the portion of the Straddle Period ending on and including the Distribution Date, on the one hand, and the number of days for the portion of the Straddle Period beginning after the Distribution Date, on the other hand, and (b) any VAT or other transaction-based Taxes for a Straddle Period shall be allocated between the portion of the period ending on and including the Distribution Date and the portion of the period beginning after the Distribution Date by means of a closing of the books and records of SpinCo and its Affiliates as of the close of business on the Distribution Date.

### ARTICLE III

#### PREPARATION AND FILING OF TAX RETURNS

Section 3.01 Parent Returns. Parent shall make all determinations with respect to, have ultimate control over the preparation of, and, except as otherwise provided in Section 3.02(b), file all (i) Joint Returns and Separate Returns of the Parent Group, in each case as it determines to be mandatory or advisable for all Tax Periods and (ii) Separate Returns of the SpinCo Group for all Pre-Distribution Tax Periods and for all Straddle Periods.

Section 3.02 SpinCo Returns.

(a) SpinCo shall make all determinations with respect to, have ultimate control over the preparation of and file all Tax Returns (other than those described in Section 3.01) for the SpinCo Group as it determines to be mandatory or advisable and for all Tax Periods; provided that (i) SpinCo shall cause Consolidated Mobile Corp. and its eligible Subsidiaries as of immediately following the Distribution Date to elect to file a consolidated Tax Return under Treasury Regulations Section 1.1502-75 and file all Tax Returns as part of the Consolidated Mobile Affiliated Group, commencing with the Tax Period beginning as of the day immediately following the Distribution Date, (ii) SpinCo and its eligible Subsidiaries as of immediately following the Distribution Date (for the avoidance of doubt, other than the members of the Consolidated Mobile Affiliated Group) shall elect to file a consolidated Tax Return under Treasury Regulations Section 1.1502-75 and file all Tax Returns as part of the SpinCo Affiliated Group, commencing with the Tax Period beginning as of the day immediately following the

Distribution Date, (iii) no member of the Consolidated Mobile Affiliated Group shall be included in the SpinCo Affiliated Group with respect to any Tax Period commencing on or before the date that is one year following the Distribution Date and (iv) from the date hereof until the first Business Day after the one year period following the Distribution Date, no member of the SpinCo Group (including the SpinCo Affiliated Group) shall be liquidated or merged for U.S. federal Income Tax purposes.

(b) SpinCo shall provide to Parent all information related to members of the SpinCo Group that is reasonably requested by Parent and required to complete any Tax Return which is the responsibility of Parent pursuant to Section 3.01, in the format reasonably requested by Parent, and as promptly as is reasonably practicable upon receiving such request. In particular, the SpinCo Group tax department will support Parent with respect to data collection and compilation requirements, and will sign and file or cause to be signed and filed any Tax Return described in Section 3.01 that any member of the SpinCo Group is legally required to sign and file.

(c) In the case of any Tax Return that is the responsibility of Parent pursuant to Section 3.01 and that relates to a Tax that is provided for on the SpinCo Business Balance Sheet, SpinCo shall pay to Parent the amount of the provision for such Tax no later than 10 days prior to the due date (including extensions) for the filing of such Tax Return.

#### Section 3.03 Tax Accounting Practices.

(a) Except as provided in Section 3.03(b), any Tax Return for any Pre-Distribution Tax Period, to the extent it relates to members of the SpinCo Group, shall be prepared in accordance with practices, accounting methods, elections, conventions and Tax positions used with respect to the Tax Return in question for periods prior to the Distribution ("Past Practices"), and, in the case of any item the treatment of which is not addressed by Past Practices, in accordance with generally acceptable Tax accounting practices. Notwithstanding the foregoing, for any Tax Return described in the preceding sentence, (i) a Company will not be required to follow Past Practices with either the written consent of the other Company (not to be unreasonably withheld, delayed or conditioned) or a "more likely than not" (or stronger) level opinion from a Tax Advisor that the proposed method of reporting is correct and (ii) Parent shall have the right to determine which entities will be included in any consolidated, combined, affiliated or unitary Tax Return that it is responsible for filing.

(b) The Companies shall report the Separation Transactions for all Tax purposes in a manner consistent with the Tax Opinions/Rulings and the intended tax treatment set forth in the Separation Step Plan, unless, and only to the extent, an alternative position is required pursuant to a Final Determination. Parent shall determine the Tax treatment to be reported on any Tax Return of any Tax issue relating to the Separation Transactions that is not covered by the Tax Opinions/Rulings or the Separation Step Plan.

Section 3.04 Right to Review Tax Returns. Upon request, each Company shall make available to the other Company the portion of any Tax Return for the Pre-Distribution Tax Period that relates to the SpinCo Group that the first Company is responsible for preparing under this Article III and in respect of which the other Company could reasonably be expected to be

liable for an unreimbursed Tax Liability and shall consider in good faith any reasonable comments made by the other Company with respect to items that could reasonably be expected to result in an unreimbursed Tax Liability to such other Company. Except as specifically provided in the preceding sentence, nothing contained in this Agreement (including in Article VII), the Separation and Distribution Agreement or any Ancillary Agreement shall permit or be deemed to permit SpinCo or any of its Affiliates or representatives to review or otherwise have access to any Joint Return or any Separate Return of the Parent Group.

#### Section 3.05 Apportionment of Earnings and Profits and Tax Attributes

(a) If the Parent Affiliated Group or a member of the Parent Affiliated Group has a Tax Attribute, the portion, if any, of such Tax Attribute required to be apportioned to SpinCo or the members of the SpinCo Group and treated as a carryover to the first Post-Distribution Tax Period of SpinCo (or such member) shall be determined in good faith by Parent in accordance with Treasury Regulations Sections 1.1502-21, 1.1502-21T, 1.1502-22, 1.1502-36, 1.1502-79 and, if applicable, 1.1502-21A and 1.1502-79A, and Parent shall be entitled to make any elections in respect of the foregoing (including, for the avoidance of doubt, any election available under Treasury Regulations Section 1.1502-36(d)).

(b) No Tax Attribute with respect to consolidated, combined, affiliated or unitary federal Income Tax of the Parent Affiliated Group, other than those Tax Attributes described in Section 3.05(a), and no Tax Attribute with respect to consolidated, combined, affiliated or unitary state, local or foreign Income Tax, in each case, arising in respect of a Joint Return shall be apportioned to SpinCo or any member of the SpinCo Group, except as Parent (or such member of the Parent Group as Parent shall designate) determines in good faith is otherwise required under applicable Law.

(c) Parent (or its designee) shall determine the portion, if any, of any Tax Attribute which must (absent a Final Determination to the contrary) be apportioned to SpinCo or any member of the SpinCo Group in accordance with this Section 3.05 and applicable Law and the amount of tax basis and earnings and profits to be apportioned to SpinCo or any member of the SpinCo Group in accordance with applicable Law, and shall provide written notice of the calculation thereof to SpinCo as soon as reasonably practicable after the information necessary to make such calculation becomes available to Parent. For the avoidance of doubt, Parent shall not be liable to any member of the SpinCo Group for any failure of any determination under this Section 3.05 to be accurate under applicable Law.

### ARTICLE IV

#### PAYMENTS

Section 4.01 Payment of Taxes. In the case of any Tax Return reflecting Taxes for which the Company that is not legally responsible for filing such Tax Return (the "Non-Filing Company") is responsible for payment, in whole or in part, under Article II, (i) the Company responsible for filing such Tax Return (the "Filing Company") shall pay any Taxes shown on such Tax Return as required to be paid to the applicable Tax Authority on or before the relevant due date (and provide notice and proof of payment to the Non-Filing Company), (ii) the

Responsible Company shall compute the amount of such Taxes allocable to the Non-Filing Company under the provisions of Article II and shall provide written notice, accompanied by a statement detailing the Taxes paid and describing in reasonable detail the particulars relating thereto, to the other Company and (iii) the Non-Filing Company shall pay to the Filing Company the amount of such Taxes allocable to the Non-Filing Company under the provisions of Article II within twenty (20) Business Days of the date of receipt of such written notice and statement; provided that no such payment shall be required to be made earlier than five (5) Business Days prior to the relevant due date for the payment of such Taxes.

Section 4.02 Adjustments Resulting in Underpayments. In the case of any adjustment pursuant to a Final Determination with respect to any Tax Return reflecting Taxes for which the Non-Filing Company is responsible for payment, in whole or in part, under Article II, (i) the Filing Company shall pay to the applicable Tax Authority when due any additional Taxes due with respect to such Tax Return required to be paid as a result of such adjustment, (ii) the Responsible Company shall compute the amount of such Taxes allocable to the Non-Filing Company under the provisions of Article II and shall provide written notice, accompanied by a statement detailing the Taxes paid and describing in reasonable detail the particulars relating thereto, to the other Company and (iii) the Non-Filing Company shall pay to the Filing Company the amount of such Taxes allocable to the Non-Filing Company under the provisions of Article II within twenty (20) Business Days of the date of receipt of such written notice and statement; provided that no such payment shall be required to be made earlier than five (5) Business Days prior to the date the additional Tax is required to be paid to the applicable Tax Authority.

Section 4.03 Indemnification Payments. Unless otherwise specified in this Agreement, all indemnification payments required to be made under this Agreement shall be made within twenty (20) Business Days of the date of receipt by the indemnifying Company of written notice from the indemnified Company of the amount owed, together with reasonable documentation showing the basis for the calculation of such amount and evidence of payment of such amounts by the indemnified Company to the relevant Tax Authority or other recipient.

Section 4.04 Payors; Payees; Treatment. All payments made under this Agreement shall be made by Parent directly to SpinCo and by SpinCo directly to Parent; *provided, however*, that if the Companies mutually agree with respect to any such payment, any member of the Parent Group, on the one hand, may make such indemnification payment to any member of the SpinCo Group, on the other hand, and vice versa (for the avoidance of doubt, if a Company makes a request to the other Company to the effect that any payment required to be made by it to the other Company or received by it from the other Company, in each case, pursuant to this Agreement, be made or received by a member of the relevant Company's Group other than a Company, the other Company's consent to such request shall not be unreasonably

## ARTICLE V

### TAX BENEFITS

#### Section 5.01 Tax Benefits.

(a) Except as set forth below, (i) Parent shall be entitled to any Refund (and any interest thereon received from the applicable Tax Authority) of any Taxes for which Parent is liable hereunder and (ii) SpinCo shall be entitled to any Refund (and any interest thereon received from the applicable Tax Authority) of any Taxes for which SpinCo is liable hereunder (other than any Refund to which Parent is entitled pursuant to clause (i) above). The Company receiving a Refund to which another Company is entitled hereunder, in whole or in part, shall pay over the amount of such Refund (or portion thereof) (and any interest on such amount received from the applicable Tax Authority but net of any costs and expenses (including Taxes) incurred by the Company (or a member of its Group) receiving such Refund in connection with obtaining or securing such Refund) to such other Company within twenty (20) Business Days after the receipt of such Refund or application of such Refund against Taxes otherwise payable. To the extent that any Refund (or portion thereof) in respect of which any amounts were paid over pursuant to the immediately preceding sentence is subsequently disallowed by the applicable Tax Authority, the Company that received such amounts shall promptly repay such amounts (together with any penalties, interest or other charges imposed by the relevant Tax Authority) to the other Company.

(b) If (i) a member of the SpinCo Group Actually Realizes any Tax Benefit as result of (A) an adjustment pursuant to a Final Determination that increases Taxes for which a member of the Parent Group is liable hereunder or otherwise, (B) any liability, obligation, loss or payment (each, a "Loss") for which a member of the Parent Group is required to indemnify any member of the SpinCo Group pursuant to this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement (in each case, without duplication of any amounts payable or taken into account under this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement) or (C) any Section 336(e) Election (including, for the avoidance of doubt, any Tax Benefit Actually Realized by any member of the SpinCo Group as a result of any step-up in asset basis for U.S. federal Income Tax purposes resulting from such Section 336(e) Election, except to the extent any such Tax Benefit is directly attributable to Taxes imposed on any member of the Parent Group as a result of such Section 336(e) Election and for which a member of the SpinCo Group has actually indemnified Parent pursuant to this Agreement), or (ii) a member of the Parent Group Actually Realizes any Tax Benefit as a result of (A) an adjustment pursuant to a Final Determination that increases Taxes for which a member of the SpinCo Group is liable hereunder or otherwise or (B) any Loss for which a member of the SpinCo Group is required to indemnify any member of the Parent Group pursuant to this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement (in each case, without duplication of any amounts payable or taken into account under this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement), SpinCo or Parent, as the case may be, shall make a payment to the other Company in an amount equal to the amount



of such Actually Realized Tax Benefit in cash within twenty (20) Business Days of Actually Realizing such Tax Benefit. To the extent that any Tax Benefit (or portion thereof) in respect of which any amounts were paid over pursuant to the foregoing provisions of this Section 5.01(b) is subsequently disallowed by the applicable Tax Authority, the Company that received such amounts shall promptly repay such amounts (together with any penalties, interest or other charges imposed by the relevant Tax Authority) to the other Company.

(c) No later than twenty (20) Business Days after a Tax Benefit described in Section 5.01(b) is Actually Realized by a member of the Parent Group or a member of the SpinCo Group, Parent or SpinCo, as the case may be, shall provide the other Company with a written calculation of the amount payable to such other Company pursuant to Section 5.01(b). In the event that Parent or SpinCo, as the case may be, disagrees with any such calculation described in this Section 5.01(c), Parent or SpinCo shall so notify the other Company in writing within twenty (20) Business Days of receiving such written calculation. Parent and SpinCo shall endeavor in good faith to resolve such disagreement, and, failing that, the amount payable under this Article V shall be determined in accordance with the disagreement resolution provisions of Article XIII as promptly as practicable.

## ARTICLE VI

### TAX-FREE STATUS

#### Section 6.01 Representations of and Restrictions on SpinCo.

(a) Each of Parent and SpinCo hereby represents and warrants that (A) it has examined all Ruling Requests, the Representation Letters and the Tax Opinions/Rulings (including, without limitation, the representations to the extent that they relate to the plans, proposals, intentions and policies of it, its Subsidiaries, its business or its Group), and (B) to the extent in reference to it, its Subsidiaries, its business or its Group, the facts presented and the representations made therein are true, correct and complete.

(b) SpinCo hereby represents and warrants that (A) it has no plan or intention of taking any action, or failing to take any action (or causing or permitting any member of the SpinCo Group to take or fail to take any action), or knows of any circumstance, that could reasonably be expected to (i) adversely affect, jeopardize or prevent the Tax-Free Status of the Contribution and the Distribution, taken together, (ii) adversely affect, jeopardize or prevent the intended tax treatment of any Separation Transaction (other than a Separation Transaction described in clause (i)) as set forth in the Tax Opinions/Rulings (or if not set forth in the Tax Opinions/Rulings, in the Separation Step Plan to the extent that such Separation Transaction is a Material Separation Step Plan Transaction) or (iii) cause any representation or factual statement made in this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement, any Ruling Requests, the Representation Letters or the Tax Opinions/Rulings to be untrue, and (B) during the period beginning two years before the Distribution Date and ending on the Distribution Date, there was no "agreement, understanding, arrangement, substantial negotiations or discussions" (as such terms are defined in Treasury Regulations Section 1.355-7(h)) by any one or more officers or directors of any member of the SpinCo Group or by any other person or persons with the implicit or explicit permission of one or more of such officers or

directors regarding an acquisition of all or a significant portion of the SpinCo Capital Stock (and any predecessor); provided that no representation or warranty is made by SpinCo regarding any “agreement, understanding, arrangement, substantial negotiations or discussions” (as such terms are defined in Treasury Regulations Section 1.355-7(h)) by any one or more officers or directors of Parent.

Section 6.02 Restrictions on SpinCo.

(a) SpinCo shall not take or fail to take, or cause or permit any Affiliate of SpinCo to take or fail to take, any action if such action or failure to act would be inconsistent with or cause to be untrue any statement, information, covenant or representation in a Ruling Request, Representation Letters or Tax Opinions/Rulings. SpinCo shall not take or fail to take, or cause or permit any Affiliate of SpinCo to take or fail to take, any action if such action or failure to act would or reasonably could be expected to adversely affect, jeopardize or prevent (A) the Tax-Free Status of the Contribution and the Distribution, taken together, or (B) the intended tax treatment of any Separation Transaction (other than a Separation Transaction described in clause (A)) as set forth in the Tax Opinions/Rulings (or if not set forth in the Tax Opinions/Rulings, in the Separation Step Plan to the extent that such Separation Transaction is a Material Separation Step Plan Transaction).

(b) From the date hereof until the first Business Day after the Restriction Period, SpinCo shall (i) maintain its status as a company engaged in the SpinCo Active Trade or Business and (ii) not engage in any transaction that would or reasonably could result in it ceasing to be a company engaged in the SpinCo Active Trade or Business for purpose of Section 355(b)(2) of the Code.

(c) From the date hereof until the first Business Day after the Restriction Period, SpinCo shall not:

(i) enter into or permit to occur any Proposed Acquisition Transaction, or, to the extent SpinCo has the right to prohibit any Proposed Acquisition Transaction, permit any Proposed Acquisition Transaction to occur;

(ii) merge or consolidate with any other Person or liquidate or partially liquidate, provided that this Section 6.02(c)(ii) shall not apply to mergers, consolidations, liquidations, or partial liquidations effected exclusively between or among Affiliates of SpinCo in existence as of the date of this Agreement and which do not result in SpinCo (or any successor) ceasing to exist as a corporation for U.S. federal income Tax purposes;

(iii) in a single transaction or series of transactions sell or transfer 30% or more of the gross assets of any Active Trade or Business or 30% or more of the consolidated gross assets of SpinCo and its Affiliates (such percentages to be measured based on fair market value as of the Distribution Date);

(iv) redeem or otherwise repurchase (directly or through an Affiliate of SpinCo) any SpinCo Capital Stock;

(v) amend its certificate of incorporation (or other organizational documents), or take any other action, whether through a stockholder vote or otherwise, affecting the voting rights of SpinCo Capital Stock (including, without limitation, through the conversion of one class of SpinCo Capital Stock into another class of SpinCo Capital Stock);

(vi) cause or permit any ATB Entity to cease to engage in its Active Trade or Business; or

(vii) take any other action or actions (including any action or transaction that would be reasonably likely to be inconsistent with any representation made in a Ruling Request, the Representation Letters or the Tax Opinions/Rulings) which in the aggregate (and taking into account any other transactions described in this subparagraph (c)) would or reasonably could have the effect of causing or permitting one or more persons (whether or not acting in concert) to acquire, directly or indirectly, stock representing a Fifty-Percent or Greater Interest in SpinCo (or any successor) or otherwise jeopardize the Tax-Free Status of the Contribution and the Distribution, taken together,

in each case, unless prior to taking any such action set forth in the foregoing clauses (i) through (vi), (A) SpinCo shall have requested that Parent obtain a private letter ruling (including a supplemental ruling, if applicable) from the IRS (a “Post-Distribution Ruling”) in accordance with Sections 6.05(b) and (d) to the effect that such transaction will not affect such Tax-Free Status, and Parent shall have received such a Post-Distribution Ruling in form and substance satisfactory to Parent in its reasonable discretion, or (B) SpinCo shall have provided Parent with an Unqualified Tax Opinion in form and substance satisfactory to Parent in its reasonable discretion (provided that Parent shall use reasonable efforts to timely make a determination as to whether an opinion is satisfactory to Parent, and provided, further, that in determining whether an opinion is satisfactory, Parent may consider, among other factors, the appropriateness of any underlying assumptions, and any management representations used as a basis for the Unqualified Tax Opinion) or (C) Parent shall have waived (which waiver may be withheld by Parent in its reasonable discretion) the requirement to obtain such Post-Distribution Ruling or Unqualified Tax Opinion.

Section 6.03 Restrictions on Parent. Parent agrees that it shall not take or fail to take, or cause or permit any Affiliate of Parent to take or fail to take, any action if such action or failure to act would or reasonably could be inconsistent with or cause to be untrue any statement, information, covenant or representation in a Ruling Request, any Representation Letters or Tax Opinions/Rulings. Parent shall not take or fail to take, or cause or permit any Affiliate of Parent to take or fail to take, any action that would or reasonably could be expected to adversely affect, jeopardize or prevent (A) the Tax-Free Status of the Contribution and the Distribution, taken together, or (B) adversely affect, jeopardize or prevent the intended tax treatment of any Separation Transaction (other than a Separation Transaction described in clause (A)) as set forth in the Tax Opinions/Rulings (or if not set forth in the Tax Opinions/Rulings, in the Separation Step Plan to the extent that such Separation Transaction is a Material Separation Step Plan Transaction).

Section 6.04 Procedures Regarding Post-Distribution Rulings and Unqualified Tax Opinions.

(a) If SpinCo determines that it desires to take one of the actions described in clauses (i) through (vii) of Section 6.02(c) (a “Notified Action”), SpinCo shall notify Parent of this fact in writing.

(b) Post-Distribution Rulings or Unqualified Tax Opinions at SpinCo’s Request. Unless Parent shall have waived the requirement to obtain such Post-Distribution Ruling or Unqualified Tax Opinion, upon the reasonable request of SpinCo pursuant to Section 6.02(c), Parent shall use commercially reasonable efforts in cooperating with SpinCo and in seeking to obtain, as expeditiously as possible, a Post-Distribution Ruling from the IRS (and/or any other applicable Tax Authority) or an Unqualified Tax Opinion for the purpose of permitting SpinCo to take the Notified Action, subject in all respects to the provisions of Section 6.02. Notwithstanding the foregoing, Parent shall not be required to file or cooperate in the filing of any request for a Post-Distribution Ruling under this Section 6.04(b) unless SpinCo represents that (A) it has reviewed such request for a Post-Distribution Ruling, and (B) all statements, information and representations relating to any member of the SpinCo Group contained in such request for a Post-Distribution Ruling are (subject to any qualifications therein) true, correct and complete. SpinCo shall reimburse Parent for all reasonable costs and expenses, including out-of-pocket expenses and expenses relating to the utilization of Parent personnel, incurred by the Parent Group in obtaining a Post-Distribution Ruling or Unqualified Tax Opinion requested by SpinCo within ten (10) Business Days after receiving an invoice from Parent therefor.

(c) Post-Distribution Rulings or Unqualified Tax Opinions at Parent’s Request. Parent shall have the right to obtain a Post-Distribution Ruling or an Unqualified Tax Opinion at any time in its sole and absolute discretion. If Parent determines to obtain a Post-Distribution Ruling or an Unqualified Tax Opinion, SpinCo shall (and shall cause each Affiliate of SpinCo to) cooperate with Parent and take any and all actions reasonably requested by Parent in connection with obtaining the Post-Distribution Ruling or Unqualified Tax Opinion (including, without limitation, by making any representation or covenant or providing any materials or information requested by the IRS, any other applicable Tax Authority or a Tax Counsel; provided that SpinCo shall not be required to make (or cause any Affiliate of SpinCo to make) any representation or covenant that is inconsistent with historical facts or as to future matters or events over which matters or events it has no control). Parent shall reimburse SpinCo for all reasonable costs and expenses, including out-of-pocket expenses and expenses relating to the utilization of SpinCo personnel, incurred by the Parent Group in connection with such cooperation within ten (10) Business Days after receiving an invoice from SpinCo therefor.

(d) Parent shall have sole and exclusive control over the process of obtaining any Post-Distribution Ruling, and only Parent shall be permitted to apply for a Post-Distribution Ruling. In connection with obtaining a Post-Distribution Ruling, Parent shall (A) keep SpinCo informed in a timely manner of all material actions taken or proposed to be taken by Parent in connection therewith; (B) (1) reasonably in advance of the submission of any request for any Post-Distribution Ruling provide SpinCo with a draft copy thereof; (2) reasonably consider SpinCo comments on such draft copy; and (3) provide SpinCo with a

final copy of such Post-Distribution Ruling; and (C) provide SpinCo with notice reasonably in advance of, and SpinCo shall have the right to attend, any formally scheduled meetings with the IRS or other applicable Tax Authority (subject to the approval of the IRS or such Tax Authority) that relate to such Post-Distribution Ruling. Neither SpinCo nor any Affiliate of SpinCo directly or indirectly controlled by SpinCo shall seek any guidance from the IRS or any other Tax Authority (whether written, oral or otherwise) at any time concerning the Separation Transactions (including the impact of any transaction on the Separation Transactions).

Section 6.05 Liability for Separation Tax Losses.

(a) Notwithstanding anything in this Agreement or the Separation and Distribution Agreement to the contrary (and in each case regardless of whether a Post-Distribution Ruling, Unqualified Tax Opinion or waiver described in clause (C) of Section 6.02(c) may have been provided), subject to Section 6.05(c), SpinCo shall be responsible for, and shall indemnify, defend, and hold harmless Parent and its Affiliates from and against, any Separation Tax Losses that are attributable to or result from any one or more of the following: (A) the acquisition (other than pursuant to the Separation Transactions) of all or a portion of SpinCo's and/or its Affiliates' stock and/or assets by any means whatsoever by any Person, (B) any negotiations, understandings, agreements or arrangements by SpinCo or any of its Affiliates with respect to transactions or events (including, without limitation, stock issuances, pursuant to the exercise of stock options or otherwise, option grants, capital contributions or acquisitions, or a series of such transactions or events) that cause the Distribution to be treated as part of a plan pursuant to which one or more Persons acquire directly or indirectly a Fifty-Percent or Greater Interest in SpinCo (or any successor thereof), (C) any action or failure to act by SpinCo after the Distribution (including, without limitation, any amendment to SpinCo's certificate of incorporation (or other organizational documents), whether through a stockholder vote or otherwise) affecting the voting rights of SpinCo Capital Stock (including, without limitation, through the conversion of one class of SpinCo Capital Stock into another class of SpinCo Capital Stock), (D) any act or failure to act by SpinCo or any Affiliate of SpinCo described in Section 6.02 (regardless of whether such act or failure to act may be covered by a Post-Distribution Ruling, Unqualified Tax Opinion or waiver described in clause (C) of Section 6.02(c)) or (E) any breach by SpinCo of any of its agreements or representations set forth in Section 6.01.

(b) Notwithstanding anything in this Agreement or the Separation and Distribution Agreement to the contrary, subject to Section 6.05(c), Parent shall be responsible for, and shall indemnify, defend, and hold harmless SpinCo and its Affiliates from and against, any Separation Tax Losses that are attributable to, or result from any one or more of the following: (A) the acquisition of all or a portion of Parent's and/or its Affiliates' stock and/or its assets by any means whatsoever by any Person, (B) any negotiations, agreements or arrangements by Parent with respect to transactions or events (including, without limitation, stock issuances, pursuant to the exercise of stock options or otherwise, option grants, capital contributions or acquisitions, or a series of such transactions or events) that cause any of the Distribution to be treated as part of a plan pursuant to which one or more Persons acquire directly or indirectly stock of Parent (or any successor thereof) representing a Fifty-Percent or Greater Interest therein, or (C) any act or failure to act by Parent or a member of the Parent

Group described in Section 6.03 or any breach by Parent of any of its agreements or representations set forth in Section 6.01(a).

(c) To the extent that any Separation Tax Loss reasonably could be subject to indemnity under both Sections 6.05(a) and (b), responsibility for such Separation Tax Loss shall be shared by Parent and SpinCo according to relative fault as determined by Parent in good faith.

Section 6.06 Payment of Separation Taxes.

(a) Calculation of Separation Taxes Owed. Parent shall calculate in good faith the amount of any Separation Tax Losses for which SpinCo is responsible under Section 6.05. Such calculation shall be binding on SpinCo absent manifest error.

(b) Notification of Separation Taxes Owed. At least fifteen (15) Business Days prior to the date of payment of any Separation Tax Losses, Parent shall notify SpinCo of the amount of any Separation Tax Losses for which SpinCo is responsible under Section 6.05. In connection with such notification, Parent shall make available to SpinCo the portion of any Tax Return or other documentation and related workpapers that are relevant to the determination of the Separation Tax Losses attributable to SpinCo pursuant to Section 6.05.

(c) Payment of Separation Taxes Owed.

(i) At least ten (10) Business Days prior to the due date of payment of any Separation Tax Losses with respect to which SpinCo has received notification pursuant to Section 6.06(b), SpinCo shall pay to Parent the amount attributable to the SpinCo Group as calculated by Parent pursuant to Section 6.06(a). If Parent determines that it does not have a reasonable basis to file a Tax Return in a manner consistent with the Tax Opinions/Rulings, SpinCo shall pay the amount of Separation Tax Losses for which it is responsible, as determined by Parent pursuant to Section 6.06(a) and reported to SpinCo pursuant to Section 6.06(b), at least ten (10) Business Days before such Tax Return is due (taking into account extensions).

(ii) With respect to all other Separation Tax Losses, SpinCo shall pay to Parent the amount attributable to the SpinCo Group as calculated by Parent pursuant to Section 6.06(a) within five (5) Business Days of the receipt by SpinCo of notification of the amount due.

(d) Section 336(e) Election. Parent and SpinCo agree that a protective election under Section 336(e) of the Code (a "Section 336(e) Election") shall be made with respect to the Distribution. SpinCo shall (and shall cause its relevant Affiliates to) join with Parent (or its relevant Affiliate) in the making of that election and shall take any action reasonably requested by Parent or that is otherwise necessary to effect such election.

## ARTICLE VII

### ASSISTANCE AND COOPERATION

#### Section 7.01 Assistance and Cooperation.

(a) The Companies shall cooperate (and cause their respective Affiliates to cooperate) with each other and with each other's agents, including accounting firms and legal counsel, in connection with Tax matters relating to the Companies, including (i) preparing and filing Tax Returns, (ii) determining the liability for and amount of any Taxes due (including estimated Taxes) or the right to and amount of any Refund or any Tax Benefit, in each case, pursuant to this Agreement or otherwise, (iii) examinations of Tax Returns, and (iv) any administrative or judicial proceeding in respect of Taxes assessed or proposed to be assessed. Such cooperation shall include making available, upon reasonable notice, all information and documents in their possession relating to the other Company and its Affiliates as provided in Article VIII. Each of the Companies shall also make available to the other, as reasonably requested and available, personnel (including employees and agents of the Companies or their respective Affiliates) responsible for preparing, maintaining and interpreting information and documents relevant to Taxes, and personnel reasonably required as witnesses or for purposes of providing information or documents in connection with any administrative or judicial proceeding relating to Taxes.

(b) Any information or documents provided under this Article VII or Article VIII shall be kept confidential by the Company receiving the information or documents, except as may otherwise be necessary in connection with the filing of Tax Returns or in connection with any administrative or judicial proceedings relating to Taxes. Notwithstanding any other provision in this Agreement to the contrary, (i) neither Parent nor any of its Affiliates shall be required to provide SpinCo or any of its Affiliates or any other Person access to or copies of any information, documents or procedures (including the proceedings of any Tax Contest) other than information, documents or procedures that relate to SpinCo or any other member of the SpinCo Group, the business or assets of SpinCo or any other member of the SpinCo Group and (ii) in no event shall either of the Companies or any of its respective Affiliates be required to provide the other Company or any of its respective Affiliates or any other Person access to or copies of any information if such action could reasonably be expected to result in the waiver of any privilege. In addition, in the event that either Company determines that the provision of any information to the other Company or its Affiliates could be commercially detrimental, violate any Law or agreement or waive any privilege, the parties shall use reasonable best efforts to permit compliance with its obligations under this Article VII or Article VIII in a manner that avoids any such harm or consequence.

Section 7.02 Tax Return Information. Each Company shall provide to the other Company information and documents relating to its Group required by the other Company to prepare Tax Returns. Any information or documents the Responsible Company requires to prepare such Tax Returns shall be provided in such form as the Responsible Company reasonably requests and in sufficient time for the Responsible Company to file such Tax Returns on a timely basis (but in no event later than sixty (60) days after such request).

Section 7.03 Reliance by Parent. If any member of the SpinCo Group supplies information to a member of the Parent Group in connection with Taxes and an officer of a member of the Parent Group signs a statement or other document under penalties of perjury in reliance upon the accuracy of such information, then upon the written request of such member of the Parent Group identifying the information being so relied upon, the chief financial officer of SpinCo (or any officer of SpinCo as designated by the chief financial officer of SpinCo) shall certify in writing that to his or her knowledge (based upon consultation with appropriate employees) the information so supplied is accurate and complete. SpinCo agrees to indemnify and hold harmless each member of the Parent Group and its directors, officers and employees from and against any fine, penalty or other cost or expense of any kind attributable to a member of the SpinCo Group having supplied, pursuant to this Article VII, a member of the Parent Group with inaccurate or incomplete information in connection with a Tax Liability.

Section 7.04 Reliance by SpinCo. If any member of the Parent Group supplies information to a member of the SpinCo Group in connection with a Tax Liability and an officer of a member of the SpinCo Group signs a statement or other document under penalties of perjury in reliance upon the accuracy of such information, then upon the written request of such member of the SpinCo Group identifying the information being so relied upon, the chief financial officer of Parent (or any officer of Parent as designated by the chief financial officer of Parent) shall certify in writing that to his or her knowledge (based upon consultation with appropriate employees) the information so supplied is accurate and complete. Parent agrees to indemnify and hold harmless each member of the SpinCo Group and its directors, officers and employees from and against any fine, penalty, or other cost or expense of any kind attributable to a member of the Parent Group having supplied, pursuant to this Article VII, a member of the SpinCo Group with inaccurate or incomplete information in connection with a Tax Liability.

## ARTICLE VIII

### TAX RECORDS

Section 8.01 Retention of Tax Records. Each Company shall preserve and keep all Tax Records (including emails and other digitally stored materials and related workpapers and other documentation) in its possession as of the date hereof or relating to Taxes of the Groups for Pre-Distribution Tax Periods or Taxes or Tax matters that are the subject of this Agreement, in each case, for so long as the contents thereof may become material in the administration of any matter under the Code or other applicable Tax Law, but in any event until the later of (i) 90 days after the expiration of any applicable statutes of limitations (taking into account any extensions), or (ii) seven years after the Distribution Date (such later date, the "Retention Date"). After the Retention Date, each Company may dispose of such Tax Records upon 90 days' prior written notice to the other Company. If, prior to the Retention Date, a Company reasonably determines that any Tax Records which it would otherwise be required to preserve and keep under this Article VIII are no longer material in the administration of any matter under the Code or other applicable Tax Law and the other Company agrees, then such first Company may dispose of such Tax Records upon 90 days' prior notice to the other Company. Any notice of an intent to dispose given pursuant to this Section 8.01 shall include a list of the Tax Records to be disposed of describing in reasonable detail each file, book or other



record accumulation being disposed. The notified Company shall have the opportunity, at its cost, to copy or remove, within such 90-day period, all or any part of such Tax Records, and the other Company will then dispose of the same Tax Records.

Section 8.02 Access to Tax Records. The Companies and their respective Affiliates shall make available to each other for inspection and copying during normal business hours upon reasonable notice all Tax Records to the extent reasonably required by the other Company in connection with the preparation of financial accounting statements, audits, litigation, the preparation of Tax Returns or the resolution of items under this Agreement.

Section 8.03 Preservation of Privilege. The parties hereto agree to (and to cause the applicable members of their respective Groups to) cooperate and use commercially reasonable efforts to maintain privilege with respect to any documentation relating to Taxes existing prior to the Distribution Date or Separation Tax Losses to which privilege may reasonably be asserted (any such documentation, "Privileged Documentation"), including by executing joint defense and/or common interest agreements where necessary or useful for this purpose. No member of the SpinCo Group shall provide access to or copies of, or otherwise disclose to any Person, any Privileged Documentation without the prior written consent of Parent, such consent not to be unreasonably withheld, conditioned or delayed. No member of the Parent Group shall provide access to or copies of or otherwise disclose to any Person any Privileged Documentation without the prior written consent of SpinCo, such consent not to be unreasonably withheld, conditioned or delayed. Notwithstanding any of the foregoing, in the event that (x) any Governmental Authority requests, outside of normal working hours, that either Company (or any of its Affiliates) provide to such Governmental Authority access to or copies of or otherwise disclose any Privileged Documentation, (y) immediate compliance with such request is required under applicable Law, and (z) such Company attempts in good faith to obtain the prior written consent of the other Company but is not able to do so, then such Company shall be permitted to comply with such request by such Governmental Authority without obtaining the prior written consent of the other Company and shall as promptly as practicable inform the other Company of such request and the access and/or disclosure provided pursuant thereto.

## ARTICLE IX

### TAX CONTESTS

Section 9.01 Notice. Each of the Companies shall provide prompt notice to the other Company of any written communication from a Tax Authority regarding any pending or threatened audit, assessment or proceeding or other Tax Contest relating to Taxes, Refunds or other Tax Benefits for which it may be entitled to indemnification by the other Company hereunder or for which it may be required to indemnify the other Company hereunder. Such notice shall include copies of the pertinent portion of any written communication from a Tax Authority and contain factual information (to the extent known) describing any asserted Tax liability and/or other relevant Tax matters in reasonable detail. The failure of one Company to notify the other of such communication in accordance with the immediately preceding sentences shall not relieve such other Company of any liability or obligation to pay such Tax or make indemnification payments under this Agreement, except to the extent that the failure timely to

provide such notification actually prejudices the ability of such other Company to contest such Tax liability (or contest any determination in respect of any Refund or Tax Benefit) or increases the amount of such Tax liability (or reduces the amount of such Refund or Tax Benefit).

Section 9.02 Control of Tax Contests.

(a) Except as otherwise provided in paragraphs (b) and (c), Parent shall control, and have sole discretion in handling, settling or contesting, any Tax Contest relating to any Joint Returns, as well as any Separate Returns that relate to a Pre-Distribution Tax Period or to a Straddle Period or other Tax Return if any such Tax Return is related to Taxes for which Parent is responsible pursuant to Article II, or the Tax treatment of the Separation Transactions, provided that (x) Parent shall act in good faith in connection with its control of any such Tax Contests and (y) SpinCo shall have the right at its sole cost and expense to participate in and advise on (including the opportunity to review and comment upon Parent's communications with the Tax Authority, which comments shall be incorporated upon the consent of Parent, not to be unreasonably withheld, delayed or conditioned) such items for which SpinCo would reasonably be expected to be liable under Article II or Section 6.06 as a result of such Tax Contest.

(b) Parent shall have exclusive control over any Separation Related Tax Contest, including exclusive authority with respect to any settlement of such Tax Contest, subject to the following provisions of this Section 9.02(b). In the event of any Separation Related Tax Contest as a result of which SpinCo could reasonably be expected (as determined in the sole discretion of Parent acting in good faith) to become liable for any Separation Tax Losses, (A) Parent shall keep SpinCo reasonably informed in a timely manner of all significant developments in respect of such Tax Contest and all significant actions taken or proposed to be taken by Parent with respect to such Tax Contest, (B) Parent shall timely provide SpinCo with copies of any written materials prepared, furnished or received in connection with such Tax Contest, (C) Parent shall consult with SpinCo reasonably in advance of taking any significant action in connection with such Tax Contest and (D) Parent shall offer SpinCo a reasonable opportunity to comment before submitting any written materials prepared or furnished in connection with such Tax Contest. Notwithstanding anything in the preceding sentence to the contrary, the final determination of the positions taken, including with respect to settlement or other disposition, in any Separation Related Tax Contest shall be made in the sole discretion of Parent and shall be final and not subject to the dispute resolution provisions of Article XIII of this Agreement or Section 11.02 of the Separation and Distribution Agreement.

(c) Except as otherwise provided in paragraph (a) or (b), SpinCo shall have sole control over any Tax Contest that relates to Separate Returns of the SpinCo Group for any Post-Distribution Tax Period.

## ARTICLE X

### EFFECTIVE DATE; TERMINATION OF PRIOR INTERCOMPANY TAX ALLOCATION AGREEMENTS

Section 10.01 This Agreement shall be effective as of the Effective Time. To the knowledge of the parties hereto, there are no prior intercompany Tax allocation agreements or arrangements solely between or among Parent and/or any of its Subsidiaries, on the one hand, and SpinCo and/or any of its Subsidiaries, on the other hand and no termination of any such arrangement or agreement, or any settlement of amounts owing in respect of any such arrangement or agreement should be required. To the extent that, contrary to the expectation of the parties, there is any such intercompany arrangement or agreement in place as of immediately prior to the Effective Time, (i) such arrangement or agreement shall be deemed terminated as of the Effective Time, and (ii) amounts due under such agreements as of the date on which the Effective Time occurs shall be settled as promptly as practicable. Upon such settlement, no further payments by or to Parent or any of its Subsidiaries or by or to SpinCo or any of its Subsidiaries with respect to such agreements shall be made, and all other rights and obligations resulting from such agreements between the Companies and their Affiliates shall cease at such time. Any payments pursuant to such agreements shall be disregarded for purposes of computing amounts due under this Agreement.

## ARTICLE XI

### SURVIVAL OF OBLIGATIONS

Section 11.01 The representations, warranties, covenants and agreements set forth in this Agreement shall be unconditional and absolute and shall remain in effect without limitation as to time.

## ARTICLE XII

### TREATMENT OF PAYMENTS; TAX GROSS-UP

Section 12.01 Treatment of Tax Indemnity and Tax Benefit Payment. In the absence of any change in Tax treatment under the Code or other applicable Tax Law and except as otherwise agreed between the Companies or as otherwise required by applicable Law, for all Tax purposes, the Companies agree to treat, and to cause their respective Affiliates to treat, any payment required by this Agreement or by the Separation and Distribution Agreement as a contribution by Parent to SpinCo or a distribution by SpinCo to Parent, as the case may be, occurring immediately prior to the Distribution (but only to the extent the payment does not relate to a Tax allocated to the payor in accordance with Section 1552 of the Code or the Treasury Regulations thereunder or Treasury Regulations Section 1.1502-33(d) (or under corresponding principles of other applicable Tax Laws)) and any payment of interest or deductible Taxes, such as state Income Taxes, by or to a Tax Authority, as taxable or deductible, as the case may be, to the Company entitled under this Agreement to retain such payment or required under this Agreement to make such payment.

Section 12.02 Tax Gross-Up. If a Company incurs a Tax Liability as a result of its receipt of a payment pursuant to this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement, such payment shall be appropriately adjusted so that the amount of such payment, reduced by the amount of all Income Taxes payable with respect to the receipt thereof (but taking into account all correlative Tax Benefits resulting from the payment of such Income Taxes), shall equal the amount of the payment which the Company receiving such payment would otherwise be entitled to receive.

## ARTICLE XIII

### DISAGREEMENTS

Section 13.01 Dispute Resolution. The Companies desire that collaboration will continue between them. Accordingly, they will try, and they will cause their respective Group members to try, to resolve in good faith all disagreements regarding their respective rights and obligations under this Agreement, including any amendments hereto. In furtherance thereof, in the event of any dispute or disagreement (a "Tax Advisor Dispute") between any member of the Parent Group and any member of the SpinCo Group as to the interpretation of any provision of this Agreement or the performance of obligations hereunder, the Tax departments of the Companies shall negotiate in good faith to resolve the Tax Advisor Dispute. If, within thirty (30) Business Days such good faith negotiations do not resolve the Tax Advisor Dispute, then the matter will be referred to such Tax Advisor as the Companies mutually agree. The Tax Advisor may, in its discretion, obtain the services of any third-party appraiser, accounting firm or consultant that the Tax Advisor deems necessary to assist it in resolving such disagreement. The Tax Advisor shall resolve the Tax Advisor Dispute according to such procedures as the Tax Advisor deems advisable and shall furnish written notice to the Companies of its resolution of any such Tax Advisor Dispute as soon as practicable, but in any event no later than 45 days after its acceptance of the matter for resolution. Any such resolution by the Tax Advisor shall be consistent with the terms of this Agreement, and if so consistent, shall be conclusive and binding on the Companies. Following receipt of the Tax Advisor's written notice to the Companies of its resolution of the Tax Advisor Dispute, the Companies shall each take or cause to be taken any action necessary to implement such resolution of the Tax Advisor. In accordance with Article XV, each Company shall pay its own fees and expenses (including the fees and expenses of its representatives) incurred in connection with the referral of the matter to the Tax Advisor. All fees and expenses of the Tax Advisor in connection with such referral shall be shared equally by the Companies.

Section 13.02 Injunctive Relief. Nothing in this Article XIII will prevent either Company from seeking injunctive relief to enforce the procedures provided for in Section 13.01 if any delay resulting from the efforts to resolve the Tax Advisor Dispute through the Tax Advisor could result in serious and irreparable injury to either Company. Notwithstanding anything to the contrary in this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement, Parent and SpinCo are the only members of their respective Groups entitled to commence a dispute resolution procedure under this Agreement, and each of Parent and SpinCo will cause its respective Group members not to commence any dispute resolution procedure other than through such Company as provided in this Article XIII.

**ARTICLE XIV**

**LATE PAYMENTS**

Section 14.01 Any amount owed by one Company to the other Company under this Agreement which is not paid when due shall bear interest at the Prime Rate plus two percent (2%), compounded semiannually, from the due date of the payment to the date paid. To the extent interest required to be paid under this Article XIV duplicates interest required to be paid under any other provision of this Agreement, interest shall be computed at the higher of the interest rate provided under this Article XIV or the interest rate provided under such other provision.

**ARTICLE XV**

**EXPENSES**

Section 15.01 Except as otherwise provided in this Agreement, each Company and its Affiliates shall bear their own expenses incurred in connection with the preparation of Tax Returns, Tax Contests, and other matters related to Taxes under the provisions of this Agreement.

**ARTICLE XVI**

**MISCELLANEOUS**

Section 16.01 Counterparts; Entire Agreement; Corporate Power.

(a) This Agreement may be executed in one or more counterparts, all of which counterparts shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each Company and delivered to the other Company. This Agreement may be executed by facsimile or PDF signature and scanned and exchanged by electronic mail, and such facsimile or PDF signature or scanned and exchanged copies shall constitute an original for all purposes.

(b) This Agreement, the Separation and Distribution Agreement, the Ancillary Agreements and the Appendices, Exhibits and Schedules hereto and thereto contain the entire agreement between the Companies with respect to the subject matter hereof and supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings between the Companies with respect to the subject matter hereof other than those set forth or referred to herein or therein. In the event of conflict or inconsistency between the provisions of this Agreement, the Separation and Distribution Agreement, or any Ancillary Agreement, on the one hand, and the provisions of any Local Transfer Agreement, on the other hand, the provisions of this Agreement, the Separation and Distribution Agreement and any such Ancillary Agreement shall prevail and remain in full force and effect; without limiting the foregoing, no Assets or Liabilities, other than SpinCo Assets and SpinCo Liabilities (in each case, as defined in the Separation and Distribution Agreement), shall be transferred by Seller (as defined in the Local

Transfer Agreements) or accepted by Buyer (as defined in the Local Transfer Agreements) under the Local Transfer Agreements notwithstanding anything to the contrary therein (including the definition of SpinCo Assets and SpinCo Liabilities (in each case, as defined in the Local Transfer Agreements)). Each Company shall, and shall cause each of its Subsidiaries to, implement the provisions of and the transactions contemplated by the Local Transfer Agreement in accordance with the immediately preceding sentence.

(c) Parent represents on behalf of itself and each other member of the Parent Group, and SpinCo represents on behalf of itself and each other member of the SpinCo Group, as follows:

(i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby; and

(ii) this Agreement has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable in accordance with the terms thereof.

Section 16.02 Governing Law; Jurisdiction. Any disputes relating to, arising out of or resulting from this Agreement, including to its execution, performance, or enforcement, shall be governed by, and construed in accordance with, the Laws of the State of Delaware, regardless of the Laws that might otherwise govern under applicable principles of conflicts of Laws thereof. Each Company irrevocably consents to the exclusive jurisdiction, forum and venue of the Delaware Court of Chancery (and if the Delaware Court of Chancery shall be unavailable, any Delaware State court or the federal court sitting in the State of Delaware) over any and all claims, disputes, controversies or disagreements between the Companies or any of their respective Affiliates, successors and assigns under or related to this Agreement or any of the transactions contemplated hereby, including their execution, performance or enforcement, whether in contract, tort or otherwise. Each of the Companies hereby agrees that it shall not assert, and shall hereby waive, any claim or right or defense that it is not subject to the jurisdiction of such courts, that the venue is improper, that the forum is inconvenient or any similar objection, claim or argument. Each Company agrees that a final judgment in any legal proceeding resolved in accordance with Section 13.02, this Section 16.02, Section 16.03 and Section 16.04 shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law.

Section 16.03 Waiver of Jury Trial. EACH COMPANY HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION RELATING TO, ARISING OUT OF OR RESULTING FROM THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY INCLUDING THEIR EXECUTION, PERFORMANCE OR ENFORCEMENT, WHETHER IN CONTRACT, TORT OR OTHERWISE. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING CONTRACT CLAIMS, TORT CLAIMS (INCLUDING NEGLIGENCE), BREACH OF DUTY CLAIMS AND ALL OTHER COMMON

LAW AND STATUTORY CLAIMS. THIS SECTION HAS BEEN FULLY DISCUSSED BY EACH OF THE COMPANIES AND THESE PROVISIONS WILL NOT BE SUBJECT TO ANY EXCEPTIONS.

Section 16.04 Specific Performance. Subject to Section 13.01 and Section 13.02, in the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the affected Company shall have the right to specific performance and injunctive or other equitable relief of its rights under this Agreement, in addition to any and all other rights and remedies at Law or in equity, and all such rights and remedies shall be cumulative. The other Company shall not oppose the granting of such relief on the basis that money damages are an adequate remedy. The Companies agree that the remedies at Law for any breach or threatened breach hereof, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at Law would be adequate is waived. Any requirements for the securing or posting of any bond or similar security with such remedy are waived.

Section 16.05 Assignability. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of Law or otherwise by either Company without the prior written consent of the other Company. Any purported assignment without such consent shall be void. Subject to the preceding sentences, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the Companies and their respective successors and assigns (including, but not limited to, any successor of Parent or SpinCo succeeding to the Tax Attributes of either under Section 381 of the Code). Notwithstanding the foregoing, if any Company (or any of its successors or permitted assigns) (a) shall enter into a consolidation or merger transaction in which such Company is not the surviving entity and the surviving entity acquires or assumes all or substantially all of such Company's Assets, or (b) shall transfer all or substantially all of such Company's Assets to any Person, then, in each such case, the assigning Company (or its successors or permitted assigns, as applicable) shall ensure that the assignee or successor-in-interest expressly assumes in writing all of the obligations of the assigning Company under this Agreement, and the assigning Company shall not be required to seek consent, but shall provide written notice and evidence of such assignment, assumption or succession to the non-assigning Company. No assignment permitted by this Section 16.05 shall release the assigning Company from liability for the full performance of its obligations under this Agreement.

Section 16.06 Third-Party Beneficiaries. Except for the indemnification rights under this Agreement of any indemnified party in its capacity as such, (a) the provisions of this Agreement are solely for the benefit of the Companies and are not intended to confer upon any Person except the Companies any rights or remedies hereunder and (b) there are no third-party beneficiaries of this Agreement and this Agreement shall not provide any third person with any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.

Section 16.07 Notices. All notices or other communications under this Agreement shall be in writing and shall be deemed to be duly given when (a) delivered in person, (b) on the date received, if sent by a nationally recognized delivery or courier service, (c) upon

written confirmation of receipt after transmittal by electronic mail or (d) upon the earlier of confirmed receipt or the fifth (5<sup>th</sup>) Business Day following the date of mailing if sent by registered or certified mail, return receipt requested, postage prepaid and addressed as follows:

If to Parent, to:

Nuance Communications, Inc.  
1 Wayside Road  
Burlington, MA 01803  
Attn:  
email:

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas  
New York, NY 10019-6064  
Attn: Jeffrey B. Samuels  
Scott A. Barshay  
Steven J. Williams  
email: jsamuels@paulweiss.com  
sbarshay@paulweiss.com  
swilliams@paulweiss.com  
Facsimile: 212-492-0582

If to SpinCo, to:

Cerence Inc.  
15 Wayside Road  
Burlington, MA 01803  
Attn:  
email:

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas  
New York, NY 10019-6064  
Attn: Jeffrey B. Samuels  
Scott A. Barshay  
Steven J. Williams  
email: jsamuels@paulweiss.com  
sbarshay@paulweiss.com  
swilliams@paulweiss.com  
Facsimile: 212-492-0582



Either Company may, by notice to the other Company, change the address to which such notices are to be given. Each Company agrees that nothing in this Agreement shall affect the other Company's right to serve process in any other manner permitted by Law (including pursuant to the rules for foreign service of process authorized by the Hague Convention).

Section 16.08 Severability. If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances, or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either Company. Upon any such determination, any such provision, to the extent determined to be invalid, void or unenforceable, shall be deemed replaced by a provision that such court determines is valid and enforceable and that comes closest to expressing the intention of the invalid, void or unenforceable provision.

Section 16.09 Publicity. Each of Parent and SpinCo shall consult with the other, and shall, subject to the requirements of Section 7.09 of the Separation and Distribution Agreement, provide the other Company the opportunity to review and comment upon, any press releases or other public statements in connection with the Separation Transactions or any of the other transactions contemplated hereby and any filings with any Governmental Authority or national securities exchange with respect thereto, in each case prior to the issuance or filing thereof, as applicable (including the Information Statement, the Companies' respective Current Reports on Form 8-K to be filed on the Distribution Date, the Companies' respective Quarterly Reports on Form 10-Q filed with respect to the fiscal quarter during which the Distribution Date occurs, or if such quarter is the fourth fiscal quarter, the Companies' respective Annual Reports on Form 10-K filed with respect to the fiscal year during which the Distribution Date occurs (each such Quarterly Report on Form 10-Q or Annual Report on Form 10-K, a "First Post-Distribution Report")). Each Company's obligations pursuant to this Section 16.9 shall terminate on the date on which such Company's First Post-Distribution Report is filed with the Commission.

Section 16.10 Headings. The article, section and paragraph headings contained in this Agreement, including in the table of contents of this Agreement, are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 16.11 Waivers of Default. No failure or delay of any Company (or the applicable member of its Group) in exercising any right or remedy under this Agreement, any other Ancillary Agreement or the Separation and Distribution Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, or any course of conduct, preclude any other or further exercise thereof or the exercise of any other right or power. Waiver by any Company of any default by the other Company of any provision of this Agreement shall not be deemed a waiver by the waiving Company of any subsequent or other default.

Section 16.12 Amendments. No provisions of this Agreement shall be deemed waived, amended, supplemented or modified by a Company, unless such waiver, amendment,

supplement or modification is (a) in writing and signed by the authorized representative of each Company or (b) necessary (as determined in the sole discretion of Parent acting in good faith) to preserve the Tax-Free Status of the Contribution and the Distribution, taken together.

Section 16.13 Further Action. The parties hereto shall execute and deliver all documents, provide all information, and take or refrain from taking any action as may be necessary or appropriate to achieve the purposes of this Agreement, including the execution and delivery to the other parties and their Affiliates and representatives of such powers of attorney or other authorizing documentation as is reasonably necessary or appropriate in connection with Tax Contests (or portions thereof) under the control of such other parties in accordance with Article IX.

Section 16.14 Interpretation. Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires. The terms “hereof,” “herein,” “herewith” and words of similar import, unless otherwise stated, shall be construed to refer to this Agreement as a whole (including all of the schedules hereto) and not to any particular provision of this Agreement. Article, Section or Schedule references are to the articles, sections and schedules of or to this Agreement unless otherwise specified. Any capitalized terms used in any Schedule to this Agreement or to the Separation and Distribution Agreement or any Ancillary Agreement but not otherwise defined therein shall have the meaning as defined in this Agreement, the Separation and Distribution Agreement or the Ancillary Agreement to which such Schedule is attached, as applicable. Any definition of or reference to any agreement, instrument or other document herein (including any reference herein to this Agreement) shall, unless otherwise stated, be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth therein, including in Section 16.12 above). The word “including” and words of similar import when used in this Agreement shall mean “including, without limitation,” unless the context otherwise requires or unless otherwise specified. The word “or” shall not be exclusive. The word “extent” in the phrase “to the extent” shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply “if.” All references to “\$” or dollar amounts are to the lawful currency of the United States of America. Any reference to any federal, state, local or non-U.S. statute or Law shall be deemed to also refer to all rules and regulations promulgated thereunder, in each case as amended from time to time, unless the context otherwise requires. References to a Person also refer to its predecessors and permitted successors and assigns. In the event that an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Companies, and no presumption or burden of proof shall arise favoring or disfavoring either Company by virtue of the authorship of any provisions hereof.

IN WITNESS WHEREOF, the Companies have caused this Tax Matters Agreement to be executed by their duly authorized representatives.

NUANCE COMMUNICATIONS, INC.

By: \_\_\_\_\_  
Name:  
Title:

CERENCE INC.

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page – Tax Matters Agreement]

EMPLOYEE MATTERS AGREEMENT

By and Between

NUANCE COMMUNICATIONS, INC.

and

CERENCE INC.

Dated as of \_\_\_\_\_, 2019

## TABLE OF CONTENTS

		Page
	ARTICLE 1 DEFINITIONS	
Section 1.01.	Definitions	1
	ARTICLE 2 GENERAL PRINCIPLES	
Section 2.01.	SpinCo Employees	5
Section 2.02.	Prepositioning of Transferring Employees	5
Section 2.03.	Delayed Transfer Employees	6
Section 2.04.	Collectively Bargained Employees	6
Section 2.05.	Collective Bargaining Agreements	6
Section 2.06.	Liabilities and Assets Generally	7
Section 2.07.	Benefit Plans	7
Section 2.08.	Payroll Services	7
Section 2.09.	No Change in Control	7
Section 2.10.	Inadvertent Transfers	8
	ARTICLE 3 NON-EQUITY INCENTIVES	
Section 3.01.	SpinCo Employee Incentives	8
	ARTICLE 4 SERVICE CREDIT	
Section 4.01.	Nuance Benefit Plans	8
Section 4.02.	SpinCo Benefit Plans	8
Section 4.03.	No Expansion of Participation	9
	ARTICLE 5 SEVERANCE	
Section 5.01.	Severance	9
	ARTICLE 6 CERTAIN WELFARE BENEFIT PLAN MATTERS; WORKERS' COMPENSATION CLAIMS	
Section 6.01.	SpinCo Welfare Plans	9
Section 6.02.	Allocation of Welfare Benefit Claims	10
Section 6.03.	Workers' Compensation Claims	10
Section 6.04.	COBRA	10
Section 6.05.	Flexible Spending Accounts	11
Section 6.06.	Continuation of Elections	11

Section 6.07.	Insurance Contracts	11
Section 6.08.	Third-Party Vendors	12
ARTICLE 7 LONG-TERM DISABILITY EMPLOYEES		
Section 7.01.	SpinCo LTD Employees	12
ARTICLE 8 DEFINED BENEFIT PENSION PLANS		
Section 8.01.	Non-U.S. Pension Plans	12
ARTICLE 9 DEFINED CONTRIBUTION PLANS		
Section 9.01.	SpinCo 401(k) Plan	12
Section 9.02.	401(k) Plan-to-Plan Transfer	12
Section 9.03.	Employer 401(k) Plan Contributions	12
Section 9.04.	Limitation of Liability	13
Section 9.05.	Non-U.S. Defined Contribution Plans	13
ARTICLE 10 ACCRUED LEAVE		
Section 10.01.	Vacation, Holidays, Annual Leave, and Other Leaves	13
ARTICLE 11 EQUITY COMPENSATION		
Section 11.01.	SpinCo Equity Incentive Plan	13
Section 11.02.	Treatment of Outstanding Nuance Options	13
Section 11.03.	Treatment of Outstanding Nuance Restricted Stock Units Held by SpinCo Employees	14
Section 11.04.	Treatment of Outstanding Nuance Restricted Stock Units Held by Individuals Other Than SpinCo Employees	14
Section 11.05.	Treatment of Outstanding Nuance Performance Stock Units Held by SpinCo Employees	15
Section 11.06.	Treatment of Outstanding Nuance Performance Stock Units Held by Individuals Other Than SpinCo Employees	15
Section 11.07.	Nuance ESPP	16
Section 11.08.	Establishment of the SpinCo ESPP	16
Section 11.09.	Tax Reporting and Withholding for Equity-Based Awards	16
Section 11.10.	Nuance and SpinCo Income Tax Deductions in Respect of Certain Equity Awards and Compensation	16
Section 11.11.	Compliance	17

ARTICLE 12  
NON-U.S. EMPLOYEES

Section 12.01.	Transfer of Non-U.S. Employees	17
Section 12.02.	Treatment of Non-U.S. Employees	17

ARTICLE 13  
COOPERATION; ACCESS TO INFORMATION; LITIGATION; CONFIDENTIALITY

Section 13.01.	Cooperation	18
Section 13.02.	Access to Information; Privilege; Confidentiality	18

ARTICLE 14  
TERMINATION

Section 14.01.	Termination	18
Section 14.02.	Effect of Termination	18

ARTICLE 15  
MISCELLANEOUS

Section 15.01.	Incorporation of Indemnification Provisions of Separation Agreement	18
Section 15.02.	Additional Indemnification	19
Section 15.03.	Further Assurances	19
Section 15.04.	Administration	19
Section 15.05.	Third-Party Beneficiaries	19
Section 15.06.	Employment Tax Reporting Responsibility	19
Section 15.07.	Data Privacy	19
Section 15.08.	Section 409A	20
Section 15.09.	Confidentiality	20
Section 15.10.	Additional Provisions	21

Schedules:

Schedule 1.01	List of Employees
Schedule 7.01	SpinCo LTD Employees
Schedule 8.01	Treatment of Non-U.S. Pension Plans
Schedule 9.05	Treatment of Non-U.S. Defined Contribution Plans

EMPLOYEE MATTERS AGREEMENT (this “Agreement”), dated as of \_\_\_\_\_, 2019, by and between Nuance Communications, Inc., a Delaware corporation (“Nuance”), and Cerence Inc., a Delaware corporation (“SpinCo” and, together with Nuance, the “Parties”).

R E C I T A L S:

WHEREAS, the Parties have entered into the Separation and Distribution Agreement (the “Separation Agreement”), dated as of \_\_\_\_\_, 2019, pursuant to which Nuance intends to effect the Distribution; and

WHEREAS, the Parties wish to set forth their agreements as to certain matters regarding employment, compensation, and employee benefits.

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

**ARTICLE 1  
DEFINITIONS**

Section 1.01. Definitions. For purposes of this Agreement, the following terms shall have the following meanings. All capitalized terms used but not defined herein shall have the meanings assigned to them in the Separation Agreement unless otherwise indicated.

“Aggregate Pre-Distribution Date Contributions” has the meaning set forth in Section 6.05.

“Aggregate Pre-Distribution Date Disbursements” has the meaning set forth in Section 6.05.

“Applicable 401(k) Date” has the meaning set forth in Section 9.01.

“Automatic Transfer Employees” means those Transferring Employees whose employment transfers by operation of Law in connection with the transfer of a business or part of a business.

“Benefit Plan” means any plan, program, policy, agreement, arrangement, or understanding that is an employment, consulting, deferred compensation, executive compensation, incentive bonus or other bonus, employee pension, profit sharing, savings, retirement, supplemental retirement, stock option, stock purchase, stock appreciation right, restricted stock, restricted stock unit, deferred stock unit, other equity-based compensation, severance pay, retention, change in control, salary continuation, life, death benefit, health, hospitalization, workers’ compensation, sick leave, vacation pay, disability or accident insurance, or other employee compensation or benefit plan, program, policy, agreement, arrangement, or understanding, including any “employee benefit plan” (as defined in Section 3(3) of ERISA, whether or not subject to ERISA), sponsored or maintained by an entity or to which such entity is a party.

“Canceled Nuance Performance Stock Unit” has the meaning set forth in Section 11.05(a).

“COBRA” means the U.S. Consolidated Omnibus Budget Reconciliation Act of 1985, as amended from time to time, and any applicable similar state or local laws.

“Code” means the U.S. Internal Revenue Code of 1986, as amended.

“Collective Bargaining Agreements” has the meaning set forth in Section 2.04.

“Delayed Transfer Date” has the meaning set forth in Section 2.03.

“Delayed Transfer Employee” has the meaning set forth in Section 2.03.



“Destination Employer” means, with respect to a Transferring Employee, (a) a member of the SpinCo Group or (b) a member of the Nuance Group, in either case to which such Transferring Employee transfers as of the Local Transfer Date or Delayed Transfer Date.

“Employment Taxes” means all fees, Taxes, social insurance payments, and similar contributions to a Governmental Authority or a fund of a Governmental Authority with respect to wages or other compensation of an employee or other service provider.

“ERISA” means the U.S. Employee Retirement Income Security Act of 1974, as amended from time to time.

“Former Business” means any terminated, divested, or discontinued business, operation, or property of either the Nuance Group, the SpinCo Group, any of their respective members, or any of their respective predecessors, in each case, prior to the Distribution.

“Former Nuance Employee” means a former employee of any member of the Nuance Group or the SpinCo Group, any of their respective members, or any of their respective predecessors, in each case, prior to the Distribution, who is not a Former SpinCo Employee.

“Former SpinCo Employee” means each individual who, (a) as of the date of determination, is not employed by any member of the SpinCo Group, and (b) as of immediately prior to such individual’s termination of employment (x) was employed by a member of the SpinCo Group or (y) dedicated all or substantially all of his or her employment services to the activities and operations of the SpinCo Business (excluding any employees providing services to the SpinCo Group pursuant to the TSA).

“Local Agreement” means an agreement describing the implementation of the matters described in this Agreement (including, without limitation, matters regarding employment, compensation, and employee benefits) with respect to Non-U.S. Employees in accordance with applicable non-U.S. Law in the custom of the applicable jurisdictions.

“Local Transfer Date” means (a) with respect to Canada, July 14, 2019, and (b) with respect to all other jurisdictions, the date agreed to by Nuance and SpinCo.

“Non-U.S. DC Plan” has the meaning set forth in Section 9.05.

“Non-U.S. Employees” has the meaning set forth in Section 12.02.

“Nuance 401(k) Plan” has the meaning set forth in Section 9.01.

“Nuance Benefit Plan” means any Benefit Plan sponsored, maintained, or, unless such Benefit Plan is exclusively sponsored or maintained by a member of the SpinCo Group, contributed to by any member of the Nuance Group or to which any member of the Nuance Group is a party.

“Nuance Employee” means (a) each individual who is an employee of any member of the Nuance Group as of immediately prior to or on the applicable Local Transfer Date, including any such individual who is not actively at work due to a leave of absence (including vacation, holiday, illness, injury, and short-term disability, and including, until such time as provided in ARTICLE 7,

any SpinCo LTD Employee) from which such employee is permitted to return to active employment in accordance with the Nuance Group's personnel policies, as in effect from time to time, or applicable Law, (b) each individual who becomes an active employee of any member of the Nuance Group following the applicable Local Transfer Date but, in each case of clauses (a) and (b), excluding any SpinCo Employee or Former SpinCo Employee, and (c) each individual who is intended by Nuance to be a Nuance Employee.

“Nuance Equity Conversion Ratio” means the quotient obtained by dividing (x) the Nuance Pre-Distribution Stock Value by (y) the Nuance Post-Distribution Stock Value, rounded to the nearest one thousandth of a cent.

“Nuance Equity Plans” means the 2000 Stock Plan, and the Amended and Restated Directors Stock Plan, each as amended from time to time, and any other stock option or stock incentive compensation plan or arrangement, including any equity award agreement, that is a Nuance Benefit Plan, as in effect as of the time relevant to the applicable provision of this Agreement.

“Nuance ESPP” means the Amended and Restated 1995 Employee Stock Purchase Plan.

“Nuance Flexible Spending Account” means any flexible spending arrangement under any cafeteria plan qualifying under Section 125 of the Code that is a Nuance Benefit Plan.

“Nuance LTD Plan” means any long-term disability insurance plan that is a Nuance Benefit Plan.

“Nuance Option” means an option to purchase Nuance Common Stock that is outstanding as of immediately prior to the Distribution under any of the Nuance Equity Plans.

“Nuance Performance Stock Unit” means a performance stock unit award relating to Nuance Common Stock that is outstanding as of immediately prior to the Distribution under any of the Nuance Equity Plans.

“Nuance Post-Distribution Stock Value” means the official NASDAQ only “regular way” first trading price of Nuance Common Stock on the first trading day immediately following the Distribution Date.

“Nuance Pre-Distribution Stock Value” means the official NASDAQ only “regular way” closing price of Nuance Common Stock on the trading date immediately preceding the Distribution Date.

“Nuance Reimbursement Account Plan” has the meaning set forth in Section 6.05.

“Nuance Restricted Stock Unit” means a restricted stock unit award relating to Nuance Common Stock that is outstanding as of immediately prior to the Distribution under any of the Nuance Equity Plans.

“Nuance Welfare Plan” means each Welfare Plan that is a Nuance Benefit Plan.

“Purchase Date” has the meaning set forth in the Nuance ESPP.

“Purchase Period” has the meaning set forth in the Nuance ESPP.

“SpinCo 401(k) Plan” has the meaning set forth in Section 9.01.

“SpinCo Award Agreement” has the meaning set forth in Section 11.01.

“SpinCo Benefit Plan” means any Benefit Plan sponsored, maintained, or, unless such Benefit Plan is exclusively sponsored or maintained by a member of the Nuance Group, contributed to by any member of the SpinCo Group or to which any member of the SpinCo Group is a party.

“SpinCo Employee” means (a) each individual who is an employee of any member of the SpinCo Group as of immediately prior to or on the applicable Local Transfer Date, including any individual who is not actively at work due to a leave of absence (including vacation, holiday, illness, injury, and short-term disability, but excluding, until such time as provided in ARTICLE 7, any SpinCo LTD Employee) from which such employee is permitted to return to active employment in accordance with the SpinCo Group’s personnel policies, as in effect from time to time, or applicable Law, (b) each individual who becomes an active employee of the SpinCo Group following the applicable Local Transfer Date but, in each case of clauses (a) and (b), excluding any Former SpinCo Employee, (c) each individual listed on Schedule 1.01(a) or listed in a Local Agreement as a SpinCo Employee, and (d) each individual who is intended by Nuance to be a SpinCo Employee; provided, however, that, unless otherwise required by applicable Law, each individual listed on Schedule 1.01(b) or listed in a Local Agreement as a Nuance Employee shall be a Nuance Employee for all purposes of this Agreement.

“SpinCo Equity Conversion Ratio” means the quotient obtained by dividing (x) the Nuance Pre-Distribution Stock Value by (y) the SpinCo Stock Value, rounded to the nearest one thousandth of a cent.

“SpinCo Equity Incentive Plan” has the meaning set forth in Section 11.01.

“SpinCo ESPP” has the meaning set forth in Section 11.08.

“SpinCo Incentive Payments” has the meaning set forth in Section 3.01.

“SpinCo LTD Employee” means each applicable employee of the SpinCo Group who, as of immediately prior to the applicable Local Transfer Date, is receiving long-term disability benefits under the Nuance LTD Plan.

“SpinCo Performance Stock Unit” has the meaning set forth in Section 11.05(b).

“SpinCo Reimbursement Account Plan” has the meaning set forth in Section 6.05.

“SpinCo Restricted Stock Unit” has the meaning set forth in Section 11.03(b).

“SpinCo Stock Value” means the official NASDAQ only “regular way” first trading price of SpinCo Common Stock on the first trading day immediately following the Distribution Date.

“SpinCo Welfare Plans” has the meaning set forth in Section 6.01.

“Subsidiary” of any Person means any corporation or other organization whether incorporated or unincorporated of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries; provided, however, that, solely for purposes of this Agreement, SpinCo and its Subsidiaries shall not be considered Subsidiaries of Nuance (or members of the Nuance Group) prior to, on, or after the Distribution.

“Taxes” shall have the meaning set forth in the Tax Matters Agreement dated as of the date of this Agreement by and between Nuance and SpinCo.

“Transferring Employee” means (a) each SpinCo Employee who transfers to a member of the SpinCo Group and (b) each Nuance Employee who transfers to a member of the Nuance Group.

“Transfer of Undertakings” means the Transfers of Undertakings Directive 2001/23/EC of the European Council and any similar applicable Law.

“TSA” means the Transition Services Agreement dated as of the date of this Agreement by and between Nuance and SpinCo.

“Welfare Plan” means each Benefit Plan that provides life insurance, health care, dental care, accidental death and dismemberment insurance, disability, severance, vacation, or group welfare or fringe benefits.

“Welfare Plan Date” has the meaning set forth in Section 6.01.

“Workers’ Compensation Claim Date” has the meaning set forth in Section 6.03.

“Workers’ Compensation Event” means the event, injury, illness, or condition giving rise to a workers’ compensation claim with respect to a SpinCo Employee or Former SpinCo Employee.

## **ARTICLE 2 GENERAL PRINCIPLES**

Section 2.01. SpinCo Employees. Except as provided in Section 2.03, all SpinCo Employees shall continue to be employees of the SpinCo Group immediately following the Local Transfer Date. The Parties agree that none of the transactions contemplated by the Separation Agreement or any of the Ancillary Agreements, including this Agreement, shall cause any SpinCo Employee, SpinCo LTD Employee, or Former SpinCo Employee to be deemed to have incurred a termination of employment or to be eligible to receive severance benefits solely as a result of the Distribution.

Section 2.02. Prepositioning of Transferring Employees. Effective on the Local Transfer Date or Delayed Transfer Date, and except as otherwise agreed by the Parties, the

applicable member of the SpinCo Group and the Nuance Group shall have taken such actions as are necessary to ensure (i) that each SpinCo Employee (other than any Former SpinCo Employee) is employed by a member of the SpinCo Group and (ii) that each Nuance Employee (other than any Former Nuance Employee) is employed by a member of the Nuance Group.

Section 2.03. Delayed Transfer Employees. To the extent that applicable Law or any arrangement with a Governmental Authority prevents the Parties from causing (a) any employee who is intended to be a SpinCo Employee to be employed by a member of the SpinCo Group as of immediately following the Local Transfer Date as contemplated by Section 2.01 or (b) any employee who is intended to be a Nuance Employee to be employed by a member of the Nuance Group as of immediately following the Local Transfer Date, or for any employees designated and agreed to by the Parties (each such employee, a “Delayed Transfer Employee”), the Parties shall use commercially reasonable efforts to ensure that (i) such Delayed Transfer Employee becomes employed by the Destination Employer at the earliest time permitted by applicable Law or such arrangement with a Governmental Authority (the “Delayed Transfer Date”) and (ii) the Destination Employer receives the benefit of such Delayed Transfer Employee’s services from and after the Local Transfer Date, including under the TSA or by entering into an employee leasing or similar arrangement. The term “Delayed Transfer Employee” shall also include (i) each employee who, following the Local Transfer Date, provides services to the SpinCo Group under the TSA and whose employment is intended by Nuance to transfer to the SpinCo Group following the completion of the applicable TSA service and (ii) each employee who, following the Local Transfer Date, provides services to the Nuance Group under the TSA and whose employment is intended by SpinCo to transfer to the Nuance Group following the completion of the applicable TSA service, and with respect to such Delayed Transfer Employees, the Parties shall use commercially reasonable efforts to ensure that such Delayed Transfer Employees become employed by the Destination Employer as soon as practicable following the completion of the applicable TSA service. From and after the commencement of a Delayed Transfer Employee’s employment with the Destination Employer, such Delayed Transfer Employee shall be treated for all purposes of this Agreement, including Section 4.02, as if such Delayed Transfer Employee commenced employment with the Destination Employer as of the Local Transfer Date as contemplated by Section 2.01.

Section 2.04. Collectively Bargained Employees. All provisions contained in this Agreement providing for the treatment of compensation and benefits in connection with the Distribution shall apply equally to each employee who is covered by a collective bargaining, works council, or other labor union agreement, contract, or labor arrangement (collectively, “Collective Bargaining Agreements”), except to the extent that any such agreement specifically provides for the compensation or benefits contemplated by such provision and, in each such case, such agreement shall apply rather than the terms of this Agreement.

Section 2.05. Collective Bargaining Agreements. As of the Local Transfer Date, SpinCo shall, and shall cause the members of the SpinCo Group, as appropriate, to, adopt and assume each Collective Bargaining Agreement covering any of the SpinCo Employees in such jurisdiction immediately prior to the Local Transfer Date, subject to any agreed-upon changes required by the transition of such Collective Bargaining Agreement to SpinCo or by applicable Law, and to recognize the works councils, labor unions, and other employee representatives that are parties to such Collective Bargaining Agreements; provided, that any compensation or benefits that were, prior to the Local Transfer Date, provided to SpinCo Employees in such jurisdiction under the Collective Bargaining Agreements through the Nuance Benefit Plans shall, to the extent that such

compensation and benefits are still required to be provided under the Collective Bargaining Agreements on and after the Local Transfer Date, be provided as mutually agreed with such works councils, labor unions, and other employee representatives through the SpinCo Benefit Plans as set forth in this Agreement.

Section 2.06. Liabilities and Assets Generally. From and after the Local Transfer Date or such other date agreed by Nuance and SpinCo, except as expressly provided in this Agreement (or a Local Agreement) or as required under applicable Law, in each applicable jurisdiction (a) SpinCo and the SpinCo Group shall assume or retain, as applicable, and SpinCo hereby agrees to pay, perform, fulfill, and discharge, in due course in full, (i) all Liabilities with respect to the employment or termination of employment of all SpinCo Employees, Former SpinCo Employees, and their dependents and beneficiaries, and other service providers, to the extent arising, in whole or in part, in connection with or as a result of the performance of services to any member of the SpinCo Group and (ii) all other Liabilities expressly assigned to SpinCo or any member of the SpinCo Group under this Agreement, and (b) Nuance and the Nuance Group shall assume or retain, as applicable, and Nuance hereby agrees to pay, perform, fulfill, and discharge, in due course in full, (i) all Liabilities with respect to the employment or termination of employment of all Nuance Employees, Former Nuance Employees, and their dependents and beneficiaries, and other service providers, to the extent arising, in whole or in part, in connection with or as a result of the performance of services to any member of the Nuance Group and (ii) all other Liabilities expressly assigned to Nuance or any member of the Nuance Group under this Agreement. All assets held in trust to fund the Nuance Benefit Plans and all insurance policies funding the Nuance Benefit Plans shall be Nuance Assets, except to the extent explicitly provided otherwise in this Agreement or a Local Agreement.

Section 2.07. Benefit Plans. Except as otherwise explicitly provided in this Agreement or as may otherwise be provided in accordance with the TSA, as of the Local Transfer Date or such other date agreed by Nuance and SpinCo, each SpinCo Employee (and each of his or her respective dependents and beneficiaries) in the applicable jurisdiction shall cease active participation in, and each applicable member of the SpinCo Group shall cease to be a participating employer in, all Nuance Benefit Plans, and as of such time, SpinCo shall, or shall cause its Subsidiaries to, have in effect such corresponding SpinCo Benefit Plans as are necessary to comply with its obligations pursuant to this Agreement. Effective upon the Local Transfer Date or such other date agreed by Nuance and SpinCo, except as otherwise explicitly provided in this Agreement or a Local Agreement, (a) Nuance shall, or shall cause one or more members of the Nuance Group to, retain, pay, perform, fulfill, and discharge all Liabilities arising out of or relating to all Nuance Benefit Plans, and (b) SpinCo shall, or shall cause one of the members of the SpinCo Group to, retain, pay, perform, fulfill, and discharge all Liabilities arising out of or relating to all SpinCo Benefit Plans.

Section 2.08. Payroll Services. Except as may otherwise be provided in accordance with a Local Agreement or the TSA, on and after the Local Transfer Date or such other date agreed by Nuance and SpinCo, the applicable members of the SpinCo Group shall be solely responsible for providing payroll services to the SpinCo Employees and Former SpinCo Employees in the applicable jurisdiction.

Section 2.09. No Change in Control. The Parties hereto agree that none of the transactions contemplated by the Separation Agreement or any of the Ancillary Agreements,

including this Agreement, constitutes a “change in control,” “change of control,” or transaction having a similar name, as applicable, within the meaning of any Nuance Benefit Plan or SpinCo Benefit Plan.

Section 2.10. Inadvertent Transfers. If Nuance determines following the Distribution that an individual whom Nuance intended to be a Nuance Employee or a SpinCo Employee has inadvertently become employed by the SpinCo Group or the Nuance Group, respectively, the Parties shall cooperate in good faith and take such actions as may be reasonably necessary in order to cause the employment of such individual to be promptly transferred to a member of the Nuance Group or the SpinCo Group, as applicable, as intended by Nuance, and such individual shall be treated for all purposes of this Agreement, including Section 4.02, as if such individual commenced employment with the intended employer as of the Local Transfer Date of the jurisdiction in which the individual is employed.

### **ARTICLE 3 NON-EQUITY INCENTIVES**

Section 3.01. SpinCo Employee Incentives. Unless otherwise provided for in an individual agreement with a SpinCo Employee to which Nuance is a party, on and after the Local Transfer Date, SpinCo shall assume and be solely responsible for all Liabilities with respect to any annual bonus or other cash-based incentive or retention awards under any Benefit Plan to any SpinCo Employee, SpinCo LTD Employee, or Former SpinCo Employee in the applicable jurisdiction, including, for the avoidance of doubt, any such awards with respect to the Nuance fiscal year ending prior to the Distribution (the “SpinCo Incentive Payments”). SpinCo shall be responsible for determining the amounts of all SpinCo Incentive Payments that have not been determined prior to the Local Transfer Date, including the extent to which established performance criteria (as interpreted by SpinCo, in its sole discretion) have been met, and shall pay all SpinCo Incentive Payments no later than the times provided for under the applicable Benefit Plan. For the avoidance of doubt, any determinations made prior to the Distribution regarding the amounts of any SpinCo Incentive Payments shall be subject to Nuance’s prior written approval.

### **ARTICLE 4 SERVICE CREDIT**

Section 4.01. Nuance Benefit Plans. Except as may otherwise be provided in accordance with the TSA or as required by applicable Law or the terms of the applicable Nuance Benefit Plan, service of SpinCo Employees and Former SpinCo Employees in each applicable jurisdiction, on and after the Local Transfer Date, or such other date agreed by Nuance and SpinCo, with any member of the SpinCo Group or any other employer, as applicable, other than any member of the Nuance Group, shall not be taken into account for any purpose under any Nuance Benefit Plan.

Section 4.02. SpinCo Benefit Plans. Unless prohibited by applicable Law, SpinCo shall, and shall cause its Subsidiaries to, credit service accrued by each SpinCo Employee with, or otherwise recognized for purposes of any Benefit Plan by, any member of the Nuance Group or the SpinCo Group on or prior to the Distribution for purposes of (a) eligibility, vesting, and benefit accrual under each SpinCo Benefit Plan under which service is relevant in determining eligibility, vesting, and benefit accrual, (b) determining the amount of severance payments and benefits (if any) payable under each SpinCo Benefit Plan that provides severance payments or benefits, and

(c) determining the number of vacation days to which each such employee shall be entitled following the applicable Welfare Plan Date, in the case of clauses (a), (b), and (c), (i) to the same extent recognized by the relevant members of the Nuance Group or SpinCo Group or the corresponding Nuance Benefit Plan or SpinCo Benefit Plan immediately prior to the later of the Distribution Date and the date on which such employee ceases participating in the applicable Nuance Benefit Plan in accordance with the TSA and (ii) except to the extent that such credit would result in a duplication of benefits for the same period of service.

Section 4.03. No Expansion of Participation. Unless otherwise expressly provided in this Agreement, as otherwise determined or agreed to by the Parties, as required by applicable Law, or as explicitly set forth in a SpinCo Benefit Plan, each SpinCo Employee shall be entitled to participate in a given SpinCo Benefit Plan only to the extent that such SpinCo Employee was entitled to participate in the corresponding Nuance Benefit Plan as in effect immediately prior to the Local Transfer Date, with it being the intent of the Parties that this Agreement does not result in any expansion of the number of SpinCo Employees participating or the participation rights therein that they had prior to the applicable Local Transfer Date.

## **ARTICLE 5 SEVERANCE**

Section 5.01. Severance. The Nuance Group shall be solely responsible for all severance or other separation payments and benefits (including any termination indemnity or retirement indemnity plan) relating to the termination or alleged termination of any SpinCo Employee's or Former SpinCo Employee's employment which occurs prior to the Distribution Date. For the avoidance of doubt, such Liabilities shall include any employer-paid portion of any Employment Taxes and shall be treated as Liabilities of Nuance and the Nuance Group.

## **ARTICLE 6 CERTAIN WELFARE BENEFIT PLAN MATTERS; WORKERS' COMPENSATION CLAIMS**

Section 6.01. SpinCo Welfare Plans. Without limiting the generality of Section 2.07, effective as of the Local Transfer Date or such other date as agreed to between Nuance and SpinCo, which need not be the same for each Welfare Plan (such applicable date, the "Welfare Plan Date"), SpinCo shall establish Welfare Plans (collectively, the "SpinCo Welfare Plans") to provide welfare benefits to the SpinCo Employees (and their dependents and beneficiaries) in each applicable jurisdiction and, as of the applicable Welfare Plan Date, each SpinCo Employee (and his or her dependents and beneficiaries) shall cease active participation in the corresponding Nuance Welfare Plan. For the avoidance of doubt, for purposes of this ARTICLE 6, the term "SpinCo Employee" shall be deemed to include each Former SpinCo Employee who was receiving welfare benefits in connection with his or her termination of employment from a member of the Nuance Group or the SpinCo Group as of the applicable Welfare Plan Date. Notwithstanding the foregoing, to the extent that Nuance determines that the aforementioned provision of welfare benefits by SpinCo to a Former SpinCo Employee is not feasible, such Former SpinCo Employee may continue active participation in the corresponding Nuance Welfare Plan after the Welfare Plan Date, and SpinCo shall reimburse the Nuance Group for all Liabilities associated with such Former SpinCo Employee after the Welfare Plan Date.



Section 6.02. Allocation of Welfare Benefit Claims. (a) The members of the Nuance Group shall retain all Liabilities in accordance with the applicable Nuance Welfare Plan for all reimbursement claims (such as medical and dental claims) and for all non-reimbursement claims (such as life insurance claims), in each case, as incurred by SpinCo Employees and Former SpinCo Employees (and each of their respective dependents and beneficiaries) under such plans prior to the applicable Welfare Plan Date, and (b) the members of the SpinCo Group shall retain all Liabilities in accordance with the SpinCo Welfare Plans for all reimbursement claims (such as medical and dental claims) and for all non-reimbursement claims (such as life insurance claims), in each case, as incurred by SpinCo Employees and Former SpinCo Employees (and each of their respective dependents and beneficiaries) on or after the applicable Welfare Plan Date; provided, that SpinCo shall reimburse Nuance for Liabilities incurred under clause (a) between the Local Transfer Date and the applicable Welfare Plan Date. For purposes of this Section 6.02, a benefit claim shall be deemed to be incurred as follows: (i) for health, dental, vision, employee assistance program, and prescription drug benefits (including in respect of any hospital admission), upon the provision of such services, materials, or supplies; and (ii) for life, accidental death and dismemberment, and business travel accident insurance benefits, upon the death, cessation of employment, or other event by Nuance giving rise to such benefits.

Section 6.03. Workers' Compensation Claims. In the case of any workers' compensation claim of any SpinCo Employee or Former SpinCo Employee in respect of his or her employment with the Nuance Group or the SpinCo Group, such claim shall be covered (a) by the Nuance Group's workers' compensation coverage if the Workers' Compensation Event occurred prior to the applicable Local Transfer Date, (b) by the SpinCo Group's workers' compensation coverage for the applicable jurisdiction if the Workers' Compensation Event occurs on or after the applicable Local Transfer Date and the related claim is submitted after the date on which SpinCo has established workers' compensation coverage (the "Workers' Compensation Claim Date"), and (c) under the Nuance Group's workers' compensation coverage if the Workers' Compensation Event occurs on or after the applicable Local Transfer Date and the related claim is submitted prior to the Workers' Compensation Claim Date; provided, that SpinCo shall reimburse Nuance for Liabilities actually incurred by Nuance under clause (c) between the Local Transfer Date and the applicable Workers' Compensation Claim Date. If the Workers' Compensation Event occurs over a period both preceding and following the Local Transfer Date, the claim shall be jointly covered under the Nuance Group's workers' compensation coverage and the SpinCo Group's workers' compensation coverage and shall be equitably apportioned between them based upon the relative periods of time that the Workers' Compensation Event transpired preceding and following the Local Transfer Date; provided, that if a claim in respect of such Workers' Compensation Event is submitted prior to the Workers' Compensation Claim Date, then such claim shall be covered under the Nuance Group's workers' compensation coverage and SpinCo shall appropriately reimburse Nuance, in accordance with clause (c) above.

Section 6.04. COBRA. If (a) a SpinCo Employee or Former SpinCo Employee (or his or her eligible dependents) was receiving, prior to the applicable Welfare Plan Date, or is eligible to receive, on or following the applicable Welfare Plan Date, continuation health coverage pursuant to COBRA, SpinCo and the SpinCo Welfare Plans shall be responsible for all Liabilities to such employee (or his or her eligible dependents) in respect of COBRA. SpinCo shall indemnify, defend, and hold harmless the members of the Nuance Group from and against any and all Liabilities relating to, arising out of, or resulting from COBRA provided by SpinCo, or the failure of SpinCo to meet its COBRA obligations, to SpinCo Employees, Former SpinCo Employees, and their respective eligible dependents.

Section 6.05. Flexible Spending Accounts. Effective as of the applicable Welfare Plan Date, SpinCo shall have established a health care and dependent care reimbursement account plan (the “SpinCo Reimbursement Account Plan”) with features that are comparable to those contained in the relevant health care and dependent care reimbursement account plan sponsored and maintained by Nuance (the “Nuance Reimbursement Account Plan”). With respect to applicable SpinCo Employees, effective as of the applicable Welfare Plan Date, SpinCo shall assume responsibility for administering all reimbursement claims of SpinCo Employees with respect to the plan year in which the applicable Welfare Plan Date occurs, whether arising before, on, or after the applicable Welfare Plan Date, under the SpinCo Reimbursement Account Plan and, for the avoidance of doubt, on and after the applicable Welfare Plan Date, no additional claims shall be reimbursed with respect to SpinCo Employees under the Nuance Reimbursement Account Plan. Nuance shall, as soon as practicable following the applicable Welfare Plan Date, determine (i) the sum of all contributions to the Nuance Reimbursement Account Plan made with respect to such plan year by or on behalf of all SpinCo Employees, as a whole, prior to the applicable Welfare Plan Date (the “Aggregate Pre-Distribution Date Contributions”) and (ii) the sum of all claims incurred in such plan year and paid by the Nuance Reimbursement Account Plan with respect to such SpinCo Employees, as a whole, prior to the applicable Welfare Plan Date (the “Aggregate Pre-Distribution Date Disbursements”). If the Aggregate Pre- Distribution Date Contributions exceed the Aggregate Pre-Distribution Date Disbursements, Nuance shall, as soon as practicable following Nuance’s determination of the Aggregate Pre- Distribution Date Contributions and Aggregate Pre-Distribution Date Disbursements, transfer to SpinCo an amount in cash equal to such difference. If the Aggregate Pre-Distribution Date Disbursements exceed the Aggregate Pre-Distribution Date Contributions, SpinCo shall, upon Nuance’s reasonable request and the presentation of such substantiating documentation as SpinCo shall reasonably request, transfer to Nuance an amount in cash equal to such difference.

Section 6.06. Continuation of Elections. With respect to applicable SpinCo Employees, as of the applicable Welfare Plan Date, SpinCo shall cause the SpinCo Welfare Plans to recognize and maintain all elections and designations (including, without limitation, all coverage and contribution elections and beneficiary designations) made by SpinCo Employees under, or with respect to, the Nuance Welfare Plans and apply such elections and designations under the SpinCo Welfare Plans for the remainder of the period or periods for which such elections or designations are by their original terms applicable, to the extent that such election or designation is available under the corresponding SpinCo Welfare Plan. As of the applicable Welfare Plan Date, SpinCo shall cause any SpinCo Welfare Plan that constitutes a cafeteria plan under Section 125 of the Code to recognize and give effect to all non-elective employer contributions payable and paid toward coverage of a SpinCo Employee under the corresponding Nuance Welfare Plan that constitutes a cafeteria plan under Section 125 of the Code for the applicable cafeteria plan year.

Section 6.07. Insurance Contracts. To the extent that any Nuance Welfare Plan is funded through the purchase of an insurance contract or is subject to any stop-loss contract, the Parties shall cooperate and use their commercially reasonable efforts to replicate such insurance contracts for SpinCo (except to the extent that changes are required under applicable state insurance Laws or filings by the respective insurers) and to maintain any pricing discounts or other preferential terms for both Nuance and SpinCo for a reasonable term. Neither Party shall be liable for failure to

obtain such insurance contracts, pricing discounts, or other preferential terms for the other Party. Each Party shall be responsible for any additional premiums, charges, or administrative fees that such Party may incur pursuant to this Section 6.07.

Section 6.08. Third-Party Vendors. Except as provided below, to the extent that any Nuance Welfare Plan is administered by a third-party vendor, the Parties shall cooperate and use their commercially reasonable efforts to replicate any contract with such third-party vendor for SpinCo and to maintain any pricing discounts or other preferential terms for both Nuance and SpinCo for a reasonable term. Neither Party shall be liable for failure to obtain such pricing discounts or other preferential terms for the other Party. Each Party shall be responsible for any additional premiums, charges, or administrative fees that such Party may incur pursuant to this Section 6.08.

## **ARTICLE 7 LONG-TERM DISABILITY EMPLOYEES**

Section 7.01. SpinCo LTD Employees. Notwithstanding any provisions of this Agreement to the contrary, the terms and conditions of employment related to SpinCo LTD Employees, including issues related to Benefit Plans, shall be as set forth on Schedule 7.01.

## **ARTICLE 8 DEFINED BENEFIT PENSION PLANS**

Section 8.01. Non-U.S. Pension Plans. Liabilities for vested and unvested benefits relating to SpinCo Employees and Former SpinCo Employees, under each non-U.S. defined benefit pension plan sponsored by Nuance or a member of the Nuance Group or SpinCo or a member of the SpinCo Group shall be addressed as set forth on Schedule 8.01.

## **ARTICLE 9 DEFINED CONTRIBUTION PLANS**

Section 9.01. SpinCo 401(k) Plan. Effective as of a date no later than the Distribution Date (the "Applicable 401(k) Date"), SpinCo shall establish a defined contribution plan that includes a qualified cash or deferred arrangement within the meaning of Section 401(k) of the Code (the "SpinCo 401(k) Plan") providing benefits to the SpinCo Employees participating in any qualified cash or deferred arrangement within the meaning of Section 401(k) of the Code sponsored by any member of the Nuance Group (collectively, the "Nuance 401(k) Plan") as of the Distribution.

Section 9.02. 401(k) Plan-to-Plan Transfer. As of a date determined by Nuance and SpinCo following the Applicable 401(k) Date (the "Transfer Date"), Nuance will cause the transfer of an amount representing the entire account balances (including outstanding loans) of the SpinCo Employees actively employed as of the Transfer Date who participated in the Nuance 401(k) Plan immediately prior to the Transfer Date determined as of the plan valuation date coinciding with or next preceding the Transfer Date, together with the actual return thereon from such valuation date to the Transfer Date, to the trustee of the SpinCo 401(k) Plan.

Section 9.03. Employer 401(k) Plan Contributions. The Nuance Group shall remain responsible for making all employer contributions under the Nuance 401(k) Plan with respect to any SpinCo Employees or Former SpinCo Employees relating to periods prior to the Applicable

401(k) Date; provided, that, prior to the Transfer Date, the Nuance Group shall make all employer contributions with respect to such SpinCo Employee or Former SpinCo Employee required under the Nuance 401(k) Plan for periods of time prior to the Applicable 401(k) Date. On and after the Applicable 401(k) Date, the SpinCo Group shall be responsible for all employer contributions under the SpinCo 401(k) Plan with respect to any SpinCo Employees or Former SpinCo Employees.

Section 9.04. Limitation of Liability. For the avoidance of doubt, Nuance shall have no responsibility for any failure of SpinCo to properly administer the SpinCo 401(k) Plan in accordance with its terms and applicable Law, including any failure to properly administer the accounts of SpinCo Employees and their respective beneficiaries, including accounts transferred over in accordance with Section 9.02, in such SpinCo 401(k) Plan.

Section 9.05. Non-U.S. Defined Contribution Plans. Except as otherwise provided on Schedule 9.05, the treatment of each Nuance Benefit Plan that is a defined contribution plan for the benefit of employees outside of the United States and in which any SpinCo Employee, SpinCo LTD Employee, or Former SpinCo Employee participates (each, a "Non-U.S. DC Plan") shall be governed by the applicable Local Agreement; provided, that if a Local Agreement does not address the treatment of an applicable Non-U.S. DC Plan, then Nuance and SpinCo shall use commercially reasonable efforts to cause such Non-U.S. DC Plan to be treated in a manner that is consistent with applicable Law and, to the extent practicable, the general principles of this ARTICLE 9.

## **ARTICLE 10 ACCRUED LEAVE**

Section 10.01. Vacation, Holidays, Annual Leave, and Other Leaves. On the applicable Welfare Plan Date, the SpinCo Group shall assume and be solely responsible for all Liabilities for vacation, holiday, annual leave, and/or other leave accruals and benefits with respect to each SpinCo Employee; provided, however, that (a) for purposes of determining the number of vacation, holiday, annual leave, or other leave days to which such employee shall be entitled following the applicable Welfare Plan Date, SpinCo and its Subsidiaries shall assume and honor all such days accrued or earned but not yet taken by such employee, if any, as of the applicable Welfare Plan Date, and (b) to the extent that such employee is entitled under any applicable Law or any policy of his or her respective employer that is a member of the Nuance Group, as the case may be, to be paid for any vacation, holiday, annual leave, or other leave days accrued or earned but not yet taken by such employee as of the applicable Welfare Plan Date, SpinCo shall assume and be solely responsible for the Liability to pay for such days.

## **ARTICLE 11 EQUITY COMPENSATION**

Section 11.01. SpinCo Equity Incentive Plan. Prior to the Distribution, Nuance shall cause SpinCo to adopt an equity incentive plan or program, to be effective immediately prior to the Distribution (the "SpinCo Equity Incentive Plan"), and Nuance shall approve the SpinCo Equity Incentive Plan and a form of restricted stock unit award agreement for use thereunder (the "SpinCo Award Agreement") as the sole stockholder of SpinCo.

Section 11.02. Treatment of Outstanding Nuance Options. Each Nuance Option shall be adjusted effective as of the Distribution as follows: (i) the number of shares of Nuance Common Stock subject to each such Nuance Option shall be equal to the product of (x) the number

of shares of Nuance Common Stock subject to such Nuance Option immediately prior to the Distribution and (y) the Nuance Equity Conversion Ratio, with any fractional shares subject to each such Nuance Option following such adjustment rounded down to the nearest whole share and (ii) the per-share exercise price of each such Nuance Option shall be equal to the quotient of (x) the per-share exercise price of such Nuance Option immediately prior to the Distribution divided by (y) the Nuance Equity Conversion Ratio, rounded up to the nearest whole cent. Such adjustment shall be determined in a manner consistent with the requirements of Sections 409 and 424 of the Code and the regulations thereunder, to the extent applicable. Following the Distribution, each such Nuance Option, as adjusted in accordance with this Section 11.02, shall remain outstanding and subject to its respective terms and provisions.

Section 11.03. Treatment of Outstanding Nuance Restricted Stock Units Held by SpinCo Employees.

(a) Each Nuance Restricted Stock Unit held by a SpinCo Employee as of immediately prior to Distribution that is scheduled to vest in accordance with its terms on or before November 30, 2019, shall vest in full as of immediately prior to the Distribution, subject in all events to the occurrence of the Distribution.

(b) Each Nuance Restricted Stock Unit that is outstanding and held by a SpinCo Employee as of immediately prior to the Distribution that is scheduled to vest in accordance with its terms after November 30, 2019, shall be forfeited in accordance with its terms as of the Distribution (as a result of the SpinCo Employee's termination of employment with Nuance and its Subsidiaries) or otherwise canceled. On or as soon as reasonably practicable following the Distribution Date, subject to the SpinCo Employee's continued employment with a member of the SpinCo Group, each SpinCo Employee whose Nuance Restricted Stock Units were forfeited or canceled in connection with the Distribution shall be granted restricted stock units to be settled in SpinCo Common Stock ("SpinCo Restricted Stock Units") issued under the SpinCo Equity Incentive Plan and shall be subject to terms and conditions of the SpinCo Equity Incentive Plan and a restricted stock unit award agreement substantially in the form of the SpinCo Award Agreement. The number of SpinCo Restricted Stock Units that will be granted to each such SpinCo Employee shall be no fewer than the product of (x) the number of Nuance Restricted Stock Units held by such SpinCo Employee immediately prior to the Distribution that were forfeited or canceled in accordance with this Section 11.03(b) and (y) the SpinCo Equity Conversion Ratio, with any fractional shares (after aggregating all such SpinCo Restricted Stock Units) rounded down to the nearest whole share.

Section 11.04. Treatment of Outstanding Nuance Restricted Stock Units Held by Individuals Other Than SpinCo Employees. Each Nuance Restricted Stock Unit not covered by Section 11.02 shall be adjusted as of the Distribution Date into a number of Nuance Restricted Stock Units equal to the product of (x) the number of Nuance Restricted Stock Units subject to the award immediately prior to the Distribution and (y) the Nuance Equity Conversion Ratio, with any fractional shares subject to each such Nuance Restricted Stock Unit following such adjustment rounded down to the nearest whole share. Following the Distribution, each such Nuance Restricted Stock Unit, as adjusted in accordance with this Section 11.04, shall remain outstanding and subject to its respective terms and provisions.

Section 11.05. Treatment of Outstanding Nuance Performance Stock Units Held by SpinCo Employees.

(a) Each Nuance Performance Stock Unit held by a SpinCo Employee as of immediately prior to the Distribution that is scheduled to vest based on relative total shareholder return metrics to be measured as of November 6, 2019 (each, a “Canceled Nuance Performance Stock Unit”), shall be forfeited in accordance with its terms as of the Distribution (as a result of the SpinCo Employee’s termination of employment with Nuance and its Subsidiaries) or otherwise canceled, and in consideration of such forfeiture or cancellation, each SpinCo Employee whose Nuance Restricted Stock Units were forfeited in connection with the Distribution shall be granted the right to receive from SpinCo a cash payment equal to the product of (x) the number of shares of Nuance Common Stock that would have been earned in respect of such Nuance Performance Stock Unit had such forfeiture or cancellation not occurred (as adjusted as if such Nuance Performance Stock Units remained outstanding in accordance with Section 11.06 below), as determined by the Compensation Committee of Nuance as soon as reasonably practicable following November 6, 2019, pursuant to the terms of the Nuance Performance Stock Unit as in effect immediately prior to such forfeiture or cancellation, multiplied by (y) the closing price of Nuance Common Stock on the day prior to the Distribution Date. SpinCo shall assume all Liabilities with respect to the cash payment obligation described in this Section 11.05(a), and shall pay such amounts as soon as practicable, but in no event more than thirty (30) days, following Nuance’s delivering to SpinCo its determination of the extent to which the applicable performance criteria were achieved. For the avoidance of doubt, if a SpinCo Employee’s employment terminates prior to the payment of the cash payment contemplated by this Section 11.05(a) in respect of his or her Canceled Nuance Performance Stock Unit under circumstances that would have caused a forfeiture of the Nuance Performance Stock Unit as in effect immediately prior to its cancellation, no such payment shall be due to such SpinCo Employee.

(b) Each Nuance Performance Stock Unit held by a SpinCo Employee as of immediately prior to the Distribution that is scheduled to vest based on relative total shareholder return metrics to be measured after November 6, 2019, shall be forfeited in accordance with its terms as of the Distribution (as a result of the SpinCo Employee’s termination of employment with Nuance and its Subsidiaries) or otherwise canceled. On or as soon as reasonably practicable following the Distribution Date, each SpinCo Employee whose Nuance Performance Stock Units were so forfeited or canceled in connection with the Distribution shall be granted SpinCo Restricted Stock Units issued under the SpinCo Equity Incentive Plan and shall be subject to terms and conditions of the SpinCo Equity Incentive Plan and a restricted stock unit award agreement substantially in the form of the SpinCo Award Agreement. The number of SpinCo Restricted Stock Units to which a SpinCo Employee is entitled pursuant to this Section 11.05(b) shall equal the product of (x) the number of Nuance Performance Stock Units that were forfeited or canceled in accordance with this Section 11.05(b) (measured assuming achievement of target performance) and (y) the SpinCo Equity Conversion Ratio, with any fractional shares (after aggregating all such SpinCo Performance Stock Units) rounded down to the nearest whole share.

Section 11.06. Treatment of Outstanding Nuance Performance Stock Units Held by Individuals Other Than SpinCo Employees. Each Nuance Performance Stock Unit not covered by Section 11.05 shall be adjusted as of the Distribution into a number of Nuance Performance Stock Units equal to the product of (x) the number of Nuance Performance Stock Units subject to the award immediately prior to the Distribution and (y) the Nuance Equity Conversion Ratio, with any

fractional shares subject to each such Nuance Performance Stock Unit award following such adjustment rounded down to the nearest whole share. The Compensation Committee of Nuance shall make equitable adjustments to the performance goals for such Nuance Performance Stock Units to reflect the Distribution as it deems appropriate under the terms of the Nuance Equity Plans.

Section 11.07. Nuance ESPP. The administrator of the Nuance ESPP shall take all actions necessary and appropriate to provide that (i) SpinCo Employees in the Nuance ESPP shall not be eligible to participate in any future Purchase Periods that begin following the Distribution Date and (ii) any cash remaining in the Nuance ESPP account of any SpinCo Employee after the Distribution shall be refunded to such SpinCo Employee without interest as soon as administratively practicable.

Section 11.08. Establishment of the SpinCo ESPP. Prior to the Distribution, Nuance shall cause SpinCo to adopt an employee stock purchase plan, to be effective immediately prior to the Distribution (the "SpinCo ESPP"), and Nuance shall approve the SpinCo ESPP as the sole stockholder of SpinCo.

Section 11.09. Tax Reporting and Withholding for Equity-Based Awards. Unless otherwise required by applicable Law, (a) Nuance (or one of its Subsidiaries) will be responsible for all income, payroll, fringe benefit, social security, payment-on-account, and other Tax reporting relating to income of or otherwise owed by Nuance Employees, Former Nuance Employees, or Former SpinCo Employees from equity-based awards granted to such employees by Nuance and, with respect to awards subject to Section 11.03(a), SpinCo Employees, (b) SpinCo (or one of its Subsidiaries) will be responsible for all income, payroll, fringe benefit, social, payment-on-account, and other Tax reporting related to or otherwise owed on income of SpinCo Employees from SpinCo equity-based awards described in this ARTICLE 11 and the cash payment described in Section 11.05(a), (c) Nuance (or one of its Subsidiaries) shall be responsible for remitting applicable Tax withholdings and related payments for equity awards granted by Nuance and held by Nuance Employees, Former Nuance Employees, Former SpinCo Employees, and with respect to awards subject to Section 11.03(a), SpinCo Employees, to each applicable taxing authority, and (d) SpinCo (or one of its Subsidiaries) shall be responsible for remitting applicable Tax withholdings and related payments for SpinCo equity awards described in this ARTICLE 11 and the cash payment described in Section 11.05(a) to each applicable taxing authority. In all cases, Nuance and SpinCo (and any applicable Nuance Subsidiary and SpinCo Subsidiary) agree to cooperate to ensure that such obligations are met. Nuance and SpinCo agree to enter into any necessary agreements regarding the subject matter of this Section 11.09 to enable Nuance and SpinCo (and any applicable Nuance and SpinCo Subsidiaries) to fulfill their respective obligations hereunder and under applicable Law.

Nuance will be responsible for all income, payroll, fringe benefit, social security, payment-on account, and other Tax reporting relating to or otherwise owed on income of its nonemployee directors arising from equity-based awards granted by Nuance.

Section 11.10. Nuance and SpinCo Income Tax Deductions in Respect of Certain Equity Awards and Compensation. Unless otherwise required by applicable Law, solely the member of the Group for which the relevant individual is currently employed or, if such individual is not currently employed by a member of the Group, was most recently employed, in either case, at the time of the vesting, exercise, disqualifying disposition, payment or other relevant taxable event, as appropriate, in respect of equity awards and other compensation shall be entitled to claim any

income tax deduction in respect of such equity awards and other compensation on its respective tax return associated with such event; provided, that, notwithstanding the foregoing, Nuance (or the applicable member of the Nuance Group) shall be entitled to claim any income tax deduction associated with the exercise of any Nuance Option covered by Section 11.02.

Section 11.11. Compliance. For purposes of this ARTICLE 11, and notwithstanding the use of the phrase “substantially similar” or anything else to the contrary throughout this article, Nuance and SpinCo reserves the right to impose other requirements or different terms and conditions on the any Nuance or SpinCo equity awards and SpinCo stock incentive compensation plans, or to treat the equity awards in a different manner, to the extent that either of them determines it is necessary or advisable for legal or administrative reasons, including for compliance with non-U.S. laws and regulations and to mitigate the potential impact of non-U.S. tax consequences on the equity awards.

## **ARTICLE 12 NON-U.S. EMPLOYEES**

### Section 12.01. Transfer of Non-U.S. Employees.

(a) Automatic Transfer Employees shall not be terminated upon the Local Transfer Date or Delayed Transfer Date, as applicable; rather, such employees and the rights, powers, duties, liabilities, and obligations of the current employer with respect to such employees in respect of the terms of employment with the employees in force immediately before the applicable Local Transfer Date or Delayed Transfer Date, as applicable, shall be transferred to the applicable Destination Employer but only to the extent required by, and only then in accordance with, applicable Law.

(b) For Non-U.S. Employees who are not Automatic Transfer Employees, the Destination Employer shall offer employment to each such employee effective on the applicable Local Transfer Date, or, if applicable, the Delayed Transfer Date, or as otherwise agreed between Nuance and SpinCo, (a) at the employee’s same general location, and (b) with same base salary as is in effect immediately prior to the Local Transfer Date or, if applicable, the Delayed Transfer Date, and (c) otherwise on terms and conditions that are substantially similar terms and conditions in the aggregate as those that were in effect immediately prior to the Local Transfer Date or, if applicable, the Delayed Transfer Date.

Section 12.02. Treatment of Non-U.S. Employees. Except as otherwise agreed by the Parties or as set forth in this Agreement or a Local Agreement, Nuance Employees and SpinCo Employees who reside outside of the United States or are otherwise subject to non-U.S. Law (“Non-U.S. Employees”) and their related benefits and Liabilities shall be treated under this Agreement in the same manner as the Nuance Employees and SpinCo Employees, respectively, who are residents of the United States and are not subject to non-U.S. Law; provided, that, notwithstanding anything to the contrary in this Agreement, all actions taken with respect to such Non-U.S. Employees shall be subject to and accomplished in accordance with applicable Law in the custom of the applicable jurisdictions and may be effectuated by implementation of a Local Agreement. In the case of a conflict between the terms and provisions of this Agreement and a Local Agreement, the terms and provisions of such Local Agreement shall control.



**ARTICLE 13**  
**COOPERATION; ACCESS TO INFORMATION; LITIGATION; CONFIDENTIALITY**

Section 13.01. Cooperation. Following the date of this Agreement, the Parties shall, and shall cause their respective Subsidiaries to, use commercially reasonable efforts to cooperate with respect to any employee compensation or benefits matters that either Party reasonably determines require the cooperation of the other Party in order to accomplish the objectives of this Agreement. Without limiting the generality of the preceding sentence, (a) Nuance, SpinCo, and their respective Subsidiaries shall cooperate in connection with any audits of any Benefit Plan with respect to which such Party may have Information, (b) Nuance, SpinCo, and their respective Subsidiaries shall cooperate in connection with any audits of their respective payroll services (whether by a Governmental Authority in the United States or otherwise) in connection with the services provided by one Party to the other Party, and (c) Nuance, SpinCo, and their respective Subsidiaries shall cooperate in good faith in connection with the notification and consultation with labor unions and other employee representatives of employees of the Nuance Group and the SpinCo Group. With respect to each Benefit Plan, the obligations of the Nuance Group and the SpinCo Group to cooperate pursuant to this Section 13.01 or any other provision of this Agreement shall remain in effect until the latest of (i) the date on which all audits of such Benefit Plan with respect to which a Party may have Information have been completed, (ii) the date the applicable statute of limitations with respect to such audits has expired, and (iii) the date on which the Nuance Group discharges all obligations to SpinCo Employees, Former SpinCo Employees, and their respective beneficiaries under such Benefit Plan.

Section 13.02. Access to Information; Privilege; Confidentiality. Except as would be inconsistent with Section 13.01 or any other provision of this Agreement relating to cooperation, Article VII of the Separation Agreement is hereby incorporated into this Agreement *mutatis mutandis*.

**ARTICLE 14**  
**TERMINATION**

Section 14.01. Termination. This Agreement may be terminated by Nuance at any time, in its sole discretion, prior to the Distribution; provided, however, that this Agreement shall automatically terminate upon the termination of the Separation Agreement in accordance with its terms.

Section 14.02. Effect of Termination. In the event of any termination of this Agreement prior to the Distribution, none of the Parties (or any of its directors or officers) shall have any Liability or further obligation to any other Party under this Agreement.

**ARTICLE 15**  
**MISCELLANEOUS**

Section 15.01. Incorporation of Indemnification Provisions of Separation Agreement. In addition to the specific indemnification provisions in this Agreement, Article VI of the Separation Agreement is hereby incorporated into this Agreement *mutatis mutandis*.

Section 15.02. Additional Indemnification. If the Parties determine that SpinCo is unable to establish any SpinCo Benefit Plan as of the applicable Local Transfer Date (or the applicable Welfare Plan Date, if applicable) that it is required under this Agreement to establish by such date, then SpinCo shall indemnify, defend, and hold harmless each of the Nuance Indemnitees from and against any and all Liabilities of the Nuance Indemnitees relating to, arising out of, or resulting from participation by any SpinCo Employee, SpinCo LTD Employee, or Former SpinCo Employee on or after the applicable Local Transfer Date (or the applicable Welfare Plan Date) in any such Nuance Benefit Plan due to the failure to timely establish such SpinCo Benefit Plan or Plans. In addition, SpinCo shall indemnify, defend, and hold harmless each of the Nuance Indemnitees from and against any and all Liabilities of the Nuance Indemnitees relating to, arising out of, or resulting from any claim by any SpinCo Employee, SpinCo LTD Employee, or Former SpinCo Employee that Nuance or any other member of the Nuance Group is a “joint employer” or “co-employer” (or term of similar meaning under applicable Law) with SpinCo or any other member of the SpinCo Group of any such SpinCo Employee, SpinCo LTD Employee, or Former SpinCo Employee on or after the Distribution Date (including, except as otherwise specifically provided in this Agreement or the TSA, with respect to a claim that any of the foregoing are entitled to participate in any Nuance Benefit Plan at any time on or after the Distribution Date).

Section 15.03. Further Assurances. Article IX of the Separation Agreement is hereby incorporated into this Agreement *mutatis mutandis*.

Section 15.04. Administration. SpinCo hereby acknowledges that Nuance has provided or will provide administration services for certain SpinCo Benefit Plans, and SpinCo agrees to assume responsibility for the administration and administration costs of such plans and each other SpinCo Benefit Plan. The Parties shall cooperate in good faith to complete such transfer of responsibility on commercially reasonable terms and conditions effective no later than the Distribution or the applicable Welfare Plan Date or Workers’ Compensation Claim Date.

Section 15.05. Third-Party Beneficiaries. Except as otherwise may be provided in the Separation Agreement with respect to the rights of any Nuance Indemnitee or SpinCo Indemnitee, (a) the provisions of this Agreement are solely for the benefit of the Parties and are not intended to confer any rights or remedies hereunder upon any Person except the Parties and (b) there are no third-party beneficiaries of this Agreement, and this Agreement shall not provide any third party with any remedy, claim, liability, reimbursement, cause of action, or other right.

Section 15.06. Employment Tax Reporting Responsibility. To the extent applicable, the Parties hereby agree to follow the alternate procedure for U.S. employment tax withholding as provided in Section 5 of Rev. Proc. 2004-53, I.R.B. 2004-35.

Section 15.07. Data Privacy. The Parties agree that any applicable data privacy Laws and any other obligations of the SpinCo Group and the Nuance Group to maintain the confidentiality of any Information relating to employees in accordance with applicable Law shall govern the disclosure of Information relating to employees among the Parties under this Agreement. Nuance and SpinCo shall ensure that they each have in place appropriate technical and organizational security measures to protect the personal data of the SpinCo Employees and Former SpinCo Employees. Additionally, each Party shall sign any documentation as may be required to comply with applicable data privacy Laws.

Section 15.08. Section 409A. Nuance and SpinCo shall cooperate in good faith and use reasonable best efforts to ensure that the transactions contemplated by the Separation Agreement and the Ancillary Agreements, including this Agreement, will not result in adverse tax consequences under Section 409A of the Code to any Nuance Employee, Former Nuance Employee, SpinCo Employee, or Former SpinCo Employee (or any of their respective beneficiaries), in respect of their respective benefits under any Benefit Plan.

Section 15.09. Confidentiality.

(a) Each of Nuance and SpinCo, on behalf of itself and each Person in its respective Group, shall, and shall cause its respective directors, officers, employees, agents, accountants, counsel, and other advisors and representatives to, hold in strict confidence and not release or disclose, with at least the same degree of care, that it applies to its own confidential and proprietary Information pursuant to policies in effect as of the Distribution, but no less than a reasonable degree of care, all Information concerning the other Group or its business that is either in its possession (including Information in its possession prior to the Distribution) or furnished by the other Group or its respective directors, officers, employees, agents, accountants, counsel, and other advisors and representatives at any time pursuant to this Agreement and shall not use any such Information other than for such purposes as shall be expressly permitted hereunder, except, in each case, to the extent that such Information is (i) in the public domain through no fault of any member of the Nuance Group or the SpinCo Group, as applicable, or any of its respective directors, officers, employees, agents, accountants, counsel, or other advisors and representatives, (ii) later lawfully acquired from other sources by any of Nuance, SpinCo, or its respective Group, directors, officers, employees or agents, accountants, counsel, or other advisors and representatives, as applicable, which sources are not, to the knowledge of any of Nuance, SpinCo, or Persons in its respective Group, themselves bound by a confidentiality obligation regarding such Information, (iii) independently generated without reference to any proprietary or confidential Information of the Nuance Group or the SpinCo Group, as applicable, or (iv) required to be disclosed by applicable Law; provided, however, that the Person required to disclose such Information gives the applicable Person prompt and, to the extent reasonably practicable, prior notice of such disclosure and an opportunity to contest such disclosure and shall use commercially reasonable efforts to cooperate, at the expense of the requesting Person, in seeking any reasonable protective arrangements requested by such Person. If such appropriate protective order or other remedy is not obtained, the Person that is required to disclose such Information shall furnish, or cause to be furnished, only that portion of such Information that is legally required to be disclosed and shall take commercially reasonable steps to ensure that confidential treatment is accorded such Information. Notwithstanding the foregoing, each of Nuance and SpinCo may release or disclose, or permit to be released or disclosed, any such Information concerning the other Group (A) to their respective directors, officers, employees, agents, accountants, counsel, and other advisors and representatives who need to know such Information (who shall be advised of the obligations hereunder with respect to such Information) and (B) to any nationally recognized statistical rating agency as it reasonably deems necessary, solely for the purpose of obtaining a rating of securities upon normal terms and conditions; provided, however, that the Party whose Information is being disclosed or released to such rating agency is promptly notified thereof.

(b) Without limiting the foregoing, when any Information concerning the other Group or its business is no longer needed for the purposes contemplated by this Agreement, the applicable Party shall, promptly after request of the other Party, either return all Information in a

tangible form (including all copies thereof and all notes, extracts, or summaries based thereon) or certify to the other Party, as applicable, that it has destroyed such Information (and used commercially reasonable efforts to destroy all such Information electronically preserved or recorded within any computerized data storage device or component (including any hard-drive or database)).

Section 15.10. Additional Provisions. Article XI of the Separation Agreement is hereby incorporated into this Agreement *mutatis mutandis*.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives.

NUANCE COMMUNICATIONS, INC.

By: \_\_\_\_\_  
Name:  
Title:

CERENCE INC.

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Employee Matters Agreement]

INTELLECTUAL PROPERTY AGREEMENT

by and between

Nuance Communications, Inc.

and

Cerence Inc.

Dated as of

TABLE OF CONTENTS

		<u>Page</u>
	ARTICLE I DEFINITIONS	
Section 1.01.	Definitions	1
	ARTICLE II RECORDATION OF INTELLECTUAL PROPERTY RIGHTS ASSIGNMENT AGREEMENTS	
Section 2.01.	Intellectual Property Assignment Agreements	5
Section 2.02.	Recordation	5
Section 2.03.	Security Interests	5
	ARTICLE III LICENSES AND COVENANTS FROM NUANCE TO SPINCO	
Section 3.01.	License Grants	6
Section 3.02.	Other Covenants	7
	ARTICLE IV LICENSES AND COVENANTS FROM SPINCO TO NUANCE	
Section 4.01.	License Grants	8
Section 4.02.	Other Covenants	9
	ARTICLE V ADDITIONAL INTELLECTUAL PROPERTY RELATED MATTERS	
Section 5.01.	Ownership	10
Section 5.02.	Assignments and Licenses	10
Section 5.03.	No Implied Rights	10
Section 5.04.	No Obligation To Prosecute or Maintain Patents	10
Section 5.05.	No Technical Assistance	10
Section 5.06.	Group Members	10
	ARTICLE VI CONFIDENTIAL INFORMATION	
Section 6.01.	Confidentiality	10
Section 6.02.	Disclosure of Confidential Technical Information	11
Section 6.03.	Compulsory Disclosure of Confidential Technical Information	11
	ARTICLE VII LIMITATION OF LIABILITY AND WARRANTY DISCLAIMER	

Section 7.01.	Limitation on Liability	11
Section 7.02.	Disclaimer of Representations and Warranties	11
ARTICLE VIII TRANSFERABILITY AND ASSIGNMENT		
Section 8.01.	No Assignment or Transfer Without Consent	12
Section 8.02.	Divested Businesses	12
ARTICLE IX TERMINATION		
Section 9.01.	Termination by Both Parties	13
Section 9.02.	Termination prior to the Distribution	13
Section 9.03.	Effect of Termination; Survival	13
ARTICLE X FURTHER ASSURANCES		
Section 10.01.	Further Assurances	13
ARTICLE XI MISCELLANEOUS		
Section 11.01.	Counterparts; Entire Agreement; Corporate Power	14
Section 11.02.	Dispute Resolution	14
Section 11.03.	Governing Law; Jurisdiction	15
Section 11.04.	Waiver of Jury Trial	15
Section 11.05.	Court-Ordered Interim Relief	15
Section 11.06.	Specific Performance	16
Section 11.07.	Third-Party Beneficiaries	16
Section 11.08.	Notices	16
Section 11.09.	Import and Export Control	17
Section 11.10.	Bankruptcy	17
Section 11.11.	Severability	18
Section 11.12.	Expenses	18
Section 11.13.	Headings	18
Section 11.14.	Survival of Covenants	18
Section 11.15.	Waivers of Default	18
Section 11.16.	Amendments	18
Section 11.17.	Interpretation	19
SCHEDULE A	– Fields of Use	
SCHEDULE B	– Nuance Data	
SCHEDULE C	– SpinCo Data	
SCHEDULE D	– SpinCo Patents	
SCHEDULE E	– SpinCo IDs	
SCHEDULE F	– SpinCo Trademarks	



---

SCHEDULE G	–	SpinCo Domain Names
SCHEDULE H	–	Technology Assets
SCHEDULE I	–	OEM Technology
EXHIBIT A1	–	Patent Assignment Agreement
EXHIBIT A2	–	Trademark Assignment Agreement
EXHIBIT A3	–	Domain Name Assignment Agreement
EXHIBIT A4	–	Invention Disclosure Assignment Agreement

INTELLECTUAL PROPERTY AGREEMENT, dated as of , 2019 (this "Agreement"), by and between NUANCE COMMUNICATIONS, INC., a Delaware corporation ("Nuance"), and CERENCE INC., a Delaware corporation ("SpinCo").

## RECITALS

WHEREAS, in connection with the contemplated Spin-Off of SpinCo and concurrently with the execution of this Agreement, Nuance and SpinCo are entering into a Separation and Distribution Agreement (the "Separation Agreement");

WHEREAS, pursuant to the Separation Agreement and the other Ancillary Agreements, as of the Distribution Date, the Nuance IP has been allocated to the Nuance Group and the SpinCo IP has been allocated to the SpinCo Group;

WHEREAS, the Parties wish to record the transfers of any registrations or applications of Nuance IP and SpinCo IP, as applicable, to the extent the ownership thereof has transferred from a member of the Nuance Group to a member of the SpinCo Group, or vice versa, pursuant to the Separation Agreement or any other Ancillary Agreement;

WHEREAS, pursuant to the Separation Agreement and the other Ancillary Agreements, as of the Distribution Date, the Nuance IP allocated to the Nuance Group includes the Nuance Patents, the Nuance Shared Technology Assets and the Nuance Data, and the SpinCo IP allocated to the SpinCo Group includes the SpinCo Patents, the SpinCo Shared Technology Assets and the SpinCo Data;

WHEREAS, it is the intent of the Parties that Nuance grant a license to SpinCo under the Nuance Patents and the Nuance Shared Technology Assets, and provide certain rights or services to the SpinCo Group with respect to the Nuance Data, in each case for the SpinCo Field of Use, subject to the terms and conditions set forth in this Agreement; and

WHEREAS, it is the intent of the Parties that SpinCo grant a license to Nuance under the SpinCo Patents and the SpinCo Shared Technology Assets, and provide certain rights or services to the Nuance Group with respect to certain of the SpinCo Data, in each case for the Nuance Field of Use, subject to the terms and conditions set forth in this Agreement.

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

## ARTICLE I DEFINITIONS

Section 1.01. Definitions. As used in this Agreement, the following terms have the meanings set forth below and herein, and the terms defined in Schedules shall have the meanings set forth therein. Capitalized terms used, but not defined in this Agreement shall have the meanings ascribed to such terms in the Separation Agreement or any other Ancillary Agreement, as applicable.

“Bankruptcy Code” has the meaning set forth in Section 11.10.

“Confidential Technical Information” means, with respect to each Disclosing Party, any confidential Data, Trade Secrets or Technology source code within the Nuance IP or SpinCo IP, as applicable, that is in the Receiving Party’s possession or that the Receiving Party obtains pursuant to the terms of this Agreement, together with any tangible or electronic expressions or embodiments thereof; provided, that “Confidential Technical Information” shall not include information that is or was (i) publicly known at the time of disclosure or thereafter without any breach of this Agreement by the Receiving Party or its Group or (ii) subsequently made known to the Receiving Party or its Group from a source unconnected with either Party or its Group.

“Copyrights” means copyrights, works of authorship (including all translations, adaptations, derivations and combinations thereof), mask works, designs and database rights, including, in each case, any registrations and applications therefor.

“Data” means all data, databases and collections and compilations of data, in any form or medium.

“Disclosing Party” means each Party in its capacity as the discloser of Confidential Technical Information, as applicable.

“Divested Entity” has the meaning set forth in Section 8.02.

“Domain Name Assignment Agreement” has the meaning set forth in Section 2.01.

“Domain Names” means Internet domain names, including top level domain names and global top level domain names, URLs, social media identifiers, handles and tags.

“Intellectual Property Assignment Agreements” has the meaning set forth in Section 2.01.

“Intellectual Property Rights” or “IPR” means any and all intellectual property rights existing anywhere in the world associated with any and all (i) Patents, (ii) Trademarks, (iii) Copyrights, (iv) Domain Names, (v) rights in Technology, (vi) rights in Trade Secrets, (vii) rights in Data, (viii) all tangible embodiments of the foregoing in whatever form or medium and (ix) any other legal protections and rights related to any of the foregoing. “Intellectual Property Rights” specifically excludes contractual rights (including license grants from third parties).

“Invention Disclosure Assignment Agreement” has the meaning set forth in Section 2.01.

“Nuance Data” means any Data that is (i) owned by a Third Party and licensed to the Nuance Group as of immediately prior to the Distribution pursuant to a Nuance Data Agreement or (ii) owned by the Nuance Group as of immediately prior to the Distribution but subject to a Nuance Data Agreement, in each case (i) and (ii), which Data is used in the SpinCo Business as of immediately prior to the Distribution.

“Nuance Data Agreement” means each Contract identified in Schedule B.

“Nuance Field of Use” has the meaning set forth in Schedule A.

“Nuance IP” means all Intellectual Property Rights owned by the Nuance Group or the SpinCo Group as of immediately prior to the Distribution, other than the SpinCo IP.

“Nuance Patents” means all Patents included within the Nuance IP.

“Nuance Shared Technology Assets” means (i) the Nuance Technology Assets identified on Schedule H-2 and (ii) any other Nuance Technology Assets not identified on Schedule H-2 that are used in the SpinCo Business as of immediately prior to the Distribution; provided that the “Nuance Shared Technology Assets” exclude any OEM Technology.

“Nuance Technology Assets” means all of the Technology owned by the Nuance Group or the SpinCo Group as of immediately prior to the Distribution, excluding the SpinCo Technology Assets. For the avoidance of doubt, the “Nuance Technology Assets” include the Technology identified on Schedule H-1.

“Nuance Trademarks” means the Trademarks included in the Nuance IP.

“OEM Technology” means the Technology identified on Schedule I, each of which shall be subject to a separate agreement.

“Party” means either party hereto, and “Parties” means both parties hereto.

“Patent Assignment Agreement” has the meaning set forth in Section 2.01.

“Patents” means patents (including all reissues, divisionals, continuations, continuations-in-part, reexaminations, supplemental examinations, inter partes review, post-grant oppositions, covered business methods reviews, substitutions and extensions thereof), patent registrations and applications, including provisional applications, statutory invention registrations, invention disclosures and inventions.

“Permitted Recipients” has the meaning set forth in Section 6.02.

“Receiving Party” means each Party in its capacity as the recipient of Confidential Technical Information, as applicable.

“Software” means any and all (i) computer programs and applications, including any and all software implementations of algorithms, models and methodologies, whether in source code, object code, human readable form or other form, including operating software, network software, firmware, middleware, design software, design tools, ASP, HTML, DHTML, SHTML and XML files, cgi and other scripts, APIs and web widgets, (ii) descriptions, flow charts and other work product used to design, plan, organize and develop any of the foregoing, screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons, (iii) all documentation including user manuals and other training documentation related to any of the foregoing and (iv) all tangible embodiments of the foregoing in whatever

form or medium now known or yet to be created, including all disks, diskettes and tapes; provided, that “Software” does not include Data.

“SpinCo Copyrights” means unregistered Copyrights that are owned by the Nuance Group or the SpinCo Group and exclusively related to the SpinCo Business as of immediately prior to the Distribution; provided, that the “SpinCo Copyrights” do not include any Technology or SpinCo Data.

“SpinCo Data” means any Data that is (i) owned by a Third Party and licensed to the Nuance Group or SpinCo Group as of immediately prior to the Distribution pursuant to a SpinCo Data Agreement or (ii) owned by the Nuance Group or SpinCo Group as of immediately prior to the Distribution but subject to a SpinCo Data Agreement and (iii) Data owned by the Nuance Group or SpinCo Group and exclusively related to the SpinCo Business as of immediately prior to the Distribution.

“SpinCo Data Agreement” means each Contract identified in Schedule C.

“SpinCo Domain Names” means the Domain Names identified on Schedule G, in each case excluding any Trademarks containing “Nuance” or any transliteration or translation thereof or any version of the “Nuance and Design” logo.

“SpinCo Field of Use” has the meaning set forth in Schedule A.

“SpinCo IDs” means the invention disclosures identified on Schedule E.

“SpinCo IP” means (i) the SpinCo Patents, (ii) the SpinCo Copyrights, (iii) the SpinCo Domain Names, (iv) the SpinCo Trade Secrets, (v) the SpinCo Trademarks, (vi) the SpinCo IDs, (vii) the SpinCo Technology Assets and (viii) the SpinCo Data.

“SpinCo Patents” means the Patents identified on Schedule D.

“SpinCo Shared Technology Assets” means the SpinCo Technology Assets identified on Schedule H-4. For the avoidance of doubt, the “SpinCo Shared Technology Assets” exclude any OEM Technology.

“SpinCo Technology Assets” means the Technology identified on Schedule H-3.

“SpinCo Trade Secrets” means the Trade Secrets known to the Parties that are owned by the Nuance Group or SpinCo Group and exclusively related to the SpinCo Business as of immediately prior to the Distribution; provided, that the “SpinCo Trade Secrets” do not include any Technology or SpinCo Data.

“SpinCo Trademarks” means the Trademarks identified on Schedule F.

“Technology” means Software, technical documentation, specifications, schematics, designs, user interfaces, test reports, bills of material, build instructions, lab notebooks, prototypes, samples, programs, routines, subroutines, tools, materials, apparatus, and all recordings, graphs, drawings, reports, analyses, other writings, disks, diskettes and tapes,

together with all Intellectual Property Rights (other than Patents and Trademarks) in the foregoing.

“Third Party” means any Person (including any Governmental Authority) who is not a member of the Nuance Group or the SpinCo Group.

“Trade Secrets” means all information, in any form or medium, to the extent that the owner thereof has taken reasonable measures to keep such information secret and the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the public.

“Trademark Assignment Agreement” has the meaning set forth in Section 2.01.

“Trademarks” means trademarks, service marks, trade names, logos, slogans, trade dress or other source identifiers, including any registration or any application for registration therefor, together with all goodwill associated therewith.

## ARTICLE II RECORDATION OF INTELLECTUAL PROPERTY RIGHTS ASSIGNMENT AGREEMENTS

Section 2.01. Intellectual Property Assignment Agreements. In order to carry out the intent of the Parties with respect to the recordation of the transfers of any registrations or applications of Nuance IP or SpinCo IP, as applicable, to the extent the ownership thereof has transferred from a member of the Nuance Group to a member of the SpinCo Group, or vice versa, pursuant to the Separation Agreement or any other Ancillary Agreement, the Parties shall execute intellectual property assignments in a form substantially similar to that attached as Exhibit A1 (the “Patent Assignment Agreement”), Exhibit A2 (the “Trademark Assignment Agreement”), Exhibit A3 (the “Domain Name Assignment Agreement”) and Exhibit A4 (the “Invention Disclosure Assignment Agreement”) as well as such additional case specific assignments as deemed appropriate or necessary under applicable Laws (collectively, the “Intellectual Property Assignment Agreements”) for recordation with the appropriate Governmental Authority.

Section 2.02. Recordation. The relevant assignee Party shall have the sole responsibility, at its sole cost and expense, to file the Intellectual Property Assignment Agreements and any other forms or documents with the appropriate Governmental Authorities as required to record the transfer of any registrations or applications of Nuance IP or SpinCo IP that is allocated under the Separation Agreement, as applicable, and the relevant assignor Party hereby consents to such recordation.

Section 2.03. Security Interests. Prior to, on and after the Distribution Date, each Party shall cooperate with the other Party, without any further consideration and at no expense to the other Party, to obtain, cause to be obtained or properly record the release of any outstanding Security Interest attached to any Nuance IP or SpinCo IP that is subject to assignment from one Party or its Group to the other Party or its Group hereunder, as applicable, and to take, or cause to be taken, all actions as the other Party may reasonably be requested to take in order to obtain, cause to be obtained or properly record such release.

**ARTICLE III**  
**LICENSES AND COVENANTS FROM NUANCE TO SPINCO**

Section 3.01. License Grants.

(a) Patents. Subject to the terms and conditions of this Agreement, as of the Distribution Date, Nuance hereby grants to SpinCo and the members of the SpinCo Group a worldwide, non-exclusive, fully paid-up, perpetual and irrevocable, transferable (subject to ARTICLE VIII), sublicensable (subject to Section 3.01(g)) license under the Nuance Patents, solely to the extent that claims of the Nuance Patents cover products or services of the SpinCo Business in the SpinCo Field of Use, together with natural extensions and evolutions thereof, in each case to make, have made, use, sell, offer for sale, import and otherwise exploit such products and services, together with natural extensions and evolutions thereof.

(b) Technology. Subject to the terms and conditions of this Agreement, as of the Distribution Date, Nuance hereby grants to SpinCo and the members of the SpinCo Group a worldwide, non-exclusive, fully paid-up, perpetual and irrevocable, transferable (subject to ARTICLE VIII), sublicensable (subject to Section 3.01(g)) license to install, access, use, reproduce, perform, display, modify (including the right to create improvements and derivative works), further develop, sell, manufacture, distribute and market products and services based on, using or incorporating the Nuance Shared Technology Assets within the SpinCo Field of Use, together with natural extensions and evolutions thereof.

(c) Other Nuance Shared IP. Subject to the terms and conditions of this Agreement, as of the Distribution Date, Nuance hereby grants to SpinCo and the members of the SpinCo Group a worldwide, non-exclusive, fully paid-up, perpetual and irrevocable, transferable (subject to ARTICLE VIII), sublicensable (subject to Section 3.01(g)) license to continue to use any Nuance IP (other than Nuance Patents, Nuance Technology Assets, Nuance Trademarks and Nuance Data), in each case solely as and to the extent that it is used by the SpinCo Group in connection with products and services of the SpinCo Business within the SpinCo Field of Use, together with natural extensions and evolutions thereof.

(d) Trademarks. The Parties acknowledge and agree that no rights are granted to the SpinCo Group in this Agreement with respect to any Trademarks or Domain Names, provided that certain rights and obligations with respect to the use by the SpinCo Group of certain Nuance Trademarks and related Domain Names shall be set forth in the Transitional Trademark License Agreement. To the extent there is a conflict between the terms of this Agreement and the Transitional Trademark License Agreement, the terms of the Transitional Trademark License Agreement shall control.

(e) Nuance Data. The Parties acknowledge and agree that certain rights and obligations with respect to the use or benefit by the SpinCo Group of certain Nuance Data shall be as provided in Schedule B.

(f) OEM Technology. Notwithstanding the foregoing, the Parties acknowledge and agree that this Section 3.01 does not grant any rights or licenses to any OEM Technology, which is subject to certain separate agreements between the Parties, and to the

extent there is a conflict between this Agreement and such separate agreements, such separate agreements shall control.

(g) Sublicenses. The licenses granted in Sections 3.01(a), (b) and (c) to the SpinCo Group include the right to grant sublicenses within the scope of such licenses only to members of the SpinCo Group and, without any further right to sublicense, to their respective (i) contractors, distributors, manufacturers and resellers, in each case solely for the benefit of the SpinCo Business, and (ii) end users and customers, in each case solely in connection with the use of products and services of the SpinCo Business. Notwithstanding the forgoing, subject to Section 3.02(c) and ARTICLE VI, members of the SpinCo Group may only sublicense the Nuance Shared Technology Assets pursuant to terms and conditions as protective as those under which it licenses its own Technology of a similar nature and value, and in any event terms and conditions that provide for commercially reasonable protection for the source code, structure and other confidential and proprietary elements of the Nuance Shared Technology Assets. The SpinCo Group shall remain liable for any breach or default of the applicable terms and conditions of this Agreement by any of its sublicensees.

Section 3.02. Other Covenants.

(a) In furtherance of the licenses granted hereunder, Nuance agrees that, for a period of five (5) years following the Distribution Date, it will not initiate any Action against any member of the SpinCo Group for infringement of any Patent owned by any member of the Nuance Group, in each case with respect to products or services within the SpinCo Field of Use.

(b) SpinCo hereby acknowledges Nuance's right, title and interest in and to the Nuance IP. SpinCo agrees that it will not (i) oppose, challenge, petition to cancel, contest or threaten in any way, or assist another party in opposing, challenging, petitioning to cancel, contesting or threatening in any way, any application or registration by Nuance or its Affiliates or their respective licensees for any Nuance IP, (ii) engage in any act, or purposefully omit to perform any act, that impairs or adversely affects the rights of Nuance or any member of the Nuance Group in and to any Nuance IP or (iii) apply for any registration (including federal, state and national registrations) with respect to the Nuance IP.

(c) With respect to the Nuance Shared Technology Assets, SpinCo agrees that it will not (i) engage in any act, or purposefully omit to perform any act, that impairs or adversely affects the rights of Nuance or any member of the Nuance Group in and to any Nuance Shared Technology Assets, (ii) use the Nuance Shared Technology Assets on a service bureau, time sharing or similar basis, or for the benefit of any other Person, (iii) remove any proprietary markings in the Nuance Shared Technology Assets, (iv) incorporate or otherwise combine or integrate any open source software with or into the Nuance Shared Technology Assets such that the Nuance Shared Technology Assets, or any part thereof, becomes subject to any "open source," "copyleft" or similar type of license terms (including, without limitation, any license that is or was recognized as an open source software license by the Open Source Initiative), (v) reverse engineer, reverse assemble or decompile the Nuance Shared Technology Assets or any software component of the Nuance Shared Technology Assets or (vi) disclose, distribute or otherwise provide or permit access to source code of any Nuance Shared



Technology Assets other than to commercial source code escrow providers who are only permitted to make such source code available to third parties that have entered into an escrow agreement with a member of the SpinCo Group and escrow provider.

**ARTICLE IV  
LICENSES AND COVENANTS FROM SPINCO TO NUANCE**

Section 4.01. License Grants.

(a) Patents. Subject to the terms and conditions of this Agreement, as of the Distribution Date, SpinCo hereby grants to Nuance and the members of the Nuance Group a worldwide, non-exclusive, fully paid-up, perpetual and irrevocable, transferable (subject to ARTICLE VIII), sublicensable (subject to Section 4.01(g)) license under the SpinCo Patents, solely to the extent that claims of the SpinCo Patents cover products or services of the Nuance Business in the Nuance Field of Use, together with natural extensions and evolutions thereof, in each case to make, have made use, sell, offer for sale, import and otherwise exploit such products and services, together with natural extensions and evolutions thereof.

(b) Technology. Subject to the terms and conditions of this Agreement, as of the Distribution Date, SpinCo hereby grants to Nuance and the members of the Nuance Group a worldwide, non-exclusive, fully paid-up, perpetual and irrevocable, transferable (subject to ARTICLE VIII), sublicensable (subject to Section 4.01(g)) license to install, access, use, reproduce, perform, display, modify (including the right to create improvements and derivative works), further develop, sell, manufacture, distribute and market products and services based on, using or incorporating the SpinCo Shared Technology Assets within the Nuance Field of Use, together with natural extensions and evolutions thereof.

(c) Other SpinCo Shared IP. Subject to the terms and conditions of this Agreement, as of the Distribution Date, SpinCo hereby grants to Nuance and the members of the Nuance Group a worldwide, non-exclusive, fully paid-up, perpetual and irrevocable, transferable (subject to ARTICLE VIII), sublicensable (subject to Section 4.01(g)) license to continue to use any SpinCo IP (other than SpinCo Patents, SpinCo Technology Assets, SpinCo Trademarks, SpinCo Domain Names and SpinCo Data), in each case solely as and to the extent that it is used by the Nuance Group in connection with products and services of the Nuance Business within the Nuance Field of Use, together with natural extensions and evolutions thereof.

(d) Trademarks. The Parties acknowledge and agree that no rights are granted to the Nuance Group in this Agreement with respect to any Trademarks or Domain Names.

(e) SpinCo Data. The Parties acknowledge and agree that certain rights and obligations with respect to the use or benefit of the Nuance Group of certain SpinCo Data shall be as provided in Schedule C.

(f) OEM Technology. Notwithstanding the foregoing, the Parties acknowledge and agree that this Section 4.01 does not grant any rights or licenses to any OEM Technology, which is subject to certain separate agreements between the Parties, and to the

extent there is a conflict between this Agreement and such separate agreements, such separate agreements shall control.

(g) Sublicenses. The licenses granted in Sections 4.01(a), (b) and (c) to the Nuance Group include the right to grant sublicenses within the scope of such licenses only to members of the Nuance Group and, without any further right to sublicense, to their respective (i) contractors, distributors, manufacturers and resellers, in each case solely for the benefit of the Nuance Business and (ii) end users and customers, in each case solely in connection with the use of products and services of the Nuance Business. Notwithstanding the forgoing, subject to Section 4.02(c) and ARTICLE VI, members of the Nuance Group may only sublicense the SpinCo Shared Technology Assets pursuant to terms and conditions as protective as those under which it licenses its own Technology of a similar nature and value, and in any event terms and conditions that provide for commercially reasonable protection for the source code, structure and other confidential and proprietary elements of the SpinCo Shared Technology Assets. The Nuance Group shall remain liable for any breach or default of the applicable terms and conditions of this Agreement by any of its sublicensees.

Section 4.02. Other Covenants.

(a) In furtherance of the licenses granted hereunder, SpinCo agrees that, for a period of five (5) years following the Distribution Date, it will not initiate any Action against any member of the Nuance Group for infringement of any Patent owned by any member of the SpinCo Group, in each case with respect to products or services within the Nuance Field of Use.

(b) Nuance hereby acknowledges SpinCo's right, title and interest in and to the SpinCo IP. Nuance agrees that it will not (i) oppose, challenge, petition to cancel, contest or threaten in any way, or assist another party in opposing, challenging, petitioning to cancel, contesting or threatening in any way, any application or registration by SpinCo or its Affiliates or their respective licensees for any SpinCo IP, (ii) engage in any act, or purposefully omit to perform any act, that impairs or adversely affects the rights of SpinCo or any member of the SpinCo Group in and to any SpinCo IP or (iii) apply for any registration (including federal, state and national registrations) with respect to the SpinCo IP.

(c) With respect to the SpinCo Shared Technology Assets, Nuance agrees that it will not (i) engage in any act, or purposefully omit to perform any act, that impairs or adversely affects the rights of SpinCo or any member of the SpinCo Group in and to any SpinCo Shared Technology Assets, (ii) use the SpinCo Shared Technology Assets on a service bureau, time sharing or similar basis, or for the benefit of any other Person, (iii) remove any proprietary markings in the SpinCo Shared Technology Assets, (iv) incorporate or otherwise combine or integrate any open source software with or into the SpinCo Shared Technology Assets such that the SpinCo Shared Technology Assets, or any part thereof, becomes subject to any "open source," "copyleft" or similar type of license terms (including, without limitation, any license that is or was recognized as an open source software license by the Open Source Initiative), (v) reverse engineer, reverse assemble or decompile the SpinCo Shared Technology Assets or any software component of the SpinCo Shared Technology Assets or (vi) disclose, distribute or otherwise provide or permit access to source code of any SpinCo Shared

Technology Assets other than to commercial source code escrow providers who are only permitted to make such source code available to third parties that have entered into an escrow agreement with a member of the Nuance Group and escrow provider.

**ARTICLE V  
ADDITIONAL INTELLECTUAL PROPERTY RELATED MATTERS**

Section 5.01. Ownership. The Party receiving the license hereunder acknowledges and agrees that the Party (or the applicable member of its Group) granting the license is the sole and exclusive owner of the Intellectual Property Rights so licensed.

Section 5.02. Assignments and Licenses. Any assignment, other transfer or license by either Party or any member of its Group of any Intellectual Property Rights licensed to the other Party or any member of its Group pursuant to ARTICLE III or ARTICLE IV, respectively, shall be subject to the applicable licenses, covenants and restrictions set forth herein.

Section 5.03. No Implied Rights. Nothing contained in this Agreement shall be construed as conferring any rights (including the right to sublicense) by implication, estoppel or otherwise, under any Intellectual Property Rights, other than as expressly granted in this Agreement, and all other rights under any Intellectual Property Rights licensed to a Party or the members of its Group hereunder are expressly reserved by the Party granting the license.

Section 5.04. No Obligation To Prosecute or Maintain Patents. Except as expressly set forth in this Agreement, no Party or any member of its Group shall have any obligation to seek, perfect or maintain any protection for any of its Intellectual Property Rights. Without limiting the generality of the foregoing, except as expressly set forth in this Agreement, no Party or any member of its Group shall have any obligation to file any Patent application, to prosecute any Patent, or secure any Patent rights or to maintain any Patent in force.

Section 5.05. No Technical Assistance. Except as expressly set forth in this Agreement, in the Separation Agreement or any other mutually executed agreement between the Parties or any of the members of their respective Groups, no Party or any member of its Group shall be required to provide the other Party with any technical assistance or to furnish any other Party with, or obtain on their behalf, any Intellectual Property Rights-related documents, materials or other information or technology.

Section 5.06. Group Members. Each Party shall cause the members of its Group to comply with all applicable provisions of this Agreement.

**ARTICLE VI  
CONFIDENTIAL INFORMATION**

Section 6.01. Confidentiality. Without limiting Section 6.02, all confidential information of a Party disclosed to the other Party under this Agreement shall be deemed confidential and proprietary information of the disclosing Party, shall be subject to the provisions of Section 7.09 of the Separation Agreement and may be used by the receiving Party pursuant to this Agreement for the sole and express purpose of effecting the licenses granted herein.

Section 6.02. Disclosure of Confidential Technical Information. Except as expressly permitted by this Agreement, including in Section 3.02(c) (vi) or Section 4.02(c)(vi), the Receiving Party shall not, and shall not permit any other Person to, disclose any Confidential Technical Information to any Person without prior written consent of the Disclosing Party, except that the Receiving Party may disclose the Confidential Technical Information solely to those employees and contractors of the Receiving Party who have a need to know the Confidential Technical Information in connection with designing, developing, distributing, marketing, testing and supporting any products or services of the Receiving Party within the Nuance Field of Use or SpinCo Field of Use, as applicable (collectively, the “Permitted Recipients”); provided, that prior to such disclosure the Receiving Party shall notify each such Permitted Recipient in writing of the use and disclosure restrictions set forth in this Agreement and ensure that such Permitted Recipient is bound by confidentiality obligations with respect thereto. The Receiving Party shall take, at its sole expense, all reasonable measures to prevent any prohibited or unauthorized disclosure or use of any Confidential Technical Information, including by its Permitted Recipients, and shall be liable for any breaches of this Agreement by any of its Permitted Recipients, in each case, as if committed by the Receiving Party.

Section 6.03. Compulsory Disclosure of Confidential Technical Information. If the Receiving Party receives a request to disclose any Confidential Technical Information pursuant to a subpoena or other order of a Governmental Authority: (i) the Receiving Party shall promptly notify in writing the Disclosing Party thereof and reasonably consult with and assist the Disclosing Party in seeking a protective order or other appropriate remedy to limit such disclosure, (ii) in the event that such protective order or remedy is not obtained, the Receiving Party shall disclose only that portion of the Confidential Technical Information which, in the written opinion of the Receiving Party’s legal counsel, is legally required to be disclosed, and the Receiving Party shall use reasonable best efforts to ensure confidential treatment of any such disclosed Confidential Technical Information and (iii) the Disclosing Party shall be given an opportunity to review any such Confidential Technical Information prior to disclosure thereof. The Parties shall fully cooperate, to the extent permitted by Law, in any actions the Disclosing Party may take in seeking to prevent or limit such disclosure. Any Confidential Technical Information disclosed under this Section 6.03 shall continue to be deemed Confidential Technical Information for all purposes hereunder, notwithstanding such disclosure.

## **ARTICLE VII**

### **LIMITATION OF LIABILITY AND WARRANTY DISCLAIMER**

Section 7.01. Limitation on Liability. Without limiting the terms set forth in Section 6.09 of the Separation Agreement, none of Nuance, SpinCo or any other member of either Group shall in any event have any Liability to the other or to any other member of the other’s Group under this Agreement for any indirect, special, punitive or consequential damages, whether or not caused by or resulting from negligence or breach of obligations hereunder and whether or not informed of the possibility of the existence of such damages.

Section 7.02. Disclaimer of Representations and Warranties. Each of Nuance (on behalf of itself and each other member of the Nuance Group) and SpinCo (on behalf of itself and each other member of the SpinCo Group) understands and agrees that, except as expressly set forth in this Agreement, no Party is representing or warranting in any way, including any

implied warranties of merchantability, fitness for a particular purpose, title, registerability, allowability, enforceability or non-infringement, as to any Intellectual Property Rights licensed hereunder, as to the sufficiency of the Intellectual Property Rights licensed hereunder for the conduct and operations of the SpinCo Business or the Nuance Business, as applicable, as to the value or freedom from any Security Interests of, or any other matter concerning, any Intellectual Property Rights licensed hereunder, or as to the absence of any defenses or rights of setoff or freedom from counterclaim with respect to any claim or other Intellectual Property Rights of any such Party, or as to the legal sufficiency of any assignment, document or instrument delivered hereunder to convey title to any Intellectual Property Rights or thing of value upon the execution, delivery and filing hereof or thereof. Except as may expressly be set forth herein, any such Intellectual Property Rights are being licensed on an “as is,” “where is” basis and the respective licensees shall bear the economic and legal risks related to the use of the Nuance IP in the SpinCo Business or the SpinCo IP in the Nuance Business, as applicable.

## **ARTICLE VIII TRANSFERABILITY AND ASSIGNMENT**

Section 8.01. No Assignment or Transfer Without Consent. Except as expressly set forth in this Agreement, neither this Agreement nor any of the rights, interests or obligations under this Agreement, including the licenses granted pursuant to this Agreement, shall be assigned, in whole or in part, by operation of Law or otherwise by either Party without the prior written consent of the other Party. Any purported assignment without such consent shall be void. Notwithstanding the foregoing, if any Party to this Agreement (or any of its successors or permitted assigns) (a) shall enter into a consolidation or merger transaction in which such Party is not the surviving entity and the surviving entity acquires or assumes all or substantially all of such Party’s assets, (b) shall transfer all or substantially all of such Party’s assets to any Person or (c) shall assign this Agreement to such Party’s Affiliates, then, in each such case, the assigning Party (or its successors or permitted assigns, as applicable) shall ensure that the assignee or successor-in-interest expressly assumes in writing all of the obligations of the assigning Party under this Agreement, and the assigning Party shall not be required to seek consent, but shall provide written notice and evidence of such assignment, assumption or succession to the non-assigning Party. Subject to the preceding sentences, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective successors and assigns. No assignment permitted by this Section 8.01 shall release the assigning Party from liability for the full performance of its obligations under this Agreement. For the avoidance of doubt, in no event will the licenses granted in this Agreement extend to products, services or other activities of the assignee existing on or before the date of the transaction described in clauses (a) or (b) of the preceding sentence, except to the extent that they were licensed under the terms of this Agreement prior to such transaction.

Section 8.02. Divested Businesses. In the event a Party divests a line of business or line of products or services by (a) spinning off a member of its Group by its sale or other disposition to a Third Party, (b) reducing ownership or control in a member of its Group so that it no longer qualifies as a member of its Group under this Agreement, (c) selling or otherwise transferring such line of business, products or services to a Third Party or (d) forming a joint venture with a Third Party with respect to such line of business, products or services (each such divested entity or line of business, products or services, a “Divested Entity”), the Divested Entity

shall retain those licenses granted to it under this Agreement, provided that the license shall be limited to the business, products or services (as applicable) of the Divested Entity as of the date of divestment and such natural development thereof within the Nuance Field of Use (where Nuance is the divesting Party) or SpinCo Field of Use (where SpinCo is the divesting party). The retention of any license grants are subject to the Divested Entity's and, in the event it is acquired by a Third Party, such Third Party's execution and delivery to the non-transferring Party, within 90 days of the effective date of such divestment, of a duly authorized, written undertaking, agreeing to be bound by the applicable terms of this Agreement. For the avoidance of doubt, (i) in no event will the licenses retained by a Divested Entity extend to products, services or other activities of a Third Party acquirer existing on or before the date of the divestment, except to the extent that they were licensed under the terms of this Agreement prior to such divestment, and (ii) in the event that a Divested Entity owns any Intellectual Property Rights licensed to the other Party under this Agreement, such Intellectual Property Rights may be transferred or assignment with such Divested Entity subject to the terms and conditions this Agreement.

## **ARTICLE IX TERMINATION**

Section 9.01. Termination by Both Parties. Subject to Section 9.02, this Agreement may not be terminated except by an agreement in writing signed by a duly authorized officer of each of the Parties.

Section 9.02. Termination prior to the Distribution. This Agreement may be terminated by Nuance at any time, in its sole discretion, prior to the Distribution; provided, however, that this Agreement shall automatically terminate upon the termination of the Separation Agreement in accordance with its terms.

Section 9.03. Effect of Termination; Survival. In the event of any termination of this Agreement prior to the Distribution, neither Party (nor any member of their Group or any of their respective directors or officers) shall have any Liability or further obligation to the other Party or any member of its Group under this Agreement. Except with respect to termination of the Agreement under Section 9.02, notwithstanding anything in this Agreement to the contrary, ARTICLE I, ARTICLE VI, ARTICLE VII, this Section 9.03 and ARTICLE XI shall survive any termination of this Agreement.

## **ARTICLE X FURTHER ASSURANCES**

Section 10.01. Further Assurances.

(a) In addition to the actions specifically provided for elsewhere in this Agreement, each of the Parties shall use reasonable best efforts, prior to, on and after the Distribution Date, to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable Laws and agreements to consummate, and make effective, the transactions contemplated by this Agreement.

(b) Without limiting the foregoing, prior to, on and after the Distribution Date, each Party shall cooperate with the other Party, without any further

consideration, but at the expense of the requesting Party: (i) to execute and deliver, or use reasonable best efforts to execute and deliver, or cause to be executed and delivered, all instruments, including any instruments of conveyance, assignment and transfer as such Party may reasonably be requested to execute and deliver by the other Party; (ii) to make, or cause to be made, all filings with, and to obtain, or cause to be obtained, all Consents of any Governmental Authority or any other Person under any permit, license, Contract, indenture or other instrument; and (iii) to take, or cause to be taken, all such other actions as such Party may reasonably be requested to take by the other Party from time to time, consistent with the terms of this Agreement, in order to effectuate the provisions and purposes of this Agreement and any transfers of Intellectual Property Rights or assignments and assumptions of Liabilities related thereto as set forth in the Separation Agreement.

## **ARTICLE XI MISCELLANEOUS**

### Section 11.01. Counterparts; Entire Agreement; Corporate Power.

(a) This Agreement may be executed in one or more counterparts, all of which counterparts shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each Party and delivered to the other Party. This Agreement may be executed by facsimile or PDF signature and scanned and exchanged by electronic mail, and such facsimile or PDF signature or scanned and exchanged copies shall constitute an original for all purposes.

(b) This Agreement and the Exhibits and Schedules hereto contain the entire agreement between the Parties with respect to the subject matter hereof and supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings between the Parties with respect to the subject matter hereof other than those set forth or referred to herein or therein. In the event of conflict or inconsistency between the provisions of this Agreement or the Separation Agreement, the provisions of this Agreement shall prevail.

(c) Nuance represents on behalf of itself and each other member of the Nuance Group, and SpinCo represents on behalf of itself and each other member of the SpinCo Group, as follows:

(i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby; and

(ii) this Agreement has been duly executed and delivered by it and constitutes, or will constitute, a valid and binding agreement of it enforceable in accordance with the terms thereof.

Section 11.02. Dispute Resolution. In the event that either Party, acting reasonably, forms the view that another Party has caused a material breach of the terms of this Agreement, then the Party that forms such a view shall serve written notice of the alleged breach on the other Parties and the Parties shall work together in good faith to resolve any such alleged

breach within thirty (30) days of such notice (a “Dispute”). If any such alleged breach is not so resolved, then a senior executive of each Party shall, in good faith, attempt to resolve any such alleged breach within the following thirty (30) days of the referral of the matter to the senior executives. If no resolution is reached with respect to any such alleged breach in accordance with the procedures contained in this Section 11.02, then the Parties may seek to resolve such matter in accordance with Section 11.03, Section 11.04, Section 11.05 and Section 11.06

Section 11.03. Governing Law; Jurisdiction. Any disputes relating to, arising out of or resulting from this Agreement, including to its execution, performance, or enforcement, shall be governed by, and construed in accordance with, the Laws of the State of Delaware, regardless of the Laws that might otherwise govern under applicable principles of conflicts of Laws thereof. Each Party irrevocably consents to the exclusive jurisdiction, forum and venue of the Delaware Court of Chancery (and if the Delaware Court of Chancery shall be unavailable, any Delaware State court or the federal court sitting in the State of Delaware) over any and all claims, disputes, controversies or disagreements between the Parties or any of their respective Affiliates, successors and assigns under or related to this Agreement or any of the transactions contemplated hereby, including their execution, performance or enforcement, whether in contract, tort or otherwise. Each of the Parties hereby agrees that it shall not assert, and shall hereby waive, any claim or right or defense that it is not subject to the jurisdiction of such courts, that the venue is improper, that the forum is inconvenient or any similar objection, claim or argument. Each Party agrees that a final judgment in any legal proceeding resolved in accordance with this Section 11.03, Section 11.04, Section 11.05 and Section 11.06 shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law.

Section 11.04. Waiver of Jury Trial. EACH PARTY HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION RELATING TO, ARISING OUT OF OR RESULTING FROM THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, INCLUDING THEIR EXECUTION, PERFORMANCE OR ENFORCEMENT, WHETHER IN CONTRACT, TORT OR OTHERWISE. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING CONTRACT CLAIMS, TORT CLAIMS (INCLUDING NEGLIGENCE), BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THIS SECTION HAS BEEN FULLY DISCUSSED BY EACH OF THE PARTIES AND THESE PROVISIONS WILL NOT BE SUBJECT TO ANY EXCEPTIONS.

Section 11.05. Court-Ordered Interim Relief. In accordance with Section 11.03 and Section 11.04, at any time after giving notice of a Dispute, each Party shall be entitled to interim measures of protection duly granted by a court of competent jurisdiction: (1) to preserve the status quo pending resolution of the Dispute; (2) to prevent the destruction or loss of documents and other information or things relating to the Dispute; or (3) to prevent the transfer, disposition or hiding of assets. Any such interim measure (or a request therefor to a court of competent jurisdiction) shall not be deemed incompatible with the provisions of Section 11.02, Section 11.03 and Section 11.04. Until such Dispute is resolved in accordance with Section 11.02 or final judgment is rendered in accordance with Section 11.03 and Section 11.04, each



Party agrees that such Party shall continue to perform its obligations under this Agreement and that such obligations shall not be subject to any defense or setoff, counterclaim, recoupment or termination.

Section 11.06. Specific Performance. Subject to Section 11.02 and Section 11.05, in the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the affected Party shall have the right to specific performance and injunctive or other equitable relief of its rights under this Agreement, in addition to any and all other rights and remedies at Law or in equity, and all such rights and remedies shall be cumulative. The other Party shall not oppose the granting of such relief on the basis that money damages are an adequate remedy. The Parties agree that the remedies at Law for any breach or threatened breach hereof, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at Law would be adequate is waived. Any requirements for the securing or posting of any bond or similar security with such remedy are waived.

Section 11.07. Third-Party Beneficiaries. Except as otherwise expressly set forth herein or as otherwise may be provided in the Separation Agreement with respect to the rights of any Nuance Indemnitee or SpinCo Indemnitee, in his, her or its respective capacities as such, (a) the provisions of this Agreement are solely for the benefit of the Parties hereto and are not intended to confer upon any Person except the Parties hereto any rights or remedies hereunder and (b) there are no third-party beneficiaries of this Agreement and this Agreement shall not provide any third person with any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.

Section 11.08. Notices. All notices or other communications under this Agreement shall be in writing and shall be deemed to be duly given (a) when delivered in person, (b) on the date received, if sent by a nationally recognized delivery or courier service, (c) upon written confirmation of receipt after transmittal by electronic mail or (d) upon the earlier of confirmed receipt or the fifth (5<sup>th</sup>) business day following the date of mailing if sent by registered or certified mail, return receipt requested, postage prepaid and addressed as follows:

If to Nuance, to:

1 Wayside Road, Burlington, MA 01803  
Attn: Wendy Cassity, EVP and Chief Legal Officer  
email: [Wendy.cassity@nuance.com](mailto:Wendy.cassity@nuance.com)  
with a copy to: David Garfinkel, SVP Corporate Development  
email: [David.garfinkel@nuance.com](mailto:David.garfinkel@nuance.com)

and

Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas  
New York, NY 10019-6064  
Attn: Scott A. Barshay  
Steven J. Williams

Michael E. Vogel  
email: sbarshay@paulweiss.com  
swilliams@paulweiss.com  
mvogel@paulweiss.com  
Facsimile: 212-492-0040

If to SpinCo, to:

15 Wayside Road, Burlington, MA 01803  
Attn: Leanne Fitzgerald, General Counsel  
email:  
with a copy to: Mark Gallenberger, Chief Financial Officer  
email:

and

Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas  
New York, NY 10019-6064  
Attn: Scott A. Barshay  
Steven J. Williams  
Michael E. Vogel  
email: sbarshay@paulweiss.com  
swilliams@paulweiss.com  
mvogel@paulweiss.com  
Facsimile: 212-492-0040

Either Party may, by notice to the other Party, change the address to which such notices are to be given. Each Party agrees that nothing in this Agreement shall affect the other Party's right to serve process in any other manner permitted by Law (including pursuant to the rules for foreign service of process authorized by the Hague Convention).

Section 11.09. Import and Export Control. Each Party agrees that it shall comply with all applicable national and international laws and regulations relating to import and/or export control in its country(ies), if any, involving any commodities, software, services or technology within the scope of this Agreement.

Section 11.10. Bankruptcy. The Parties acknowledge and agree that all rights and licenses granted by the other under or pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code, as amended (the "Bankruptcy Code"), licenses of rights to "intellectual property" as defined under Section 101 of the Bankruptcy Code. The Parties agree that, notwithstanding anything else in this Agreement, Nuance and the members of the Nuance Group and SpinCo and the members of the SpinCo Group, as licensees of such intellectual property rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the Bankruptcy Code (including Nuance's and the Nuance Group members' and SpinCo's and the SpinCo Group members' right

to the continued enjoyment of the rights and licenses respectively granted by under this Agreement).

Section 11.11. Severability. If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances, or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either Party. Upon any such determination, any such provision, to the extent determined to be invalid, void or unenforceable, shall be deemed replaced by a provision that such court determines is valid and enforceable and that comes closest to expressing the intention of the invalid, void or unenforceable provision.

Section 11.12. Expenses. Except as otherwise expressly provided in this Agreement or the Separation Agreement, (i) all third-party fees, costs and expenses incurred by either the Nuance Group or the SpinCo Group in connection with effecting the Spin-Off prior to or on the Distribution Date, whether payable prior to, on or following the Distribution Date (but excluding, for the avoidance of doubt, any financing fees or interest payable in respect of any indebtedness incurred by SpinCo in connection with the Spin-Off), will be borne and paid by Nuance and (ii) all third-party fees, costs and expenses incurred by either the Nuance Group or the SpinCo Group in connection with effecting the Spin-Off following the Distribution Date, whether payable prior to, on or following the Distribution Date, will be borne and paid by the Party incurring such fee, cost or expense. For the avoidance of doubt, this Section 11.12 shall not affect each Party's responsibility to indemnify Nuance Liabilities or SpinCo Liabilities, as applicable, arising from the transactions contemplated by the Distribution.

Section 11.13. Headings. The article, section and paragraph headings contained in this Agreement, including in the table of contents of this Agreement, are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 11.14. Survival of Covenants. Except as expressly set forth in this Agreement, the covenants in this Agreement and the Liabilities for the breach of any obligations in this Agreement shall survive the Spin-Off and shall remain in full force and effect.

Section 11.15. Waivers of Default. No failure or delay of any Party (or the applicable member of its Group) in exercising any right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, or any course of conduct, preclude any other or further exercise thereof or the exercise of any other right or power. Waiver by any Party of any default by the other Party of any provision of this Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default.

Section 11.16. Amendments. No provisions of this Agreement shall be deemed waived, amended, supplemented or modified by any Party, unless such waiver, amendment,

supplement or modification is in writing and signed by the authorized representative of each Party.

Section 11.17. Interpretation. Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires. The terms “hereof,” “herein,” “herewith” and words of similar import, unless otherwise stated, shall be construed to refer to this Agreement as a whole (including all of the schedules hereto) and not to any particular provision of this Agreement. Article, Section or Schedule references are to the articles, sections and schedules of or to this Agreement unless otherwise specified. Any capitalized terms used in any Schedule to this Agreement but not otherwise defined therein shall have the meaning as defined in this Agreement. Any definition of or reference to any agreement, instrument or other document herein (including any reference herein to this Agreement) shall, unless otherwise stated, be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth therein, including in Section 11.16 above). The word “including” and words of similar import when used in this Agreement shall mean “including, without limitation,” unless the context otherwise requires or unless otherwise specified. The word “or” shall not be exclusive. The word “extent” in the phrase “to the extent” shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply “if.” All references to “\$” or dollar amounts are to the lawful currency of the United States of America. In the event that an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring either Party by virtue of the authorship of any provisions hereof.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties have caused this Intellectual Property Agreement to be executed by their duly authorized representatives.

NUANCE COMMUNICATIONS, INC.

By: \_\_\_\_\_  
Name:  
Title:

CERENCE INC.

By: \_\_\_\_\_  
Name:  
Title:

[Signature page to the Intellectual Property Agreement]

TRANSITIONAL TRADEMARK LICENSE AGREEMENT

by and between

Nuance Communications, Inc.

and

Cerence Inc.

Dated as of

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS	1
ARTICLE II GRANT	2
ARTICLE III RESTRICTIONS	3
ARTICLE IV OWNERSHIP	4
ARTICLE V QUALITY CONTROL	4
ARTICLE VI REPRESENTATIONS AND WARRANTIES	5
ARTICLE VII INDEMNIFICATION	6
ARTICLE VIII TERM AND TERMINATION	6
ARTICLE IX MISCELLANEOUS	7
SCHEDULE A - LICENSED TRADEMARKS	

## RECITALS

WHEREAS, in connection with the contemplated Spin-Off of Licensee and concurrently with the execution of this Agreement, Licensor and Licensee are entering into a Separation and Distribution Agreement (the “Separation Agreement”);

WHEREAS, Licensor is the owner of the Licensed Trademarks; and

WHEREAS, Licensee desires to receive a license to use the Licensed Trademarks for a transitional basis, and Licensor is willing to grant such license pursuant to the terms and conditions set forth in this Agreement.

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

## ARTICLE I DEFINITIONS

Section 1.01. Definitions. As used in this Agreement, the following terms have the meanings set forth below. Capitalized terms used, but not defined in this Agreement shall have the meanings ascribed to such terms in the Separation Agreement or Intellectual Property Agreement (as applicable).

“Commercialize” means to sell, offer for sale, distribute or otherwise commercialize, including distribution, hosting or other commercial provision of Software and related services via any means.

“Domain Names” means Internet domain names, including top level domain names and global top level domain names, URLs, social media identifiers, handles and tags.

“Licensed Products” means those products and services Commercialized by the SpinCo Business that contain, bear, display or use any Licensed Trademarks as of immediately prior to the Distribution.

“Licensed Trademarks” shall mean the Trademarks set forth in Schedule A.

“Marketing Materials” means product literature, advertisements, sales literature, store displays, splash screens and other similar materials in any forms or media.

“Party” means either party hereto, and “Parties” means both parties hereto.

“Term” has the meaning set forth in Section 8.01.



“Trademark Guidelines” has the meaning set forth in Section 5.02(a).

“Trademarks” means trademarks, service marks, trade names, logos, slogans, trade dress or other source identifiers, including any registration or any application for registration therefor, together with all goodwill associated therewith.

## ARTICLE II GRANT

Section 2.01. Licenses. Subject to the terms and conditions of this Agreement, Licensor hereby grants to Licensee and the members of the SpinCo Group the following fully paid-up, royalty free, non-sublicensable (except as provided in Section 2.02), non-assignable and non-transferable (except as provided in Section 9.01), non-exclusive, worldwide licenses to use the Licensed Trademarks.

(a) Products and Marketing Materials: for a period of six (6) months following the Distribution Date, in connection with the Commercialization of Licensed Products and associated Marketing Materials within the SpinCo Field of Use (as defined in Exhibit A to the Intellectual Property Agreement); provided, that Licensee shall promptly arrange for the rebranding or destruction of any Licensed Products or Marketing Materials, as applicable, that remain unsold following such six (6) month period;

provided, that, the time period set forth in the foregoing clauses shall be extended for such additional period of time, not to exceed six (6) months, as may be required to obtain any license, permit, consent, approval or authorization from an applicable Governmental Authority that is required to cease use of the Licensed Trademarks on any Licensed Products or Marketing Materials therefor in connection with the import or export thereof; provided, further, that Licensee uses commercially reasonable efforts to obtain any such license, permit, consent, approval or authorization as soon as reasonably practicable after the Distribution Date;

(b) Other Uses: for a period of six (6) months following the Distribution Date, in connection with continuing the use of any other SpinCo Assets, not addressed in the foregoing clause (a), that contain, bear, display or use any Licensed Trademark as of the date hereof, including billboards, vehicle and equipment markings, stationery, purchase orders, forms, business cards, invoices, contracts or on letterhead and other media;

provided, further, that, in each case of the foregoing clauses (a) – (b) of this Section 2.01, all such uses shall be in a manner consistent with the operation of the SpinCo Business immediately prior to the Distribution Date.

Notwithstanding anything in this Agreement to the contrary, the foregoing licenses do not include the right to use the Licensed Trademarks as part of Domain Names without the prior written consent of Licensor.

Section 2.02. Sublicense Rights. The licenses granted to Licensee in Section 2.01 include the right to grant sublicenses to customers of the SpinCo Group in connection with Commercialization of the Licensed Products of Licensee and the SpinCo Group in the ordinary course of business, in each case solely for the benefit of the SpinCo Business;

provided, that Licensee ensures that the terms of any such sublicense are consistent with the terms of this Agreement and any such sublicensee complies with such sublicense. Licensee shall remain liable under this Agreement for any actions or omissions of its sublicensee in connection with this Agreement as if such actions were those of the Licensee under this Agreement.

Section 2.03. Efforts to Remove. Notwithstanding the rights set forth in this Article II, Licensee shall use commercially reasonable efforts to remove and cease using any Licensed Trademarks that appear on any publicly available or promotional materials used by any member of the SpinCo Group or their Affiliates within the SpinCo Business as soon as reasonably practical following the Distribution Date.

Section 2.04. Records. Notwithstanding anything in this Agreement to the contrary, and without limiting the rights otherwise granted in this Article II, the SpinCo Group shall have the right, at all times before, during and after the Distribution Date, to retain records and other historical or archived documents containing or referencing the Licensed Trademarks.

Section 2.05. No Implied Licenses. Nothing contained in this Agreement shall be construed as conferring any rights (including the right to sublicense) by implication, estoppel or otherwise, under any Intellectual Property Rights, other than as expressly granted in this Agreement, and all other rights under any Intellectual Property Rights licensed to a Party or the members of its Group hereunder are expressly reserved by the Party granting the license. Licensee shall not use the Licensed Trademarks except as set forth in this Agreement. All goodwill generated by Licensee's and the SpinCo Group's use of the Licensed Marks inures solely to the benefit of Licensor.

Section 2.06. Group Members. Licensee shall cause the members of its Group to comply with all applicable provisions of this Agreement.

### **ARTICLE III RESTRICTIONS**

Section 3.01. Restrictions on Use. Except as expressly permitted in this Agreement, Licensee shall not:

(a) use any of the Licensed Trademarks in a way that would reasonably be expected to (i) tarnish, degrade, disparage or reflect adversely on a Licensed Trademark or Licensor's or any member of the Nuance Group's business or reputation, (ii) dilute or otherwise harm the value, reputation or distinctiveness of or Licensor's goodwill used in connection with or symbolized by any Licensed Trademark or (iii) invalidate or cause the cancellation or abandonment of any Licensed Trademark; or

(b) adopt, use, register or file applications to register, acquire or otherwise obtain, in any jurisdiction, any Trademark or Domain Name that consists of, incorporates or is confusingly similar to or dilutive of, or is a variation, derivation or modification of, any Licensed Trademark.

**ARTICLE IV  
OWNERSHIP**

Section 4.01. Ownership. Licensee acknowledges that the Licensed Trademarks are the exclusive and sole property of Licensor, and Licensee agrees that it will not contest Licensor's ownership or validity of any of the Licensed Trademarks. Nothing in this Agreement shall confer in Licensee any right of ownership in any Licensed Trademarks, and Licensee shall not make any representation to that effect or use any Licensed Trademarks in a manner that suggests that such rights are conferred.

Section 4.02. No Obligation to Prosecute or Maintain Trademarks. Neither Licensor nor any member of the Nuance Group shall have any obligation to seek, perfect or maintain any protection for any of the Licensed Trademarks. Without limiting the generality of the foregoing, except as expressly set forth in this Agreement, neither Licensor nor any member of the Nuance Group shall have any obligation to file any Trademark application, to prosecute any Trademark or secure any Trademark rights or to maintain any Licensed Trademark in force.

**ARTICLE V  
QUALITY CONTROL**

Section 5.01. Licensee Covenants.

(a) Quality Control. Licensee shall produce and Commercialize the Licensed Products according to standards that are, and a level of quality that is either (i) substantially the same as the standards and quality of the SpinCo Business as of immediately prior to the Distribution, or (ii) approved in advance in writing by Licensor.

(b) Samples. Licensee agrees, upon Licensor's reasonable request, to furnish to Licensor representative samples of marketing materials Commercialized by Licensee that include or refer to the Licensed Trademarks.

Section 5.02. Conditions Applicable to the Appearance of the Licensed Trademarks.

(a) Licensee agrees to comply with the rules and brand guidelines applicable to the SpinCo Business as of immediately prior to the Distribution Date with respect to the appearance and manner of use of the Licensed Trademarks ("Trademark Guidelines"). Licensor agrees to notify Licensee in writing of any changes to the Trademark Guidelines. Licensee's and the SpinCo Group's obligation to comply with revised Trademark Guidelines shall be prospective from the date of notification of any such changes thereto, and Licensee shall not be required to modify any materials complying with the prior guidelines that were Commercialized prior to such notification. Any changes to any form of use of the Licensed Trademarks not specifically provided for pursuant to the Trademark Guidelines shall be adopted by Licensee only upon prior approval in writing by Licensor.

(b) Prior to any use of any Licensed Trademark that would be materially different from the uses made prior to the Distribution Date, Licensee shall submit samples of any such use of the Licensed Trademarks to Licensor for approval. Such samples

shall be sent to: (by email to: Wendy Cassity; wendy.cassity@nuance.com). Such approval by Licensor shall not be unreasonably withheld, conditioned or delayed.

Section 5.03. Protection of Licensed Trademarks.

(a) Licensee shall take reasonable steps to avoid endangering the validity of the Licensed Trademarks, including compliance with the applicable Laws in all countries where Licensed Products are Commercialized. Licensee shall execute registered user agreements and similar documents required by Licensor to protect or enhance Licensor's title and rights in the Licensed Trademarks. Except as otherwise provided in this Agreement, Licensee shall be responsible for all out-of-pocket costs and expenses incurred in connection with obtaining and maintaining trademark registrations where such registrations would not have been applied for or maintained in the absence of Licensee's activities under this Agreement, recording this Agreement and obtaining the entry of Licensee as a registered or authorized user of the Licensed Trademarks.

(b) In the event that Licensee learns of any infringement or threatened infringement of the Licensed Trademarks or any passing-off or that any third party alleges or claims to Licensee that the Licensed Trademarks are liable to cause deception or confusion to the public, or are liable to dilute or infringe any right, Licensee shall as promptly as reasonably practicable notify Licensor or its authorized representative giving particulars thereof. Licensor may elect to pursue such claims and any such proceedings shall be at the sole expense of Licensor and any recoveries shall be solely for the benefit of Licensor. Nothing herein, however, shall be deemed to require Licensor to enforce the Licensed Trademarks against others.

(c) In the performance of this Agreement, each Party shall comply with all applicable Laws regarding Intellectual Property Rights, and those Laws particularly pertaining to the proper use and designation of Trademarks. Should either Party be or become aware of any applicable Laws regarding Intellectual Property Rights that are inconsistent with the provisions of this Agreement, it shall as promptly as reasonably practicable notify the other Party of such inconsistency.

**ARTICLE VI  
REPRESENTATIONS AND WARRANTIES**

Section 6.01. Mutual Representations and Warranties. Licensor represents on behalf of itself and each other member of the Nuance Group, and Licensee represents on behalf of itself and each other member of the SpinCo Group, as follows:

(a) it has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby; and

(b) this Agreement has been duly executed and delivered by it and constitutes, or will constitute, a valid and binding agreement of it enforceable in accordance with the terms thereof.

Section 6.02. Disclaimer of Other Representations and Warranties. Licensee (on behalf of itself and each other member of the SpinCo Group) understands and agrees that, except as expressly set forth in this Agreement, Licensor is not representing or warranting in any way, including any implied warranties of merchantability, fitness for a particular purpose, title, registerability, allowability, enforceability or non-infringement, as to any Licensed Trademarks licensed hereby, as to the sufficiency of the Licensed Trademarks licensed hereby for the conduct and operations of the SpinCo Business, as to the value or freedom from any Security Interests of, or any other matter concerning, any Licensed Trademarks, or as to the absence of any defenses or rights of setoff or freedom from counterclaim with respect to any claim or other Intellectual Property Right of Licensor. Except as may expressly be set forth herein, the Licensed Trademarks are being licensed on an “as is,” “where is” basis and the respective transferees shall bear the economic and legal risks related to the use of the Licensed Trademarks in connection with the SpinCo Business.

## **ARTICLE VII INDEMNIFICATION**

Section 7.01. Indemnification by Licensee. Licensee shall indemnify, defend and hold harmless the Nuance Indemnitees from and against any and all Liabilities of the Nuance Indemnitees relating to, arising out of or resulting from (i) Licensee’s breach of this Agreement or (ii) the SpinCo Group’s use or exploitation of the Licensed Trademarks, except to the extent the claim relates to a matter for which Licensor is obligated to indemnify any Licensee Indemnitee under Section 7.02 of this Agreement.

Section 7.02. Indemnification by Licensor. Licensor shall indemnify, defend and hold harmless the SpinCo Indemnitees from and against any and all Liabilities of the SpinCo Indemnitees to the extent that it is based upon (i) any third-party claim that Licensee’s or the SpinCo Group’s use of the Licensed Trademarks in accordance with this Agreement infringes or dilutes such third party’s Trademarks, or (ii) Licensor’s breach of this Agreement.

Section 7.03. Limitation on Liability. Except as may expressly be set forth in this Agreement, none of Licensor, Licensee or any other member of either Group shall in any event have any Liability to the other or to any other member of the other’s Group, or to any other Nuance Indemnitee or SpinCo Indemnitee, as applicable, under this Agreement for any indirect, special, punitive or consequential damages, whether or not caused by or resulting from negligence or breach of obligations hereunder and whether or not informed of the possibility of the existence of such damages; provided, however, that the provisions of this Section 7.03 shall not limit an Indemnifying Party’s indemnification obligations hereunder with respect to any Liability any Indemnitee may have to any third party not affiliated with any member of the Nuance Group or the SpinCo Group for any indirect, special, punitive or consequential damages.

## **ARTICLE VIII TERM AND TERMINATION**

Section 8.01. Term. The term of this Agreement shall begin as of the Distribution Date and shall expire on the expiration of last of the periods set forth above in Section 2.01 (the “Term”).

Section 8.02. Effect of Expiration. Upon the expiration of this Agreement, Licensee shall immediately discontinue and cease all use of the Licensed Trademarks. After the expiration of the Term, Licensee and the SpinCo Group shall no longer have the right to use the Licensed Trademarks.

Section 8.03. Survival. Notwithstanding anything in this Agreement to the contrary, Article I, Article VII and Article IX shall survive the expiration or any termination of this Agreement.

## ARTICLE IX MISCELLANEOUS

Section 9.01. No Assignment or Transfer Without Consent. Except as expressly set forth in this Agreement, neither this Agreement nor any of the rights, interests or obligations under this Agreement, including the licenses granted pursuant to this Agreement, shall be assigned, in whole or in part, by operation of Law or otherwise by either Party without the prior written consent of the other Party. Any purported assignment without such consent shall be void. Notwithstanding the foregoing, if any Party to this Agreement (or any of its successors or permitted assigns) (a) shall enter into a consolidation or merger transaction in which such Party is not the surviving entity and the surviving entity acquires or assumes all or substantially all of such Party's assets, (b) shall transfer all or substantially all of such Party's assets to any Person or (c) shall assign this Agreement to such Party's Affiliates, then, in each such case, the assigning Party (or its successors or permitted assigns, as applicable) shall ensure that the assignee or successor-in-interest expressly assumes in writing all of the obligations of the assigning Party under this Agreement, and the assigning Party shall not be required to seek consent, but shall provide written notice and evidence of such assignment, assumption or succession to the non-assigning Party. Subject to the preceding sentences, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective successors and assigns. No assignment permitted by this Section 9.01 shall release the assigning Party from liability for the full performance of its obligations under this Agreement. For the avoidance of doubt, in no event will the licenses granted in this Agreement extend to products, product lines, services, apparatus, devices, systems, components, hardware, software, processes, solutions, any combination of the foregoing, or other offerings of the assignee existing on or before the date of the transaction described in clauses (a) or (b) of the third sentence, except to the extent that they were licensed under the terms of this Agreement prior to such transaction.

Section 9.02. Counterparts; Entire Agreement; Corporate Power.

(a) This Agreement may be executed in one or more counterparts, all of which counterparts shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each Party and delivered to the other Party. This Agreement may be executed by facsimile or PDF signature and scanned and exchanged by electronic mail, and such facsimile or PDF signature or scanned and exchanged copies shall constitute an original for all purposes.

(b) This Agreement and the Schedules hereto contain the entire agreement between the Parties with respect to the subject matter hereof and supersede all

previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings between the Parties with respect to the subject matter hereof other than those set forth or referred to herein or therein. In the event of conflict or inconsistency between the provisions of this Agreement or the Separation Agreement, the provisions of this Agreement shall prevail.

(c) Nuance represents on behalf of itself and each other member of the Nuance Group, and SpinCo represents on behalf of itself and each other member of the SpinCo Group, as follows:

(i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby; and

(ii) this Agreement has been duly executed and delivered by it and constitutes, or will constitute, a valid and binding agreement of it enforceable in accordance with the terms thereof.

Section 9.03. Dispute Resolution. In the event that either Party, acting reasonably, forms the view that another Party has caused a material breach of the terms of this Agreement, then the Party that forms such a view shall serve written notice of the alleged breach on the other Parties and the Parties shall work together in good faith to resolve any such alleged breach within thirty (30) days of such notice (a "Dispute"). If any such alleged breach is not so resolved, then a senior executive of each Party shall, in good faith, attempt to resolve any such alleged breach within the following thirty (30) days of the referral of the matter to the senior executives. If no resolution is reached with respect to any such alleged breach in accordance with the procedures contained in this Section 9.03, then the Parties may seek to resolve such matter in accordance with Section 9.04, Section 9.05, Section 9.06 and Section 9.07

Section 9.04. Governing Law; Jurisdiction. Any disputes relating to, arising out of or resulting from this Agreement, including to its execution, performance or enforcement, shall be governed by, and construed in accordance with, the Laws of the State of Delaware, regardless of the Laws that might otherwise govern under applicable principles of conflicts of Laws thereof. Each Party irrevocably consents to the exclusive jurisdiction, forum and venue of the Delaware Court of Chancery (and if the Delaware Court of Chancery shall be unavailable, any Delaware State court or the federal court sitting in the State of Delaware) over any and all claims, disputes, controversies or disagreements between the Parties or any of their respective Affiliates, successors and assigns under or related to this Agreement or any of the transactions contemplated hereby, including their execution, performance or enforcement, whether in contract, tort or otherwise. Each of the Parties hereby agrees that it shall not assert and shall hereby waive any claim or right or defense that it is not subject to the jurisdiction of such courts, that the venue is improper, that the forum is inconvenient or any similar objection, claim or argument. Each Party agrees that a final judgment in any legal proceeding resolved in accordance with this Section 9.04, Section 9.05, Section 9.06 and Section 9.07 shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law.

Section 9.05. Waiver of Jury Trial. EACH PARTY HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION RELATING TO, ARISING OUT OF OR RESULTING FROM THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY INCLUDING THEIR EXECUTION, PERFORMANCE OR ENFORCEMENT, WHETHER IN CONTRACT, TORT OR OTHERWISE. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING CONTRACT CLAIMS, TORT CLAIMS (INCLUDING NEGLIGENCE), BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THIS SECTION HAS BEEN FULLY DISCUSSED BY EACH OF THE PARTIES AND THESE PROVISIONS WILL NOT BE SUBJECT TO ANY EXCEPTIONS.

Section 9.06. Court-Ordered Interim Relief. In accordance with Section 9.04 and Section 9.05, at any time after giving notice of a Dispute, each Party shall be entitled to interim measures of protection duly granted by a court of competent jurisdiction: (1) to preserve the status quo pending resolution of the Dispute; (2) to prevent the destruction or loss of documents and other information or things relating to the Dispute; or (3) to prevent the transfer, disposition or hiding of assets. Any such interim measure (or a request therefor to a court of competent jurisdiction) shall not be deemed incompatible with the provisions of Section 9.03, Section 9.04 and Section 9.05. Until such Dispute is resolved in accordance with Section 9.03 or final judgment is rendered in accordance with Section 9.04 and Section 9.05, each Party agrees that such Party shall continue to perform its obligations under this Agreement and that such obligations shall not be subject to any defense or setoff, counterclaim, recoupment or termination.

Section 9.07. Specific Performance. Subject to Section 9.03 and Section 9.06, in the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the affected Party shall have the right to specific performance and injunctive or other equitable relief of its rights under this Agreement, in addition to any and all other rights and remedies at Law or in equity, and all such rights and remedies shall be cumulative. The other Party shall not oppose the granting of such relief on the basis that money damages are an adequate remedy. The Parties agree that the remedies at Law for any breach or threatened breach hereof, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at Law would be adequate is waived. Any requirements for the securing or posting of any bond or similar security with such remedy are waived.

Section 9.08. Third-Party Beneficiaries. Except as otherwise expressly set forth herein or as otherwise may be provided in the Separation Agreement with respect to the rights of any Nuance Indemnitee or SpinCo Indemnitee, in his, her or its respective capacities as such, (a) the provisions of this Agreement are solely for the benefit of the Parties hereto and are not intended to confer upon any Person except the Parties hereto any rights or remedies hereunder and (b) there are no third-party beneficiaries of this Agreement and this Agreement shall not provide any third person with any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.



Section 9.09. Notices. All notices or other communications under this Agreement shall be in writing and shall be deemed to be duly given (a) when delivered in person, (b) on the date received, if sent by a nationally recognized delivery or courier service, (c) upon written confirmation of receipt after transmittal by electronic mail or (d) upon the earlier of confirmed receipt or the fifth (5<sup>th</sup>) business day following the date of mailing if sent by registered or certified mail, return receipt requested, postage prepaid and addressed as follows:

If to Licensor, to:

1 Wayside Road, Burlington, MA 01803  
Attn: Wendy Cassity, EVP and Chief Legal Officer  
email: wendy.cassity@nuance.com  
with a copy to: David Garfinkel, SVP Corporate Development  
email: David.garfinkel@nuance.com

Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas  
New York, NY 10019-6064  
Attn: Scott A. Barshay  
Steven J. Williams  
Michael E. Vogel  
email: sbarshay@paulweiss.com  
swilliams@paulweiss.com  
mvogel@paulweiss.com  
Facsimile: 212-492-0040

If to Licensee, to:

15 Wayside Road, Burlington, MA 01803  
Attn: Leanne Fitzgerald, General Counsel  
email:  
with a copy to: Mark Gallenberger, Chief Financial Officer  
email:

Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas  
New York, NY 10019-6064  
Attn: Scott A. Barshay  
Steven J. Williams  
Michael E. Vogel  
email: sbarshay@paulweiss.com  
swilliams@paulweiss.com  
mvogel@paulweiss.com  
Facsimile: 212-492-0040

Either Party may, by notice to the other Party, change the address to which such notices are to be given. Each Party agrees that nothing in this Agreement shall affect the other Party's right to serve process in any other manner permitted by Law (including pursuant to the rules for foreign service of process authorized by the Hague Convention).

Section 9.10. Import and Export Control. Each Party agrees that it shall comply with all applicable national and international laws and regulations relating to import and/or export control in its country(ies), if any, involving any commodities, software, services or technology within the scope of this Agreement.

Section 9.11. Bankruptcy. The Parties acknowledge and agree that all rights and licenses granted by the other under or pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code, as amended (the "Bankruptcy Code"), licenses of rights to "intellectual property" as defined under Section 101 of the Bankruptcy Code. The Parties agree that, notwithstanding anything else in this Agreement, Nuance and the members of the Nuance Group and SpinCo and the members of the SpinCo Group, as licensees of such intellectual property rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the Bankruptcy Code (including Nuance's and the Nuance Group members' and SpinCo's and the SpinCo Group members' right to the continued enjoyment of the rights and licenses respectively granted by under this Agreement).

Section 9.12. Severability. If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either Party. Upon any such determination, any such provision, to the extent determined to be invalid, void or unenforceable, shall be deemed replaced by a provision that such court determines is valid and enforceable and that comes closest to expressing the intention of the invalid, void or unenforceable provision.

Section 9.13. Expenses. Except as otherwise expressly provided in this Agreement or the Separation Agreement, (i) all third-party fees, costs and expenses incurred by either the Nuance Group or the SpinCo Group in connection with effecting the Spin-Off prior to or on the Distribution Date, whether payable prior to, on or following the Distribution Date (but excluding, for the avoidance of doubt, any financing fees or interest payable in respect of any indebtedness incurred by SpinCo in connection with the Spin-Off), will be borne and paid by Nuance and (ii) all third-party fees, costs and expenses incurred by either the Nuance Group or the SpinCo Group in connection with effecting the Spin-Off following the Distribution Date, whether payable prior to, on or following the Distribution Date, will be borne and paid by the Party incurring such fee, cost or expense. For the avoidance of doubt, this Section 9.13 shall not affect each Party's responsibility to indemnify Nuance Liabilities or SpinCo Liabilities, as applicable, arising from the transactions contemplated by the Distribution.

Section 9.14. Headings. The article, section and paragraph headings contained in this Agreement, including in the table of contents of this Agreement, are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 9.15. Survival of Covenants. Except as expressly set forth in this Agreement, the covenants in this Agreement and the Liabilities for the breach of any obligations in this Agreement shall survive the Spin-Off and shall remain in full force and effect.

Section 9.16. Waivers of Default. No failure or delay of any Party (or the applicable member of its Group) in exercising any right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, or any course of conduct, preclude any other or further exercise thereof or the exercise of any other right or power. Waiver by any Party of any default by the other Party of any provision of this Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default.

Section 9.17. Amendments. No provisions of this Agreement shall be deemed waived, amended, supplemented or modified by any Party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of each Party.

Section 9.18. Interpretation. Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires. The terms “hereof,” “herein,” “herewith” and words of similar import, unless otherwise stated, shall be construed to refer to this Agreement as a whole (including all of the schedules hereto) and not to any particular provision of this Agreement. Article, Section or Schedule references are to the articles, sections and schedules of or to this Agreement unless otherwise specified. Any capitalized terms used in any Schedule to this Agreement but not otherwise defined therein shall have the meaning as defined in this Agreement. Any definition of or reference to any agreement, instrument or other document herein (including any reference herein to this Agreement) shall, unless otherwise stated, be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth therein, including in Section 9.17 above). The word “including” and words of similar import when used in this Agreement shall mean “including, without limitation,” unless the context otherwise requires or unless otherwise specified. The word “or” shall not be exclusive. The word “extent” in the phrase “to the extent” shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply “if.” All references to “\$” or dollar amounts are to the lawful currency of the United States of America. In the event that an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring either Party by virtue of the authorship of any provisions hereof.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties have caused this Transitional Trademark License Agreement to be executed by their duly authorized representatives.

NUANCE COMMUNICATIONS, INC.

By: \_\_\_\_\_  
Name:  
Title:

CERENCE INC.

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Transitional Trademark License Agreement]



Nuance Communications, Inc.  
1 Wayside Road  
Burlington, MA 01803  
USA  
[nuance.com](http://nuance.com)

February 14, 2019

Sanjay Dhawan

Dear Sanjay:

Congratulations! It is with great pleasure that I confirm Nuance Communications, Inc.'s ("Nuance" or the "Company") offer of employment initially in the position of Advisor to the Auto Division, with a start date of April 15, 2019, reporting to Mark Benjamin, Chief Executive Officer. Upon spin-off of the Auto Division, your position will be CEO of AutoCo. Your work location will initially be Burlington, Massachusetts and will change to the headquarters location established for AutoCo.

Your starting annual base salary will be \$600,000 paid on a bi-weekly basis. In addition to your base salary, you will be eligible to participate in the Nuance Fiscal 2019 Company Bonus Program, with a target of up to 100% of base salary. For Fiscal 2019, your bonus will be paid on a pro-rated basis at target. Beyond FY19, the actual bonus payable, if any, will be higher, up to 150% of target, or lower than target depending on the achievement of performance goals set by the Compensation Committee of the AutoCo. Board of Directors.

Upon spin-off of the Auto Division, you will be granted the following three (3) equity awards:

**Equity Awards.** The Compensation Committee of the Board of Directors of AutoCo will grant Executive a number of restricted stock units under the AutoCo equity plan (the "Plan") having an aggregate fair value of \$3,000,000. The fair value of this award, as well as the Make-Whole RSUs detailed below, will be determined based on the closing market price of Auto Co common stock on the effective date of grant. The restricted stock units will be divided equally between time-based restricted stock units ("RSUs") and performance-based RSUs ("PSUs"), as follows in (a) and (b) below:

- a) **RSUs.** The RSUs will be subject to the terms and conditions for time-based restricted stock units under the Plan, all as reflected in the applicable form of RSU agreement. The RSUs will be scheduled to vest as to one-third of the RSUs on each of the first three anniversaries of the grant date, subject to your continued service (and not to performance goals or other vesting conditions) with AutoCo through each vesting date.
- b) **PSUs.** The PSUs will be subject to the terms and conditions for performance-based restricted stock units under the Plan, all as reflected in the applicable form of PSU agreement. The PSUs will be eligible to vest at up to 200% of target, with the vesting period and other terms to be determined by the AutoCo Board.

c) **Make-Whole RSU Grant.** On the same date that the grants detailed above are made, the Compensation Committee of the Board of AutoCo will also grant you a one-time make-whole grant of the number of RSUs having a fair value of \$5,000,000 (the "Make-Whole RSUs"). The Make-Whole RSUs will be subject to AutoCo's standard terms and conditions for time-based restricted stock units under the Plan. The Make-Whole RSUs will be scheduled to vest as to 1/3 of the RSUs on each of the first three anniversaries of your hire date, subject to your continued service with the Company through each vesting date.

### **Relocation Allowance**

Executive will relocate Executive's primary residence (that is, the residence that Executive principally will use during the workweek other than when travelling for business or on PTO) to the Boston, MA area no later than September 30, 2019. Executive will be provided with full relocation assistance and will be reimbursed for reasonable expenses to relocate Executive's family and their primary residence to the Boston, MA area, up to a gross maximum amount of \$350,000. In accordance with IRS regulations, your relocation benefit will be reported on your W-2 form as it is taxable income

If, within one year of the date of relocation of Executive's family, Executive voluntarily terminates employment other than for Good Reason or Executive is terminated for Cause, as defined in Executives Severance and Change of Control Agreement, Executive will be required to reimburse the Company the gross amount of all relocation expenses.

### **Paid Time-Off**

Nuance provides 11 holidays throughout the calendar year. Additionally, you will be entitled to four (4) weeks' vacation, which is accrued on a bi-weekly basis commencing on your first day of employment. Following the transfer of your employment to AutoCo you will be entitled to Paid Time Off in accordance with AutoCo policy.

### **Benefits:**

Nuance offers affordable health care, income protection, and benefits that provide peace of mind now and in the future. If you are regularly scheduled to work thirty (30) hours or more per week you are eligible for benefits on day one. The benefit programs you are eligible for as a Nuance employee will be provided during the New Hire On-boarding process. Following the transfer of your employment to AutoCo you will participate in AutoCo employee benefit plans.

### **Background Check**

Your employment is contingent upon satisfactory completion of a background check, which includes, at a minimum, a review of criminal records, and verification of your employment and education.

### **Terms and Conditions**

Your employment with Nuance will be “at will”, meaning that either you or Nuance Communications will be entitled to terminate your employment at any time and for any reason, with or without cause, subject to the terms of the Change of Control and Severance Agreement.

Should your employment with the company be involuntarily terminated for any reason other than cause, and you execute a standard severance agreement, you will receive a severance package as outlined in terms and conditions of your Change of Control and Severance Agreement in effect at the time of departure.

This letter supersedes any prior employment offers made by Nuance, whether written or oral, and any prior representations or descriptions of the conditions of your employment are superseded by this offer. This letter, together with the Change of Control and Severance Agreement and CIIN, represent the full and complete agreement between you and Nuance. Although your job duties, title, compensation and benefits, as well as Nuance’s personnel policies and procedures, may change from time to time, the “at will” nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of Nuance Communications.

This offer is contingent upon your satisfying the conditions of hire, including providing proof of your eligibility to work in the United States and successful completion of a background check. Also, like all Nuance employees, you will be required, as a condition to your employment, to sign Nuance’s standard *Confidential Information, Inventions and Non-Competition Agreement* (“CINN”), a copy of which is attached hereto. Furthermore, this offer is contingent upon favorable completion of three professional references.

We at Nuance are proud of our reputation and we feel confident that you will be a positive addition to the Senior Management Team, while the position will afford you the opportunity to grow your professional skill set.

Sanjay, we would appreciate it if you would confirm your acceptance of our employment offer, by signing this offer confirmation letter and returning it to my attention as soon as possible. If this offer is not executed by February 22, 2019 it will expire and no employment commitments as outlined will be honored.

If you have further questions regarding our offer, feel free to contact me at \_\_\_\_\_  
Nuance Communications organization.

\_\_\_\_\_. I look forward to our working together and you’re joining the

---

Sincerely,  
/s/ Mark Benjamin

Mark Benjamin  
Chief Executive Officer

Enclosures/Forms: Benefits Summary, Non-Compete, Proprietary Information, & Conflict of Interest Agreement.

I ACCEPT THE OFFER OF EMPLOYMENT AS STATED ABOVE:

/s/ Sanjay Dhawan

Feb. 22, 2019

**NAME – Sanjay Dhawan**

Date of Acceptance



## NUANCE COMMUNICATIONS, INC.

## CHANGE OF CONTROL AND SEVERANCE AGREEMENT

This Change of Control and Severance Agreement (the “**Agreement**”) is made and entered into by and between Sanjay Dhawan (“**Executive**”) and Nuance Communications, Inc., a Delaware corporation (“**Nuance**”), effective as of the later of (i) the latest date on the signature page of this Agreement or (ii) the date Executive’s employment with the Company commences (the “**Effective Date**”).

RECITALS

1. As of the Effective Date, Executive shall be employed by Nuance as an advisor to its automotive division (the “**Auto Division**”).
2. It is anticipated that the Auto Division will be spun-off as a standalone company (the “**Spin-Off**”, and such standalone company, “**AutoCo**”) and, following the Spin-Off, that Executive will serve as Chief Executive Officer of AutoCo.
3. The Compensation Committee (the “**Committee**”) of the Board of Directors of Nuance (the “**Board**”) believes that it is imperative to provide Executive with severance benefits upon Executive’s termination of employment under certain circumstances to provide Executive with enhanced financial security, incentive and encouragement to remain with Nuance through the Spin-Off and with AutoCo following the Spin-Off.
4. Certain capitalized terms used in the Agreement are defined in Section 7 below.

AGREEMENT

NOW, THEREFORE, in consideration of Executive’s continued employment and the mutual covenants contained herein, the parties hereto agree as follows:

1. Term of Agreement. This Agreement will have an initial term commencing on the Effective Date and ending on the first anniversary of the Effective Date (the “**Initial Term**”). In connection with the Spin-Off, to the extent consummated, Nuance shall provide for the assumption by, and assignment to, AutoCo of this Agreement and, following such assumption and assignment, shall have no further liability or obligation under this Agreement. For purposes of this Agreement, references to the “Company” and the “Board” shall refer to Nuance prior to such assumption and to AutoCo following such assumption. At the end of the Initial Term, this Agreement will renew automatically for additional one (1) year terms (each an “**Additional Term**”), unless either Executive or the Company provides the other party with written notice of non-renewal at least sixty (60) days prior to the date of automatic renewal. Notwithstanding the foregoing provisions of this paragraph, if a Change of Control of Nuance occurs prior to the Spin-Off or a Change of Control of AutoCo occurs following the Spin-Off, in either case, when there are fewer than twelve (12) months remaining during the Initial Term or an Additional Term, the term of this Agreement will extend automatically through the date that is twelve (12) months following the effective date of such applicable Change of Control. If Executive becomes entitled to benefits under Section 3

during the term of this Agreement, the Agreement will not terminate until all of the obligations of the parties hereto with respect to this Agreement have been satisfied. For avoidance of doubt, Executive will not be entitled to severance benefits under Section 3 due solely to notice of non-renewal or termination of this Agreement due to non-renewal at the end of the Initial Term or any Additional Term, due to the assumption of this Agreement by AutoCo, or due to the Spin-Off.

2. At-Will Employment. The Company and Executive acknowledge that Executive's employment is and will continue to be at-will, as defined under applicable law.

3. Change of Control and Severance Benefits.

(a) Termination by AutoCo Other than During Change of Control Period. If, following the Spin-Off, Executive's employment with AutoCo and its subsidiaries is terminated by AutoCo other than for Cause and other than due to Executive's death or Disability, and such termination occurs outside of the Change of Control Period, then, subject to Section 4 and the other provisions of this Agreement, Executive will receive the following severance payment and benefits:

(i) Cash Severance. A lump sum cash severance payment equal to the sum of:

(A) twenty-four (24) months' of Executive's base salary as in effect immediately prior to the termination date;

(B) one hundred percent (100%) of Executive's target annual bonus for the fiscal year in which such termination occurs; and

(C) a prorated target annual bonus for the fiscal year in which such termination occurs, determined by multiplying Executive's target annual bonus by a fraction, the numerator of which is the number of days worked by Executive for AutoCo (or Nuance, if applicable) during such fiscal year and the denominator of which is three hundred and sixty-five (365).

(ii) Continued Employee Benefits. Continuation coverage under the terms of AutoCo's medical benefit plan pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**") for Executive and/or Executive's eligible dependents, subject to Executive timely electing COBRA coverage. For eighteen (18) months from the date of Executive's termination AutoCo will pay directly on Executive's behalf the monthly COBRA premiums (at the coverage levels in effect immediately prior to Executive's termination). Notwithstanding the preceding sentence, if AutoCo determines in its sole discretion that it cannot provide the foregoing benefit without potentially violating, or being subject to an excise tax under, applicable law (including, without limitation, Section 2716 of the Public Health Service Act), AutoCo will in lieu thereof provide to Executive a taxable lump sum cash payment in an amount equal to the product of (x) eighteen (18), multiplied by (y) the monthly COBRA premium that Executive otherwise would be required to pay to continue the group health coverage for Executive and Executive's eligible dependents, as applicable, as in effect on the date of Executive's termination of employment (which amount will be based on the premium for the first

month of COBRA coverage), which payment will be made regardless of whether Executive elects COBRA continuation coverage. For the avoidance of doubt, the taxable payment in lieu of COBRA reimbursements may be used for any purpose, including, but not limited to, continuation coverage under COBRA, and will be subject to all applicable tax withholdings.

(iii) Accelerated Equity Vesting. As of immediately prior to such termination:

(A) the Initial RSUs and the Make-Whole RSUs, to the extent then outstanding and unvested, will vest in full;

(B) any other AutoCo equity awards that have been previously granted to Executive by AutoCo that vest solely on the basis of Executive's continued employment that are then outstanding and unvested shall become vested as to that number of shares that would have become vested under the normal vesting schedule of the applicable award (without regard to any accelerated vesting conditions) had Executive remained employed by AutoCo for an additional twelve (12) months following the date of termination; and

(C) if such termination occurs prior to the end of the performance period applicable to the Initial PSUs, the Initial PSUs shall vest as to that number of shares determined by multiplying the target number of Initial PSUs by a fraction, the numerator of which is twelve (12) and the denominator of which is the greater of (I) the number of months in the applicable performance period or (II) twelve (12).

(b) Change of Control of AutoCo. Upon a Change of Control of AutoCo, the Initial PSUs, to the extent then outstanding and unvested, shall be deemed earned based on actual performance as measured through such Change of Control and such Initial PSUs that are deemed earned shall be subject to time-based vesting, based on Executive's continued employment, for the remainder of the performance period and shall be subject to accelerated vesting upon a termination of Executive's employment to the extent provided for in Section 3(c) below. Any Initial PSUs that are not deemed earned upon a Change of Control of AutoCo shall be forfeited for no consideration upon such change of control.

(c) Termination by AutoCo During Change of Control Period. If, following the Spin-Off and during the Change of Control Period, (i) Executive's employment with AutoCo and its subsidiaries is terminated by AutoCo other than for Cause and other than due to Executive's death or Disability or (ii) Executive resigns for Good Reason, then, subject to Section 4 and the other provisions of this Agreement, Executive will receive the following severance payment and benefits:

(i) Cash Severance. A lump sum cash severance payment equal to the sum of:

(A) thirty (30) months' of Executive's base salary as in effect immediately prior to the termination date;

(B) two hundred percent (200%) of Executive's target annual bonus for the fiscal year in which such termination occurs; and

(C) a prorated target annual bonus for the fiscal year in which such termination occurs, determined by multiplying Executive's target annual bonus by a fraction, the numerator of which is the number of days worked by Executive for AutoCo (or Nuance, if applicable) during such fiscal year and the denominator of which is three hundred and sixty-five (365).

(ii) Continued Employee Benefits. Continuation coverage under the terms of AutoCo's medical benefit plan pursuant to COBRA for Executive and/or Executive's eligible dependents, subject to Executive timely electing COBRA coverage. For eighteen (18) months from the date of Executive's termination AutoCo will pay directly on Executive's behalf the monthly COBRA premiums (at the coverage levels in effect immediately prior to Executive's termination). Notwithstanding the preceding sentence, if AutoCo determines in its sole discretion that it cannot provide the foregoing benefit without potentially violating, or being subject to an excise tax under, applicable law (including, without limitation, Section 2716 of the Public Health Service Act), AutoCo will in lieu thereof provide to Executive a taxable lump sum cash payment in an amount equal to the product of (x) eighteen (18), multiplied by (y) the monthly COBRA premium that Executive otherwise would be required to pay to continue the group health coverage for Executive and Executive's eligible dependents, as applicable, as in effect on the date of Executive's termination of employment (which amount will be based on the premium for the first month of COBRA coverage), which payment will be made regardless of whether Executive elects COBRA continuation coverage. For the avoidance of doubt, the taxable payment in lieu of COBRA reimbursements may be used for any purpose, including, but not limited to, continuation coverage under COBRA, and will be subject to all applicable tax withholdings.

(iii) Accelerated Equity Vesting. As of immediately prior to such termination:

(A) all AutoCo equity awards that have been previously granted to Executive by AutoCo that vest solely on the basis of Executive's continued employment, including the Initial RSUs and the Make-Whole RSUs, that are then outstanding and unvested will vest in full; and

(B) all Initial PSUs that are then outstanding and eligible to vest based on Executive's continued employment as provided for under subsection (b) above shall vest in full.

(d) Termination by Nuance following Sale of Auto Division or Nuance Change of Control. If, prior to the Spin-Off and within twelve (12) months following Nuance's sale of all or substantially all of the assets of the Automotive Division to an unrelated third party or a Change of Control of Nuance, (i) Executive's employment with Nuance and its subsidiaries is terminated by Nuance other than for Cause and other than due to Executive's death or Disability or (ii) Executive resigns for Good Reason, then, subject to Section 4 and the other provisions of this Agreement, Executive will receive the following severance payment and benefits:

(i) Cash Severance. A lump sum cash severance payment equal to the sum of:

(A) thirty (30) months' of Executive's base salary as in effect immediately prior to the termination date;

(B) two hundred percent (200%) of Executive's target annual bonus for the fiscal year in which such termination occurs; and

(C) a prorated target annual bonus for the fiscal year in which such termination occurs, determined by multiplying Executive's target annual bonus by a fraction, the numerator of which is the number of days worked by Executive for Nuance during such fiscal year and the denominator of which is three hundred and sixty-five (365).

(ii) Continued Employee Benefits. Continuation coverage under the terms of Nuance's medical benefit plan pursuant to COBRA for Executive and/or Executive's eligible dependents, subject to Executive timely electing COBRA coverage. For eighteen (18) months from the date of Executive's termination Nuance will pay directly on Executive's behalf the monthly COBRA premiums (at the coverage levels in effect immediately prior to Executive's termination). Notwithstanding the preceding sentence, if Nuance determines in its sole discretion that it cannot provide the foregoing benefit without potentially violating, or being subject to an excise tax under, applicable law (including, without limitation, Section 2716 of the Public Health Service Act), Nuance will in lieu thereof provide to Executive a taxable lump sum cash payment in an amount equal to the product of (x) eighteen (18), multiplied by (y) the monthly COBRA premium that Executive otherwise would be required to pay to continue the group health coverage for Executive and Executive's eligible dependents, as applicable, as in effect on the date of Executive's termination of employment (which amount will be based on the premium for the first month of COBRA coverage), which payment will be made regardless of whether Executive elects COBRA continuation coverage. For the avoidance of doubt, the taxable payment in lieu of COBRA reimbursements may be used for any purpose, including, but not limited to, continuation coverage under COBRA, and will be subject to all applicable tax withholdings.

(iii) Payment in Lieu of Accelerated Equity Vesting. A lump sum cash payment equal to \$8,000,000, which represents the grant date fair value of the Initial RSUs, Initial PSUs and Make-Whole RSUs provided for in the Offer Letter, provided that such cash payment shall be reduced by the grant date fair value of any equity awards granted to Executive by such acquirer in connection with such acquisition.

(e) Termination by Nuance Following Decision Not to Pursue Spin-Off. If, within twelve (12) months following a definitive decision by the Board not to consummate the Spin-Off, Executive's employment with Nuance and its subsidiaries is terminated by Nuance other than for Cause and other than due to Executive's death or Disability, Executive will receive the following severance payment and benefits:

(i) Cash Severance. A lump sum severance payment equal to the sum of:

(A) thirty (30) months' of Executive's base salary as in effect immediately prior to the termination date;

(B) two hundred percent (200%) of Executive's target annual bonus for the fiscal year in which such termination occurs; and

(C) a prorated target annual bonus for the fiscal year in which such termination occurs, determined by multiplying Executive's target annual bonus by a fraction, the numerator of which is the number of days worked by Executive for Nuance during such fiscal year and the denominator of which is three hundred and sixty-five (365).

(ii) Continued Employee Benefits. Continuation coverage under the terms of Nuance's medical benefit plan pursuant to COBRA for Executive and/or Executive's eligible dependents, subject to Executive timely electing COBRA coverage. For eighteen (18) months from the date of Executive's termination Nuance will pay directly on Executive's behalf the monthly COBRA premiums (at the coverage levels in effect immediately prior to Executive's termination). Notwithstanding the preceding sentence, if Nuance determines in its sole discretion that it cannot provide the foregoing benefit without potentially violating, or being subject to an excise tax under, applicable law (including, without limitation, Section 2716 of the Public Health Service Act), Nuance will in lieu thereof provide to Executive a taxable lump sum cash payment in an amount equal to the product of (x) eighteen (18), multiplied by (y) the monthly COBRA premium that Executive otherwise would be required to pay to continue the group health coverage for Executive and Executive's eligible dependents, as applicable, as in effect on the date of Executive's termination of employment (which amount will be based on the premium for the first month of COBRA coverage), which payment will be made regardless of whether Executive elects COBRA continuation coverage. For the avoidance of doubt, the taxable payment in lieu of COBRA reimbursements may be used for any purpose, including, but not limited to, continuation coverage under COBRA, and will be subject to all applicable tax withholdings.

(iii) Payment in Lieu of Accelerated Equity Vesting. A lump sum cash payment equal to \$8,000,000, which represents the grant date fair value of the Initial RSUs, Initial PSUs and Make-Whole RSUs provided for in the Offer Letter.

(f) Voluntary Resignation; Termination for Cause. If Executive's employment with the Company and its subsidiaries terminates in a voluntary resignation (other than for Good Reason during the Change of Control Period or within twelve (12) months following the sale of all or substantially all of the assets of the Automotive Division), or if Executive's employment is terminated for Cause or due to Executive's death or Disability, then Executive shall not be entitled to receive severance or other benefits except as otherwise provided by applicable law or those (if any) as may be available under the Company's severance and benefit plans and policies in effect at the time of such termination.

(g) Accrued Amounts. Without regard to the reason for, or the timing of, Executive's termination of employment, the Company shall pay Executive: (i) any unpaid base salary due for periods prior to the date of termination, (ii) accrued and unused vacation, as required under the applicable Company policy; and (iii) all expenses incurred by Executive in connection with the business of the Company prior to the date of termination in accordance with the Company's business expense reimbursement policy. These payments shall be made promptly upon termination and within the period of time mandated by law.

(h) Exclusive Remedy. In the event of termination of Executive's employment as set forth in Section 3 of this Agreement, the provisions of Section 3 are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive may otherwise be entitled, whether at law, tort or contract, in equity, or under this Agreement (other than the payment of accrued but unpaid wages, as required by law, or any unreimbursed reimbursable expenses). During the term of this Agreement, Executive will be entitled to no benefits, compensation or other payments or rights upon termination of employment, including under the Offer Letter or any other agreement with the Company, other than those benefits expressly set forth in Section 3 of this Agreement.

(i) Transfer between Company and any Subsidiary. For purposes of this Section 3, if Executive's employment relationship with the Company or any parent or subsidiary of the Company ceases, Executive will not, solely by virtue thereof, be determined to have been terminated without Cause for purposes of this Agreement if Executive continues to remain employed by the Company or any subsidiary of the Company immediately thereafter (e.g., upon transfer of Executive's employment from the Company to a Company subsidiary). For the avoidance of doubt, neither the Spin-Off nor any transfer of Executive's employment in connection with the Spin-Off shall be treated as a termination of employment for purposes of this Agreement.

#### 4. Conditions to Receipt of Severance

(a) Release of Claims Agreement. The receipt of any severance payments or benefits in Section 3 pursuant to this Agreement is subject to Executive signing and not revoking a separation agreement and release of claims in the form provided by the Company, which must become effective and irrevocable no later than the sixtieth (60th) day following Executive's termination of employment (the "**Release Deadline**"). If the Release does not become effective and irrevocable by the Release Deadline, Executive will forfeit any right to severance payments or benefits under this Agreement. Any cash severance payments or benefits payable to Executive in a lump sum will be paid on or within fifteen (15) days following the Release Deadline, or, if later, such time as required by Section 5(a) and, notwithstanding anything to the contrary in the applicable equity plan or award agreement, to the extent permitted under Section 409A, any equity awards that become vested in connection with Executive's termination of employment under this Agreement shall not be settled or become exercisable, as applicable, until the Release becomes effective in accordance with its terms. In no event will severance payments or benefits be paid or provided until the Release actually becomes effective and irrevocable and, if the Release does not become effective in accordance with its terms on or prior to the Release Deadline, such severance payments and benefits shall be forfeited on the Release Deadline for no consideration payable to Executive.

(b) Proprietary Information and Non-Competition Agreement. Executive's receipt of any severance payments or benefits under Section 3 will be subject to Executive continuing to comply with the terms of any agreements between Executive and the Company concerning inventions, confidentiality, or restrictive covenants (the "**Confidentiality Agreement**").

5. Section 409A.

(a) Notwithstanding anything to the contrary in this Agreement, no Deferred Payments will be paid or otherwise provided until Executive has a "separation from service" within the meaning of Section 409A. Similarly, no severance payments or benefits payable to Executive, if any, pursuant to this Agreement that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until Executive has a "separation from service" within the meaning of Section 409A. In addition, if Executive is a "specified employee" within the meaning of Section 409A at the time of Executive's separation from service (other than due to death), then the Deferred Payments, if any, that are payable within the first six (6) months following Executive's separation from service, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Executive's separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following Executive's separation from service, but before the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Agreement is intended to constitute a separate payment under Section 1.409A-2(b)(2) of the Treasury Regulations.

(b) Any amount paid under this Agreement that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute Deferred Payments for purposes of this Agreement.

(c) Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit (as defined below) will not constitute Deferred Payments for purposes of this Agreement.

(d) The foregoing provisions are intended to comply with, or be exempt from, the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to so comply. Specifically, the



payments hereunder are intended to be exempt from the Requirements of Section 409A under the “short-term” deferral rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations. The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition before actual payment to Executive under Section 409A. In no event will the Company reimburse Executive for any taxes or other costs that may be imposed on Executive as a result of Section 409A or any other law.

6. Limitation on Payments. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute “parachute payments” within the meaning of Section 280G of the Code, and (ii) would be subject to the excise tax imposed by Section 4999 of the Code (the “Excise Tax”), then Executive’s benefits under this Agreement shall be either:

- (a) delivered in full, or
- (b) delivered as to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. If a reduction in severance and other benefits constituting “parachute payments” is necessary so that benefits are delivered to a lesser extent, reduction will occur in the following order: (1) reduction of cash payments, (2) cancellation of equity awards granted within the twelve-month period prior to a “change of control” (as determined under Code Section 280G) that are deemed to have been granted contingent upon the change of control (as determined under Code Section 280G), (3) cancellation of accelerated vesting of equity awards and (4) reduction of continued employee benefits. In the event that accelerated vesting of equity awards is to be cancelled, such vesting acceleration will be cancelled in the reverse chronological order of the award grant dates.

Unless the Company and Executive otherwise agree in writing, any determination required under this Section shall be made in writing by the Company’s independent public accountants (the “**Accountants**”), whose determination shall be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required by this Section, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Section 280G and 4999 of the Code. The Company and Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section.

7. Definition of Terms. The following terms referred to in this Agreement will have the following meanings:

(a) **Cause.** “**Cause**” will mean (i) any act of dishonesty or fraud taken by Executive in connection with his responsibilities as an employee other than immaterial, inadvertent acts that, if capable of cure, are promptly remedied by Executive following notice by the Company, (ii) Executive’s breach of the fiduciary duty or duty of loyalty owed to the Company, or material breach of the duty to protect the Company’s confidential and proprietary information, (iii) Executive’s conviction or plea of nolo contendere to a felony or to a crime involving fraud, embezzlement, misappropriation of funds or any other act of moral turpitude, (iv) Executive’s gross negligence or willful misconduct in the performance of his duties, (v) Executive’s material breach of this Agreement or any other agreement with the Company or any material written policy of the Company; (vi) Executive’s engagement in conduct or activities that result, or are reasonably likely to result, in negative publicity or public disrespect, contempt or ridicule of the Company that the Board reasonably believes will have a demonstrably injurious effect on the reputation or business of the Company or Executive’s ability to perform his duties (but excluding conduct and activities undertaken in good faith by Executive in the ordinary course of performing his duties or promoting the Company); (vii) Executive’s failure to abide by the lawful and reasonable directives of the Company (other than any failure to achieve a lawful and reasonable directive following the expenditure by Executive of commercially reasonable best efforts); (viii) Executive’s repeated failure to materially perform the primary duties of Executive’s position; or (ix) Executive’s failure to relocate Executive’s primary residence to the Boston, Massachusetts area by September 30, 2019 (provided the Company may only terminate Executive for Cause under this clause (ix) within sixty (60) days following September 30, 2019).

(b) **Change of Control.** “**Change of Control**” will mean the occurrence of any of the following events:

(i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the total voting power represented by the Company’s then outstanding voting securities;

(ii) the consummation by the Company of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation (in substantially the same proportions relative to each other as immediately prior to the transaction); or

(iii) the consummation of the sale or disposition by the Company of all or substantially all of the Company’s assets (it being understood that the sale or spinoff of one or more (but not all material) divisions of the Company shall not constitute the sale or disposition of all or substantially all of the Company’s assets).

Further and for the avoidance of doubt, a transaction will not constitute a Change of Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. In addition, in no event shall the Spin-Off or any restructurings or other transactions reasonably related to the Spin-Off constitute a Change of Control hereunder. For clarity, a Change of Control shall mean a Change of Control of Nuance prior to the date that AutoCo assumes this Agreement and a Change of Control of AutoCo on or after the date that AutoCo assumes this Agreement as provided hereunder.

(c) Change of Control Period. "**Change of Control Period**" means, prior to the Spin-Off, the period beginning on a Change of Control of Nuance and ending on the one-year anniversary of the Change of Control of the Company and, following the Spin-Off, the period that beginning on a Change of Control of AutoCo and ending on the one-year anniversary of the Change of Control of AutoCo.

(d) Code. "**Code**" means the Internal Revenue Code of 1986, as amended.

(e) Deferred Payments. "**Deferred Payments**" means any severance pay or benefits to be paid or provided to Executive, if any, pursuant to this Agreement that, in each case, are or when considered together with any other severance payments or separation benefits are, considered deferred compensation under Section 409A.

(f) Disability. "**Disability**" means Executive's absence from work due to a disability for a period in excess of ninety (90) days in any twelve (12)-month period that qualifies for benefits under the Company's long-term disability program.

(g) Exchange Act. "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(h) Good Reason. "**Good Reason**" means Executive's termination of employment within thirty (30) days following the expiration of any cure period (discussed below) following the occurrence of one or more of the following, without Executive's express written consent: (i) a material reduction in Executive's duties, authority or responsibilities; provided, however, that the following will not constitute "Good Reason": (1) Executive's continued employment following the Change of Control with substantially the same responsibility with respect to the Company's business and operations (for example, Executive will not experience a "Good Reason" condition if Executive has substantially the same responsibilities with respect to the business of the Company as Executive had immediately prior to the Change of Control whether Executive's title is revised to reflect Executive's placement within the overall corporate hierarchy or whether Executive provides services to a subsidiary, affiliate, business unit or otherwise), (2) changes to duties, authority or responsibilities following and related to a "going-private" transaction with significant management equity participation, or (3) changes to duties, authority or responsibilities that results solely from the Company's ceasing to be a stand-alone public corporation, or (4) changes to duties, authority or responsibilities in connection with or resulting

from the Spin-Off; (ii) a material reduction by the Company in the annual base compensation or target bonus opportunity (as a percentage of base salary) of Executive as in effect immediately prior to such reduction provided, however, that one or more reductions in base compensation or target bonus opportunity applicable to all executives generally that, cumulatively, total ten percent (10%) or less in base compensation and/or ten (10) percentage points or less in target bonus opportunity will not constitute a material reduction for purposes of this clause (ii); (iii) following Executive's relocation to the Boston, Massachusetts area as required hereunder, the relocation of Executive to a facility or a location more than fifty (50) miles from Executive's then present location; (iv) the failure of the Company to obtain the assumption of this agreement by any successors contemplated in Section 8 below; or (v) a material breach by the Company of this Agreement or any equity award agreement between Company and Executive. In order for an event to qualify as Good Reason, Executive must not terminate employment with the Company without first providing the Company with written notice of the acts or omissions constituting the grounds for "Good Reason" within ninety (90) days of the initial existence of the grounds for "Good Reason" and the Company shall have failed to cure during a period of thirty (30) days following the date of such notice.

- (i) Initial PSUs. "**Initial PSUs**" means the performance-based restricted stock units granted under the AutoCo equity plan described in the Offer Letter.
- (j) Initial RSUs. "**Initial RSUs**" means the time-based restricted stock units granted under the AutoCo equity plan described in the Offer Letter.
- (k) Make-Whole RSUs. "**Make-Whole RSUs**" has the meaning set forth in the Offer Letter.
- (l) Offer Letter. "**Offer Letter**" means the letter agreement between Nuance and Executive dated February 11, 2019.
- (m) Section 409A. "**Section 409A**" means Section 409A of the Code and the final Treasury Regulations and any official Internal Revenue Service guidance promulgated thereunder.
- (n) Section 409A Limit. "**Section 409A Limit**" means two (2) times the lesser of: (i) Executive's annualized compensation based upon the annual rate of pay paid to Executive during Executive's taxable year preceding Executive's taxable year of Executive's termination of employment as determined under, and with such adjustments as are set forth in, Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a) (17) of the Code for the year in which Executive's employment is terminated.

8. Successors.

(a) The Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets will assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" will include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this Section 8(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of Executive hereunder will inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

9. Notice.

(a) General. Notices and all other communications contemplated by this Agreement will be in writing and will be deemed to have been duly given when personally delivered, when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid, or when delivered by private courier service such as UPS or Federal Express that has tracking capability. In the case of Executive, mailed notices will be addressed to him at the home address which he or she most recently communicated to the Company in writing. In the case of the Company, mailed notices will be addressed to its corporate headquarters, and all notices will be directed to the General Counsel of the Company.

(b) Notice of Termination. Any termination by the Company for Cause or by Executive for Good Reason will be communicated by a notice of termination to the other party hereto given in accordance with Section 9(a) of this Agreement. Such notice will indicate the specific termination provision in this Agreement relied upon, will set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and will specify the termination date (which will be not more than thirty (30) days after the giving of such notice or any shorter period required herein).

10. Resignation. Upon the termination of Executive's employment for any reason, Executive will be deemed to have resigned from all officer and/or director positions held at the Company and its affiliates voluntarily, without any further required action by Executive, as of the end of Executive's employment and Executive, at the Board's request, will execute any documents reasonably necessary to reflect Executive's resignation.

11. Miscellaneous Provisions.

(a) No Duty to Mitigate. Executive will not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that Executive may receive from any other source.

(b) Waiver. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party will be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Headings. All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

(d) Entire Agreement. This Agreement and the Confidentiality Agreement constitute the entire agreement of the parties hereto with respect to the subject matter hereof and thereof. This Agreement supersedes, replaces in their entirety and terminates any prior representations, understandings, undertakings or agreements between the Company and Executive, whether written or oral and whether expressed or implied, that provided any benefits to Executive upon termination of Executive's employment for any reason. No waiver, alteration, or modification of any of the provisions of this Agreement will be binding unless in writing and signed by duly authorized representatives of the parties hereto and which specifically mention this Agreement. For the avoidance of doubt, it is the intention of the parties that the provisions of this Agreement providing for acceleration or other modification of the vesting provisions of equity awards are intended to supersede the vesting provisions of any equity awards that may be outstanding during the term of this Agreement.

(e) Governing Law. This Agreement shall be governed by the internal substantive laws, but not the choice of law rules, of the Commonwealth of Massachusetts, and the Company and Executive each consent to personal and exclusive jurisdiction and venue in the Commonwealth of Massachusetts.

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement will not affect the validity or enforceability of any other provision hereof, which will remain in full force and effect.

(g) Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable income, employment and other taxes.

(h) Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

**[Signature Page to Follow]**

IN WITNESS WHEREOF, each of the parties has executed this Change of Control and Severance Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

COMPANY

NUANCE COMMUNICATIONS, INC.

By: /s/ Beth Conway

Title: EVP, Chief HR Officer

Date: July 11, 2019

EXECUTIVE

Sanjay Dhawan

By: /s/ Sanjay Dhawan

Title: \_\_\_\_\_

Date: Feb. 22, 2019



Nuance Communications, Inc.  
One Wayside Road  
Burlington, Massachusetts 01803  
United States of America  
nuance.com

June 12, 2019

Mark Gallenberger

Dear Mark:

Congratulations! It is with great pleasure that I confirm Nuance Communications, Inc.'s ("Nuance" or the "Company") offer of employment initially in the position of Finance Executive to the Auto Division, with a start date of July 1, 2019, reporting to Sanjay Dhawan, Auto Chief Executive Officer. Upon spin-off of the Auto Division, your position will be Chief Financial Officer of AutoCo. Your work location will be Burlington, Massachusetts.

Your starting annual base salary will be \$400,000 paid on a bi-weekly basis. In addition to your base salary, you will be eligible to participate in the Nuance Fiscal 2019 Company Bonus Program, with a target of 75% of base salary. For Fiscal 2019, your bonus will be paid on a pro-rated basis at target. Beyond FY19, the actual bonus payable, if any, will be higher, up to 150% of target, or lower than target depending on the achievement of performance goals set by the Compensation Committee of the AutoCo. Board of Directors.

Upon spin-off of the Auto Division, you will be granted the following two (2) equity awards:

**Equity Awards.** The Compensation Committee of the Board of Directors of AutoCo will grant Executive a number of restricted stock units under the AutoCo equity plan (the "Plan") having an aggregate fair value of \$1,200,000. The fair value of this award will be determined based on the closing market price of Auto Co common stock on the effective date of grant. The restricted stock units will be divided equally between time-based restricted stock units ("RSUs") and performance-based RSUs ("PSUs"), as follows in (a) and (b) below:

a) **RSUs.** The RSUs will be subject to the terms and conditions for time-based restricted stock units under the Plan, all as reflected in the applicable form of RSU agreement. The RSUs will be scheduled to vest as to one-third of the RSUs on each of the first three anniversaries of the grant date, subject to your continued service (and not to performance goals or other vesting conditions) with AutoCo through each vesting date.

b) **PSUs.** The PSUs will be subject to the terms and conditions for performance-based restricted stock units under the Plan, all as reflected in the applicable form of PSU agreement. The PSUs vesting period and other terms to be determined by the AutoCo Board.



### **Paid Time-Off**

Nuance provides 11 holidays throughout the calendar year. Additionally, you will be entitled to four (4) weeks' vacation, which is accrued on a bi-weekly basis commencing on your first day of employment. Following the transfer of your employment to AutoCo you will be entitled to Paid Time Off in accordance with AutoCo policy.

### **Benefits:**

Nuance offers affordable health care, income protection, and benefits that provide peace of mind now and in the future. If you are regularly scheduled to work thirty (30) hours or more per week you are eligible for benefits on day one. The benefit programs you are eligible for as a Nuance employee will be provided during the New Hire On-boarding process. Following the transfer of your employment to AutoCo you will participate in AutoCo employee benefit plans.

### **Background Check**

Your employment is contingent upon satisfactory completion of a background check, which includes, at a minimum, a review of criminal records, and verification of your employment and education.

### **Terms and Conditions**

Your employment with Nuance will be "at will", meaning that either you or Nuance Communications will be entitled to terminate your employment at any time and for any reason, with or without cause, subject to the terms of the Change of Control and Severance Agreement.

Should your employment with the company be involuntarily terminated for any reason other than cause, and you execute a standard severance agreement, you will receive a severance package as outlined in terms and conditions of your Change of Control and Severance Agreement in effect at the time of departure.

This letter supersedes any prior employment offers made by Nuance, whether written or oral, and any prior representations or descriptions of the conditions of your employment are superseded by this offer. This letter, together with the Change of Control and Severance Agreement and CIIN, represent the full and complete agreement between you and Nuance. Although your job duties, title, compensation and benefits, as well as Nuance's personnel policies and procedures, may change from time to time, the "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of Nuance Communications.

This offer is contingent upon your satisfying the conditions of hire, including providing proof of your eligibility to work in the United States and successful completion of a background check. Also, like all Nuance employees, you will be required, as a condition to your employment, to sign Nuance's standard *Confidential Information, Inventions and Non-Competition Agreement* ("CINN"), a copy of which is attached hereto. Furthermore, this offer is contingent upon favorable completion of three professional references.

We at Nuance are proud of our reputation and we feel confident that you will be a positive addition to the Senior Management Team, while the position will afford you the opportunity to grow your professional skill set.

Mark, we would appreciate it if you would confirm your acceptance of our employment offer, by signing this offer confirmation letter and returning it to my attention as soon as possible. If this offer is not executed by June 17, 2019 it will expire and no employment commitments as outlined will be honored.

If you have further questions regarding our offer, feel free to contact me at Nuance Communications organization.

. I look forward to our working together and you're joining the

Sincerely,

/s/ Beth Conway

\_\_\_\_\_  
Beth Conway  
Chief Human Resource Officer

I ACCEPT THE OFFER OF EMPLOYMENT AS STATED ABOVE:

/s/ Mark Gallenberger

6/17/19

\_\_\_\_\_  
**NAME** – Mark Gallenberger

\_\_\_\_\_  
**Date of Acceptance**

## NUANCE COMMUNICATIONS, INC.

## CHANGE OF CONTROL AND SEVERANCE AGREEMENT

This Change of Control and Severance Agreement (the “**Agreement**”) is made and entered into by and between Mark Gallenberger (“**Executive**”) and Nuance Communications, Inc., a Delaware corporation (“**Nuance**”), effective as of the later of (i) the latest date on the signature page of this Agreement or (ii) the date Executive’s employment with the Company commences (the “**Effective Date**”).

RECITALS

1. As of the Effective Date, Executive shall be employed by Nuance as a financial executive in its automotive division (the “**Auto Division**”).
2. It is anticipated that the Auto Division will be spun-off as a standalone company (the “**Spin-Off**”, and such standalone company, “**AutoCo**”) and, following the Spin-Off, that Executive will serve as Chief Financial Officer of AutoCo.
3. The Compensation Committee (the “**Committee**”) of the Board of Directors of Nuance (the “**Board**”) believes that it is imperative to provide Executive with severance benefits upon Executive’s termination of employment under certain circumstances to provide Executive with enhanced financial security, incentive and encouragement to remain with Nuance through the Spin-Off and with AutoCo following the Spin-Off.
4. Certain capitalized terms used in the Agreement are defined in Section 7 below.

AGREEMENT

NOW, THEREFORE, in consideration of Executive’s employment and the mutual covenants contained herein, the parties hereto agree as follows:

1. Term of Agreement. This Agreement will have an initial term commencing on the Effective Date and ending on the first anniversary of the Effective Date (the “**Initial Term**”). In connection with the Spin-Off, to the extent consummated, Nuance shall provide for the assumption by, and assignment to, AutoCo of this Agreement and, following such assumption and assignment, shall have no further liability or obligation under this Agreement. For purposes of this Agreement, references to the “**Company**” and the “**Board**” shall refer to Nuance prior to such assumption and to AutoCo following such assumption. At the end of the Initial Term, this Agreement will renew automatically for additional one (1) year terms (each an “**Additional Term**”), unless either Executive or the Company provides the other party with written notice of non-renewal at least sixty (60) days prior to the date of automatic renewal. Notwithstanding the foregoing provisions of this paragraph, if a Change of Control of Nuance occurs prior to the Spin-Off or a Change of Control of AutoCo occurs following the Spin-Off, in either case, when there are fewer than twelve (12) months remaining during the Initial Term or an Additional Term, the term of this Agreement will extend automatically through the date that is twelve (12) months

following the effective date of such applicable Change of Control. If Executive becomes entitled to benefits under Section 3 during the term of this Agreement, the Agreement will not terminate until all of the obligations of the parties hereto with respect to this Agreement have been satisfied. For avoidance of doubt, Executive will not be entitled to severance benefits under Section 3 due solely to notice of non-renewal or termination of this Agreement due to non-renewal at the end of the Initial Term or any Additional Term, due to the assumption of this Agreement by AutoCo, due to Executive's termination of employment with Nuance (except as expressly contemplated by Section 3(e)) or due to the Spin-Off.

2. At-Will Employment. The Company and Executive acknowledge that Executive's employment is and will continue to be at-will, as defined under applicable law.

3. Change of Control and Severance Benefits.

(a) Termination by AutoCo Other than During Change of Control Period. If, following the Spin-Off, Executive's employment with AutoCo and its subsidiaries is terminated by AutoCo other than for Cause and other than due to Executive's death or Disability, and such termination occurs outside of the Change of Control Period, then, subject to Section 4 and the other provisions of this Agreement, Executive will receive the following severance payment and benefits:

(i) Cash Severance. A lump sum cash severance payment equal to the sum of:

(A) twelve (12) months' of Executive's base salary as in effect immediately prior to the termination date; and

(B) a prorated target annual bonus for the fiscal year in which such termination occurs, determined by multiplying Executive's target annual bonus by a fraction, the numerator of which is the number of days worked by Executive for AutoCo (or Nuance, if applicable) during such fiscal year and the denominator of which is three hundred and sixty-five (365).

(ii) Continued Employee Benefits. Continuation coverage under the terms of AutoCo's medical benefit plan pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**") for Executive and/or Executive's eligible dependents, subject to Executive timely electing COBRA coverage. For twelve (12) months from the date of Executive's termination AutoCo will pay directly on Executive's behalf the monthly COBRA premiums (at the coverage levels in effect immediately prior to Executive's termination). Notwithstanding the preceding sentence, if AutoCo determines in its sole discretion that it cannot provide the foregoing benefit without potentially violating, or being subject to an excise tax under, applicable law (including, without limitation, Section 2716 of the Public Health Service Act), to the extent permitted by Section 409A, AutoCo will in lieu thereof provide to Executive a taxable lump sum cash payment in an amount equal to the product of (x) twelve (12), multiplied by (y) the monthly COBRA premium that Executive otherwise would be required to pay to continue the group health coverage for Executive and Executive's eligible dependents, as applicable, as in effect on the date of Executive's termination of employment (which amount will be based on the

premium for the first month of COBRA coverage), which payment will be made regardless of whether Executive elects COBRA continuation coverage. For the avoidance of doubt, the taxable payment in lieu of COBRA reimbursements may be used for any purpose, including, but not limited to, continuation coverage under COBRA, and will be subject to all applicable tax withholdings.

(iii) Accelerated Equity Vesting. As of immediately prior to such termination any AutoCo equity awards that have previously been granted to Executive that vest solely on the basis of Executive's continued employment that are then outstanding and unvested shall become vested on a prorated basis, determined by multiplying the number of shares that would have become vested under the normal vesting schedule of the applicable award (without regard to any accelerated vesting conditions) on the next regularly scheduled vesting date by a fraction, the numerator of which is the number of days worked by Executive for AutoCo (or Nuance, if applicable) since the award's immediately preceding vesting date (or the date of grant, in the event such termination occurs prior to the first vesting date) and the denominator of which is the number of days between such immediately preceding vesting date (or date of grant, if applicable) and the award's next regularly scheduled vesting date.

(b) Change of Control of AutoCo. Upon a Change of Control of AutoCo, the Initial PSUs, to the extent then outstanding and unvested, shall be deemed earned based on actual performance as measured through such Change of Control and such Initial PSUs that are deemed earned shall be subject to time-based vesting, based on Executive's continued employment, for the remainder of the performance period and shall be subject to accelerated vesting upon a termination of Executive's employment to the extent provided for in Section 3(c) below. Any Initial PSUs that are not deemed earned upon a Change of Control of AutoCo shall be forfeited for no consideration upon such change of control.

(c) Termination by AutoCo During Change of Control Period. If, following the Spin-Off and during the Change of Control Period, (i) Executive's employment with AutoCo and its subsidiaries is terminated by AutoCo other than for Cause and other than due to Executive's death or Disability or (ii) Executive resigns for Good Reason, then, subject to Section 4 and the other provisions of this Agreement, Executive will receive the following severance payment and benefits:

(i) Cash Severance. A lump sum cash severance payment equal to the sum of:

(A) twelve (12) months' of Executive's base salary as in effect immediately prior to the termination date; and

(B) one hundred percent (100%) of Executive's target annual bonus for the fiscal year in which such termination occurs.

(ii) Continued Employee Benefits. Continuation coverage under the terms of AutoCo's medical benefit plan pursuant to COBRA for Executive and/or Executive's eligible dependents, subject to Executive timely electing COBRA coverage. For twelve (12) months from the date of Executive's termination AutoCo will pay directly on Executive's behalf the monthly COBRA premiums (at the coverage levels in effect immediately prior to Executive's termination). Notwithstanding the preceding sentence, if AutoCo determines in its sole discretion that it cannot provide the

foregoing benefit without potentially violating, or being subject to an excise tax under, applicable law (including, without limitation, Section 2716 of the Public Health Service Act), to the extent permitted by Section 409A, AutoCo will in lieu thereof provide to Executive a taxable lump sum cash payment in an amount equal to the product of (x) twelve (12), multiplied by (y) the monthly COBRA premium that Executive otherwise would be required to pay to continue the group health coverage for Executive and Executive's eligible dependents, as applicable, as in effect on the date of Executive's termination of employment (which amount will be based on the premium for the first month of COBRA coverage), which payment will be made regardless of whether Executive elects COBRA continuation coverage. For the avoidance of doubt, the taxable payment in lieu of COBRA reimbursements may be used for any purpose, including, but not limited to, continuation coverage under COBRA, and will be subject to all applicable tax withholdings.

(iii) Accelerated Equity Vesting. As of immediately prior to such termination, (A) all AutoCo equity awards that have been previously granted to Executive by AutoCo that vest solely on the basis of Executive's continued employment, including the Initial RSUs, that are then outstanding and unvested will vest in full and (B) all Initial PSUs that are then outstanding and eligible to vest based on Executive's continued employment as provided for under subsection (b) above shall vest in full.

(d) Termination by Nuance following Sale of Auto Division or Nuance Change of Control. If, prior to the Spin-Off and within twelve (12) months following Nuance's sale of all or substantially all of the assets of the Automotive Division to an unrelated third party or a Change of Control of Nuance, (i) Executive's employment with Nuance and its subsidiaries is terminated by Nuance other than for Cause and other than due to Executive's death or Disability or (ii) Executive resigns for Good Reason, then, subject to Section 4 and the other provisions of this Agreement, Executive will receive the following severance payment and benefits:

(i) Cash Severance. A lump sum cash severance payment equal to the sum of:

(A) twelve (12) months' of Executive's base salary as in effect immediately prior to the termination date; and

(B) one hundred percent (100%) of Executive's target annual bonus for the fiscal year in which such termination occurs.

(ii) Continued Employee Benefits. Continuation coverage under the terms of AutoCo's medical benefit plan pursuant to COBRA for Executive and/or Executive's eligible dependents, subject to Executive timely electing COBRA coverage. For twelve (12) months from the date of Executive's termination Nuance will pay directly on Executive's behalf the monthly COBRA premiums (at the coverage levels in effect immediately prior to Executive's termination). Notwithstanding the preceding sentence, if Nuance determines in its sole discretion that it cannot provide the foregoing benefit without potentially violating, or being subject to an excise tax under, applicable law (including, without limitation, Section 2716 of the Public Health Service Act), to the extent permitted by Section 409A, Nuance will in lieu thereof provide to Executive a taxable lump sum cash payment in an amount equal to the product of (x) twelve (12), multiplied by (y) the monthly COBRA premium that Executive otherwise would be required to

pay to continue the group health coverage for Executive and Executive's eligible dependents, as applicable, as in effect on the date of Executive's termination of employment (which amount will be based on the premium for the first month of COBRA coverage), which payment will be made regardless of whether Executive elects COBRA continuation coverage. For the avoidance of doubt, the taxable payment in lieu of COBRA reimbursements may be used for any purpose, including, but not limited to, continuation coverage under COBRA, and will be subject to all applicable tax withholdings.

(iii) Payment in Lieu of Equity. A lump sum cash payment equal to \$1,200,000, which represents the grant date fair value of the Initial RSUs and Initial PSUs, provided that such cash payment shall be reduced by the grant date fair value of any equity awards granted to Executive by such acquirer in connection with such acquisition.

(e) Termination by Nuance Following Decision Not to Pursue Spin-Off. If, within twelve (12) months following a definitive decision by the Board not to consummate the Spin-Off, Executive's employment with Nuance and its subsidiaries is terminated by Nuance other than for Cause and other than due to Executive's death or Disability, Executive will receive the following severance payment and benefits:

(i) Cash Severance. A lump sum severance payment equal to the sum of:

(A) twelve (12) months' of Executive's base salary as in effect immediately prior to the termination date; and

(B) one hundred percent (100%) of Executive's target annual bonus for the fiscal year in which such termination occurs.

(ii) Continued Employee Benefits. Continuation coverage under the terms of Nuance's medical benefit plan pursuant to COBRA for Executive and/or Executive's eligible dependents, subject to Executive timely electing COBRA coverage. For twelve (12) months from the date of Executive's termination Nuance will pay directly on Executive's behalf the monthly COBRA premiums (at the coverage levels in effect immediately prior to Executive's termination). Notwithstanding the preceding sentence, if Nuance determines in its sole discretion that it cannot provide the foregoing benefit without potentially violating, or being subject to an excise tax under, applicable law (including, without limitation, Section 2716 of the Public Health Service Act), to the extent permitted by Section 409A, Nuance will in lieu thereof provide to Executive a taxable lump sum cash payment in an amount equal to the product of (x) twelve (12), multiplied by (y) the monthly COBRA premium that Executive otherwise would be required to pay to continue the group health coverage for Executive and Executive's eligible dependents, as applicable, as in effect on the date of Executive's termination of employment (which amount will be based on the premium for the first month of COBRA coverage), which payment will be made regardless of whether Executive elects COBRA continuation coverage. For the avoidance of doubt, the taxable payment in lieu of COBRA reimbursements may be used for any purpose, including, but not limited to, continuation coverage under COBRA, and will be subject to all applicable tax withholdings.

(iii) Payment in Lieu of Equity. A lump sum cash payment equal to \$1,200,000, which represents the grant date fair value of the Initial RSUs and Initial PSUs.

(f) Voluntary Resignation; Termination for Cause. If Executive's employment with the Company and its subsidiaries terminates in a voluntary resignation (other than for Good Reason during the Change of Control Period or within twelve (12) months following the sale of all or substantially all of the assets of the Automotive Division), or if Executive's employment is terminated for Cause or due to Executive's death or Disability, then Executive shall not be entitled to receive severance or other benefits except as otherwise provided by applicable law or those (if any) as may be available under the Company's severance and benefit plans and policies in effect at the time of such termination.

(g) Accrued Amounts. Without regard to the reason for, or the timing of, Executive's termination of employment, the Company shall pay Executive: (i) any unpaid base salary due for periods prior to the date of termination, (ii) accrued and unused vacation, as required under the applicable Company policy; and (iii) all expenses incurred by Executive in connection with the business of the Company prior to the date of termination in accordance with the Company's business expense reimbursement policy. These payments shall be made promptly upon termination and within the period of time mandated by law.

(h) Exclusive Remedy. In the event of termination of Executive's employment as set forth in Section 3 of this Agreement, the provisions of Section 3 are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive may otherwise be entitled, whether at law, tort or contract, in equity, or under this Agreement (other than the payment of accrued but unpaid wages, as required by law, or any unreimbursed reimbursable expenses). During the term of this Agreement, Executive will be entitled to no benefits, compensation or other payments or rights upon termination of employment, including under the Offer Letter or any other agreement with the Company, other than those benefits expressly set forth in Section 3 of this Agreement.

(i) Transfer between Company and any Subsidiary. For purposes of this Section 3, if Executive's employment relationship with the Company or any parent or subsidiary of the Company ceases, Executive will not, solely by virtue thereof, be determined to have been terminated without Cause for purposes of this Agreement if Executive continues to remain employed by the Company or any subsidiary of the Company immediately thereafter (e.g., upon transfer of Executive's employment from the Company to a Company subsidiary). For the avoidance of doubt, neither the Spin-Off nor any transfer of Executive's employment in connection with the Spin-Off shall be treated as a termination of employment for purposes of this Agreement.

#### 4. Conditions to Receipt of Severance

(a) Release of Claims Agreement. The receipt of any severance payments or benefits in Section 3 pursuant to this Agreement is subject to Executive signing and not revoking a separation agreement that includes, if requested by the Company, a non-competition covenant that applies for up to twelve (12) months following Executive's termination of employment and a release of claims in the form provided by the Company,



which must become effective and irrevocable no later than the sixtieth (60th) day following Executive's termination of employment (the "**Release Deadline**"). If such separation agreement does not become effective and irrevocable by the Release Deadline, Executive will forfeit any right to severance payments or benefits under this Agreement. Any cash severance payments or benefits otherwise payable to Executive in a lump sum or otherwise between the termination date and the Release Deadline will be paid on or within fifteen (15) days (or, such earlier date for such payment to qualify as a short-term deferral for purposes of Section 409A) following the Release Deadline, or, if later, such time as required by Section 5(a) and, notwithstanding anything to the contrary in the applicable equity plan or award agreement, to the extent permitted under Section 409A, any equity awards that become vested in connection with Executive's termination of employment under this Agreement shall not be settled or become exercisable, as applicable, until the separation agreement becomes effective in accordance with its terms. In no event will any severance payments or benefits be paid or provided until the separation agreement actually becomes effective and irrevocable and, if the separation agreement does not become effective in accordance with its terms on or prior to the Release Deadline, Executive's entitlement to any such severance payments and benefits under this Agreement shall be forfeited on the Release Deadline for no consideration payable to Executive.

(b) Proprietary Information and Non-Competition Agreement. Executive's receipt of any severance payments or benefits under Section 3 will be subject to Executive continuing to comply with the terms of any agreements between Executive and the Company concerning inventions, confidentiality, or restrictive covenants (the "**Confidentiality Agreement**").

5. Section 409A.

(a) Notwithstanding anything to the contrary in this Agreement, no Deferred Payments will be paid or otherwise provided until Executive has a "separation from service" within the meaning of Section 409A. Similarly, no severance payments or benefits payable to Executive, if any, pursuant to this Agreement that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until Executive has a "separation from service" within the meaning of Section 409A. In addition, if Executive is a "specified employee" within the meaning of Section 409A at the time of Executive's separation from service (other than due to death), then the Deferred Payments, if any, that are payable within the first six (6) months following Executive's separation from service, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Executive's separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following Executive's separation from service, but before the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Agreement is intended to constitute a separate payment under Section 1.409A-2(b)(2) of the Treasury Regulations.

(b) Any amount paid under this Agreement that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute Deferred Payments for purposes of this Agreement.

(c) Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit (as defined below) will not constitute Deferred Payments for purposes of this Agreement.

(d) The foregoing provisions are intended to comply with, or be exempt from, the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to so comply. Specifically, the payments hereunder are intended to be exempt from the Requirements of Section 409A under the "short-term" deferral rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations or as payments made as a result of an involuntary separation from service, as applicable. The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition before actual payment to Executive under Section 409A. In no event will the Company reimburse Executive for any taxes or other costs that may be imposed on Executive as a result of Section 409A or any other law.

6. Limitation on Payments. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute "parachute payments" within the meaning of Section 280G of the Code, and (ii) would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then Executive's benefits under this Agreement shall be either:

(a) delivered in full, or

(b) delivered as to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. If a reduction in severance and other benefits constituting "parachute payments" is necessary so that benefits are delivered to a lesser extent, reduction will occur in the following order: (1) reduction of cash payments, (2) cancellation of equity awards granted within the twelve-month period prior to a "change of control" (as determined under Code Section 280G) that are deemed to have been granted contingent upon the change of control (as determined under Code Section 280G), (3) cancellation of accelerated vesting of equity awards and (4) reduction of continued employee benefits. In the event that accelerated vesting of equity awards is to be cancelled, such vesting acceleration will be cancelled in the reverse chronological order of the award grant dates.

Unless the Company and Executive otherwise agree in writing, any determination required under this Section shall be made in writing by the Company's independent public accountants (the "**Accountants**"), whose determination shall be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required by this Section, the Accountants may make reasonable assumptions and

approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Section 280G and 4999 of the Code. The Company and Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section.

7. Definition of Terms. The following terms referred to in this Agreement will have the following meanings:

(a) Cause. “**Cause**” will mean (i) any act of dishonesty or fraud taken by Executive in connection with his responsibilities as an employee other than immaterial, inadvertent acts that, if capable of cure, are promptly remedied by Executive following notice by the Company, (ii) Executive’s breach of the fiduciary duty or duty of loyalty owed to the Company, or material breach of the duty to protect the Company’s confidential and proprietary information, (iii) Executive’s conviction or plea of nolo contendere to a felony or to a crime involving fraud, embezzlement, misappropriation of funds or any other act of moral turpitude, (iv) Executive’s gross negligence or willful misconduct in the performance of his duties, (v) Executive’s material breach of this Agreement or any other agreement with the Company or any material written policy of the Company; (vi) Executive’s engagement in conduct or activities that result, or are reasonably likely to result, in negative publicity or public disrespect, contempt or ridicule of the Company that the Board reasonably believes will have a demonstrably injurious effect on the reputation or business of the Company or Executive’s ability to perform his duties (but excluding conduct and activities undertaken in good faith by Executive in the ordinary course of performing his duties or promoting the Company); (vii) Executive’s failure to abide by the lawful and reasonable directives of the Company (other than any failure to achieve a lawful and reasonable directive following the expenditure by Executive of commercially reasonable best efforts); or (viii) Executive’s repeated failure to materially perform the primary duties of Executive’s position.

(b) Change of Control. “**Change of Control**” will mean the occurrence of any of the following events:

(i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the total voting power represented by the Company’s then outstanding voting securities;

(ii) the consummation by the Company of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation (in substantially the same proportions relative to each other as immediately prior to the transaction); or

(iii) the consummation of the sale or disposition by the Company of all or substantially all of the Company’s assets (it being understood that the sale or spinoff of one or more (but not all material) divisions of the Company shall not constitute the sale or disposition of all or substantially all of the Company’s assets).

Further and for the avoidance of doubt, a transaction will not constitute a Change of Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. In addition, in no event shall the Spin-Off or any restructurings or other transactions reasonably related to the Spin-Off constitute a Change of Control hereunder. For clarity, a Change of Control shall mean a Change of Control of Nuance prior to the date that AutoCo assumes this Agreement and a Change of Control of AutoCo on or after the date that AutoCo assumes this Agreement as provided hereunder.

(c) Change of Control Period. "**Change of Control Period**" means, prior to the Spin-Off, the period beginning on a Change of Control of Nuance and ending on the one-year anniversary of the Change of Control of the Company and, following the Spin-Off, the period that beginning on a Change of Control of AutoCo and ending on the one-year anniversary of the Change of Control of AutoCo.

(d) Code. "**Code**" means the Internal Revenue Code of 1986, as amended.

(e) Deferred Payments. "**Deferred Payments**" means any severance pay or benefits to be paid or provided to Executive, if any, pursuant to this Agreement that, in each case, are or when considered together with any other severance payments or separation benefits are, considered deferred compensation under Section 409A.

(f) Disability. "**Disability**" means Executive's absence from work due to a disability for a period in excess of ninety (90) days in any twelve (12)-month period that qualifies for benefits under the Company's long-term disability program.

(g) Exchange Act. "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(h) Good Reason. "**Good Reason**" means Executive's termination of employment within thirty (30) days following the expiration of any cure period (discussed below) following the occurrence of one or more of the following, without Executive's express written consent: (i) a material reduction in Executive's duties, authority or responsibilities; provided, however, that the following will not constitute "Good Reason": (1) Executive's continued employment following the Change of Control with substantially the same responsibility with respect to the Company's business and operations (for example, Executive will not experience a "Good Reason" condition if Executive has substantially the same responsibilities with respect to the business of the Company as Executive had immediately prior to the Change of Control whether Executive's title is revised to reflect Executive's placement within the overall corporate hierarchy or whether Executive provides services to a subsidiary, affiliate, business unit or otherwise), (2) changes to duties, authority or responsibilities following and related to a "going-private" transaction with significant management equity participation,

or (3) changes to duties, authority or responsibilities that result solely from the Company's ceasing to be a stand-alone public corporation, or (4) changes to duties, authority or responsibilities in connection with or resulting from the Spin-Off; (ii) a material reduction by the Company in the annual base compensation or target bonus opportunity (as a percentage of base salary) of Executive as in effect immediately prior to such reduction provided, however, that one or more reductions in base compensation or target bonus opportunity applicable to all executives generally that, cumulatively, total ten percent (10%) or less in base compensation and/or ten (10) percentage points or less in target bonus opportunity will not constitute a material reduction for purposes of this clause (ii); (iii) the relocation of Executive to a facility or a location more than fifty (50) miles from Executive's then present location; (iv) the failure of the Company to obtain the assumption of this Agreement by any successors contemplated in Section 8 below; or (v) a material breach by the Company of this Agreement or any equity award agreement between Company and Executive. In order for an event to qualify as Good Reason, Executive must not terminate employment with the Company without first providing the Company with written notice of the acts or omissions constituting the grounds for "Good Reason" within ninety (90) days of the initial existence of the grounds for "Good Reason" and the Company shall have failed to cure during a period of thirty (30) days following the date of such notice.

(i) Initial PSUs. "**Initial PSUs**" means the performance-based restricted stock units granted under the AutoCo equity plan described in the Offer Letter.

(j) Initial RSUs. "**Initial RSUs**" means the time-based restricted stock units granted under the AutoCo equity plan described in the Offer Letter.

(k) Offer Letter. "**Offer Letter**" means the letter agreement between Nuance and Executive dated June 12, 2019.

(l) Section 409A. "**Section 409A**" means Section 409A of the Code and the final Treasury Regulations and any official Internal Revenue Service guidance promulgated thereunder.

(m) Section 409A Limit. "**Section 409A Limit**" means two (2) times the lesser of: (i) Executive's annualized compensation based upon the annual rate of pay paid to Executive during Executive's taxable year preceding Executive's taxable year of Executive's termination of employment as determined under, and with such adjustments as are set forth in, Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a) (17) of the Code for the year in which Executive's employment is terminated.

#### 8. Successors.

(a) The Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets will assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be

required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term “Company” will include any successor to the Company’s business and/or assets which executes and delivers the assumption agreement described in this Section 8(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive’s Successors. The terms of this Agreement and all rights of Executive hereunder will inure to the benefit of, and be enforceable by, Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

9. Notice.

(a) General. Notices and all other communications contemplated by this Agreement will be in writing and will be deemed to have been duly given when personally delivered, when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid, or when delivered by private courier service such as UPS or Federal Express that has tracking capability. In the case of Executive, mailed notices will be addressed to him at the home address which he or she most recently communicated to the Company in writing. In the case of the Company, mailed notices will be addressed to its corporate headquarters, and all notices will be directed to the General Counsel of the Company.

(b) Notice of Termination. Any termination by the Company for Cause or by Executive for Good Reason will be communicated by a notice of termination to the other party hereto given in accordance with Section 9(a) of this Agreement. Such notice will indicate the specific termination provision in this Agreement relied upon, will set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and will specify the termination date (which will be not more than thirty (30) days after the giving of such notice or any shorter period required herein).

10. Resignation. Upon the termination of Executive’s employment for any reason, Executive will be deemed to have resigned from all officer and/or director positions held at the Company and its affiliates voluntarily, without any further required action by Executive, as of the end of Executive’s employment and Executive, at the Board’s request, will execute any documents reasonably necessary to reflect Executive’s resignation.

11. Miscellaneous Provisions.

(a) No Duty to Mitigate. Executive will not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that Executive may receive from any other source.

(b) Waiver. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party will be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Headings. All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

(d) Entire Agreement. This Agreement and the Confidentiality Agreement constitute the entire agreement of the parties hereto with respect to the subject matter hereof and thereof. This Agreement supersedes, replaces in their entirety and terminates any prior representations, understandings, undertakings or agreements between the Company and Executive, whether written or oral and whether expressed or implied, that provided any benefits to Executive upon termination of Executive's employment for any reason. No waiver, alteration, or modification of any of the provisions of this Agreement will be binding unless in writing and signed by duly authorized representatives of the parties hereto and which specifically mention this Agreement. For the avoidance of doubt, it is the intention of the parties that the provisions of this Agreement providing for acceleration or other modification of the vesting provisions of equity awards are intended to supersede the vesting provisions of any equity awards that may be outstanding during the term of this Agreement.

(e) Governing Law. This Agreement shall be governed by the internal substantive laws, but not the choice of law rules, of the Commonwealth of Massachusetts, and the Company and Executive each consent to personal and exclusive jurisdiction and venue in the Commonwealth of Massachusetts.

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement will not affect the validity or enforceability of any other provision hereof, which will remain in full force and effect.

(g) Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable income, employment and other taxes.

(h) Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

**[Signature Page to Follow]**

IN WITNESS WHEREOF, each of the parties has executed this Change of Control and Severance Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

COMPANY

NUANCE COMMUNICATIONS, INC.

By: /s/ Beth Conway

Title: EVP, CHRO

Date: 7/12/2019

EXECUTIVE

By: /s/ Mark Gallenberger

Title: Finance Executive

Date: 7/11/2019



Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83

Exhibit 99.1

Information contained herein is subject to completion or amendment. A registration statement on Form 10 relating to these securities has been filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Subject to Completion—Dated \_\_\_\_\_, 2019

INFORMATION STATEMENT

**Cerence Inc.**

**Common Stock**

(par value \$0.01 per share)

---

We are sending you this Information Statement in connection with the spin-off by Nuance Communications, Inc. (“**Nuance**”) of its wholly-owned subsidiary, Cerence Inc. (the “**Company**” or “**SpinCo**”). To effect the spin-off, Nuance will distribute at least 80.1% of the shares of SpinCo common stock on a pro rata basis to the holders of Nuance common stock. We expect that the distribution of SpinCo common stock will be tax-free to holders of Nuance common stock for U.S. federal income tax purposes, except with respect to cash that stockholders may receive (if any) in lieu of fractional shares. Cerence Inc. was formed as a limited liability company and will be converted into a Delaware corporation prior to the spin-off.

If you are a record holder of Nuance common stock as of the close of business on \_\_\_\_\_, 2019, which is the record date for the distribution, you will be entitled to receive one share of SpinCo common stock for every \_\_\_\_\_ shares of Nuance common stock that you hold on that date. Nuance will distribute its shares of SpinCo common stock in book-entry form, which means that we will not issue physical stock certificates. The distribution agent will not distribute any fractional shares of SpinCo common stock.

The distribution will be effective as of \_\_\_\_\_, New York City time, on \_\_\_\_\_, 2019. Immediately after the distribution becomes effective, SpinCo will be a separate, publicly traded company.

Nuance’s stockholders are not required to vote on or take any other action to approve the spin-off. We are not asking you for a proxy, and request that you do not send us a proxy. Nuance stockholders will not be required to pay any consideration for the shares of SpinCo common stock they receive in the spin-off, and they will not be required to surrender or exchange their shares of Nuance common stock or take any other action in connection with the spin-off.

No trading market for SpinCo common stock currently exists. We expect, however, that a limited trading market for SpinCo common stock, commonly known as a “when-issued” trading market, will develop as early as one trading day prior to the record date for the distribution, and we expect “regular-way” trading of SpinCo common stock will begin on the first trading day after the distribution date. We intend to apply to list SpinCo common stock on the Nasdaq Global Select Market under the ticker symbol “CRNC.” The listing is subject to approval of our application.

**In reviewing this Information Statement, you should carefully consider the matters described in the section entitled “[Risk Factors](#)” beginning on page 17 this Information Statement.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this Information Statement is truthful or complete. Any representation to the contrary is a criminal offense.**

This Information Statement is not an offer to sell, or a solicitation of an offer to buy, any securities.

**The date of this Information Statement is \_\_\_\_\_, 2019.**

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**TABLE OF CONTENTS**

	<u>Page</u>
<a href="#">Trademarks and Copyrights</a>	ii
<a href="#">Industry and Market Data</a>	ii
<a href="#">Information Statement Summary</a>	1
<a href="#">Risk Factors</a>	17
<a href="#">Cautionary Statement Concerning Forward-Looking Statements</a>	38
<a href="#">The Spin-Off</a>	40
<a href="#">Dividend Policy</a>	49
<a href="#">Capitalization</a>	50
<a href="#">Selected Combined Financial Data</a>	51
<a href="#">Unaudited Pro Forma Combined Financial Statements</a>	53
<a href="#">Business</a>	58
<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	71
<a href="#">Management</a>	96
<a href="#">Executive and Director Compensation</a>	100
<a href="#">Security Ownership of Certain Beneficial Owners and Management</a>	105
<a href="#">Certain Relationships and Related Party Transactions</a>	107
<a href="#">Description of Our Capital Stock</a>	114
<a href="#">Where You Can Find More Information</a>	119
<a href="#">Index to Combined Financial Statements</a>	F-1

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**TRADEMARKS AND COPYRIGHTS**

We own or have rights to various trademarks, logos, service marks and trade names that we use in connection with the operation of our business. We also own or have the rights to copyrights that protect the content of our products. Solely for convenience, the trademarks, service marks, trade names and copyrights referred to in this Information Statement are listed without the <sup>TM</sup>, <sup>®</sup> or <sup>©</sup> symbols, but such references do not constitute a waiver of any rights that might be associated with the respective trademarks, service marks, trade names and copyrights included or referred to in this Information Statement.

**INDUSTRY AND MARKET DATA**

This Information Statement includes industry and market data that we obtained from various third-party industry and market data sources. These third-party sources include Grand View Research with respect to the automotive voice and speech recognition software market. All such industry data is available publicly or for purchase and was not commissioned specifically for us. Forecasts based upon such data involve inherent uncertainties, and actual results regarding the subject matter of such forecasts are subject to change based upon various factors beyond our control.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**INFORMATION STATEMENT SUMMARY**

In this Information Statement, unless the context otherwise requires:

- The “**Company**,” “**Cerence**,” “**SpinCo**,” “**we**,” “**our**” and “**us**” refer to (a) Cerence LLC and (b) Cerence Inc. following the conversion of Cerence LLC into a Delaware corporation, which will occur prior to the Spin-Off, and, in each case, its consolidated subsidiaries after giving effect to the Spin-Off; and
- “**Nuance**” or “**Parent**” refers to Nuance Communications, Inc. and its consolidated subsidiaries.

The transaction in which Nuance will distribute to its stockholders at least 80.1% of its shares of our common stock is referred to in this Information Statement as the “**Distribution**” or the “**Spin-Off**.” Prior to Nuance’s Distribution of its shares of our common stock to its stockholders, Nuance will undertake a series of internal reorganization transactions, pursuant to which, among other transactions, SpinCo will be converted into a corporation and following which SpinCo will hold, directly or through its subsidiaries, Nuance’s automotive technology business, which we refer to as the “**Business**.” We refer to this series of internal reorganization transactions as the “**Reorganization Transactions**.” In addition, prior to the Distribution, Nuance will sell approximately 1.4% of the shares of our common stock to one or more third party purchasers (the “**Sale Transaction**”), which will hold such shares immediately after the Spin-Off.

**The Spin-Off**

On November 19, 2018, Nuance announced plans for the complete legal and structural separation of the Business from Nuance. In reaching the decision to pursue the Spin-Off, Nuance considered a range of potential structural alternatives for the Business and concluded that the Spin-Off is the most attractive alternative for enhancing stockholder value. To effect the separation, first, Nuance will undertake the series of Reorganization Transactions and the Sale Transaction. Nuance will subsequently distribute at least 80.1% of the shares of our common stock to Nuance’s stockholders, and following the Distribution, SpinCo, holding the Business, will become an independent, publicly traded company. Prior to completion of the Spin-Off, we intend to enter into a Separation and Distribution Agreement and several other agreements with Nuance related to the Spin-Off. These agreements will govern the relationship between Nuance and SpinCo up to and after completion of the Spin-Off and allocate between Nuance and SpinCo various assets, liabilities and obligations, including employee benefits, intellectual property and tax-related assets and liabilities. See “Certain Relationships and Related Party Transactions” for more information.

Completion of the Spin-Off is subject to the satisfaction or waiver of a number of conditions. In addition, Nuance has the right not to complete the Spin-Off if, at any time, Nuance’s board of directors, or the “**Nuance Board**,” determines, in its sole and absolute discretion, that the Spin-Off is not in the best interests of Nuance or its stockholders, or is otherwise not advisable. See “The Spin-Off—Conditions to the Spin-Off” for more information.

Following the Spin-Off, Nuance and SpinCo will each have a more focused business that will be better positioned to invest in growth opportunities and execute strategic plans best suited to address the distinct market trends and opportunities for its business. Following the Reorganization Transactions, SpinCo will hold the only current Nuance business primarily focused on the automotive technology industry and SpinCo will be better positioned to focus on automotive technology industry growth areas as well as continued operational excellence. Further, the Spin-Off will allow our management team to devote its time and attention to the corporate strategies and policies and developing partnerships that are based specifically on the needs of our Business. We plan to create incentives for our management and employees that are closely tied to business performance and our stockholders’ expectations, which will help us attract and retain highly qualified personnel. In addition to the

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

benefits for SpinCo, we believe that SpinCo's separation from Nuance will allow Nuance to focus on the growth opportunities in its healthcare and enterprise businesses. Additionally, we believe the Spin-Off will provide greater transparency into both Nuance and our business and help align each stockholder base with the characteristics and risk profile of the respective businesses. See "The Spin-Off—Reasons for the Spin-Off" for more information.

Following the Spin-Off, subject to the approval of our application, we expect our common stock to trade on the Nasdaq Global Select Market under the ticker symbol "CRNC."

### **Our Company**

Cerence builds automotive cognitive assistance solutions to power natural and intuitive interactions between automobiles, drivers and passengers, and the broader digital world. We possess one of the world's most popular software platforms for building automotive virtual assistants, such as "Hey BMW" and "Ni hao Banma". Our customers include all major automobile manufacturers ("**OEMs**") or their tier 1 suppliers worldwide, including BMW, Daimler, FCA Group, Ford, Geely, GM, Renault-Nissan, SAIC, Toyota, Volkswagen Group, Aptiv, Bosch, Continental, DENSO TEN and Harman. We deliver our solutions on a white-label basis, enabling our customers to deliver customized virtual assistants with unique, branded personalities and ultimately strengthening the bond between automobile brands and end users.

Our platform utilizes industry-leading speech recognition, natural language understanding, speech signal enhancement and acoustic modeling technology. Automotive virtual assistants built with our platform can enable a wide variety of modes of human-vehicle interaction, including speech, touch, handwriting, gaze tracking and gesture recognition, and can support the integration of third party virtual assistants into the in-vehicle experience. Our vision for the future is to power an ever-expanding range of interactions between humans and mobility products and services.

The market for automotive cognitive assistance is rapidly expanding. The proliferation of smartphones and smart speakers has encouraged consumers to rely on a growing number of virtual assistants and special-purpose bots for various tasks such as controlling entertainment systems and checking the news. Automobile drivers and passengers increasingly expect hands-free access to virtual assistants as part of the mobility experience, with common use cases in a variety of categories including mobility domains such as navigation, voice-activated texts, and telephone communication, automobile domains, such as automobile user guides, and ignition on-off, and generic domains, such as entertainment. To meet the increasing demand for automotive cognitive assistance and to offer differentiated mobility experiences, OEMs and suppliers are building proprietary virtual assistants into an increasing proportion of their vehicles. We believe that this trend will continue and that consumer appetite for automotive cognitive assistance will grow further as vehicles become more autonomous and drivers pursue new forms of human-vehicle engagement previously not feasible during vehicle operation.

Our software platform is a market leader for building integrated, branded and differentiated virtual assistants for automobiles. As a unified platform and common interface for automotive cognitive assistance, our software platform provides OEMs and suppliers with an important control point with respect to the mobility experience and their brand value. Our platform is fully customizable and designed to support our customers in creating their own ecosystem in the automobile and transforming the vehicle into a hub for numerous connected devices and services. Virtual assistants built with our software platform can address user requests across a wide variety of categories, such as navigation, control, media, communication and tools. Our software platform is comprised of edge computing and cloud-connected software components and a software framework linking these components together under a common programming interface. We implement our software platform for our customers through our professional services organization, which works with OEMs and suppliers to optimize our software for the requirements, configurations and acoustic characteristics of specific vehicle models.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

We generate revenue primarily by selling software licenses and cloud-connected services. In addition, we generate professional services revenue from our work with OEMs and suppliers during the design, development and deployment phases of the vehicle model lifecycle and through maintenance and enhancement projects. Through our over 20 years in the automotive industry, we have developed longstanding industry relationships and benefit from incumbency. We have existing relationships with all major OEMs or their tier 1 suppliers, and while our customer contracts vary, they generally represent multi-year engagements, giving us visibility into future revenue. We have master agreements or similar commercial arrangements in place with many of our customers, supporting customer retention over the long term.

We are being spun off of Nuance, a leading provider of speech and language solutions for businesses and consumers around the world. Nuance has won numerous awards for the performance of its speech recognition and conversational artificial intelligence software. Speech recognition, natural language understanding, artificial intelligence and predictive touch solutions from Nuance have powered many pioneering intelligent devices, including mobile devices, cars, televisions, and wearable devices, and are also established technologies in healthcare and enterprise services. Following the spin-off, we will have possession of approximately 1,250 patents and other intellectual property currently owned by Nuance. Additionally, we will employ over 700 personnel devoted to research and development who will continue to develop our artificial intelligence technology. We will also continue to benefit from Nuance's deep portfolio of intellectual property and data, and we will provide certain of our intellectual property and data to Nuance, by entering into agreements with Nuance where we and Nuance provide to the other certain licenses or rights to certain intellectual property and data.

Our solutions have been installed in more than 250 million automobiles to date, including over 45 million new vehicles in 2018 alone. In aggregate, over 60 automobile brands worldwide use our solutions, covering over 70 languages and dialects, including English, German, Mandarin, Cantonese and Shanghainese.

In fiscal 2018, we generated revenue of \$277.0 million and net income of \$5.9 million.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**Our Offerings**

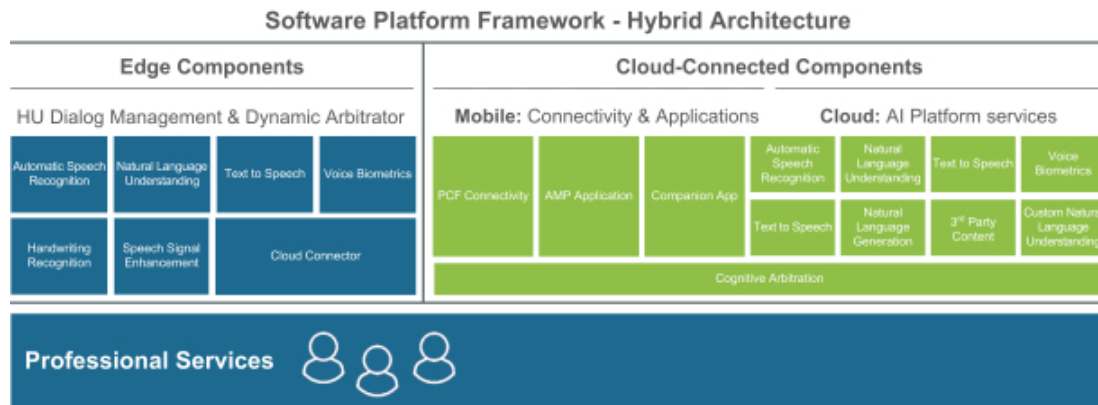
Our mission is to deliver automotive cognitive assistance solutions that are natural and intuitive and that enable OEMs to strengthen the emotional connection with their end users through a distinct, consistent, branded experience. Our principal offering is our software platform, which our customers use to build virtual assistants that can communicate, find information and take action across an expanding variety of categories, including navigation, media, communication, information and tools, which include common domains such as music, news, sports, telephone, messaging and weather. Our software, developed in deep partnership with the automotive industry, improves the mobility experience for drivers and passengers all over the world.



User engagement with virtual assistants built with our software platform typically begins with a voice request. Upon receiving such an input, our software platform system determines what the user has said, infers user intent, and maps the request to the most applicable category and domain. Depending on the applicable domain, our software platform determines whether to respond directly or access an external data source or third party virtual assistant, in all cases resulting in a response including spoken words or taking action. Depending on the complexity of the request and other factors, engagement may consist of multiple rapid voice interactions with the user and may combine assistance in multiple domains.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

Our software platform has a hybrid architecture combining edge software components, which are embedded in a vehicle’s head unit and integrated with onboard systems, with cloud-connected components, which access data and content on external networks and support over-the-air updates. This hybrid architecture enables our software platform to combine the performance, reliability, efficiency, security and tight vehicular integration of embedded software with the flexibility that cloud connectivity provides. Response frameworks can generally be customized such that requests are processed first at the edge, controlling cloud transmission costs, or in parallel at the edge and in the cloud, to achieve higher confidence responses with low latency. Through the edge computing capabilities, the platform is able to provide certain features, such as wake-up-word, while avoiding privacy and latency issues associated with always-listening cloud-connected technologies. Our software platform includes a common programming framework for its edge and cloud-connected components, and our customers can choose the software components that are necessary to power the experiences that they want to build and offer.



We deliver our software platform through our professional services organization, which works with OEMs and suppliers to tailor it to the desired requirements, configurations and acoustic characteristics of specific vehicle models. For an initial implementation, our professional services engagements typically begin with the porting of our key technologies to the customer’s specific hardware platform and the development of specific dialogues and grammar libraries. Our professional services teams also work with OEMs on acoustic optimization of a system and application of our audio signal processing technologies. Following an initial implementation, our professional services organization may continue to provide services over the course of a head unit program and vehicle model lifecycle through maintenance and enhancement engagements.

**Edge Software Components**

Our software platform’s edge software components are installed on a vehicle’s head unit and can operate without access to external networks and information. We tailor our edge software components to a customer’s desired use cases and a vehicle model’s unique systems, sensors and data interfaces.

Capabilities of our edge software components include automatic speech recognition, natural language understanding, noise cancellation, driver and passenger voice isolation, voice biometrics, wake-up word and text-to-speech synthesis, as well certain non-speech technologies such as touch and text input. Edge deployment suits these technologies as it provides the following functionality and benefits:

- *Performance.* Processing at the edge is often necessary to meet the low latency requirements of natural conversation.



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

- *Vehicle Systems Integration.* Vehicle applications, sensors, and data interfaces can be integrated deeply with embedded systems.
- *Availability.* Edge-located systems are available regardless of cellular coverage and network connectivity.
- *Reduced cost.* Processing at the edge reduces or eliminates cellular data transmission costs.
- *Privacy.* Users' utterances and system outputs processed at the edge remain onboard and can immediately be purged.

Certain forms of assistant speech invocation can only be implemented using edge software. The use of wake-up words like "Hey BMW" and "Ni hao Banma" require constant listening and signal processing to identify instances when a virtual assistant should activate and respond. Sending a constant stream of audio from the car interior to the cloud for processing would require enormous amounts of bandwidth and potentially create privacy concerns. The same requirements apply to our new JustTalk technology, which constantly listens to spoken conversation, determines speaker intent, and invokes assistance appropriately without requiring a specific invocation phrase.

We typically sell our edge software components under a traditional per unit perpetual software license model, in which a per unit fee is charged for each software instance installed on an automotive head unit. Our customers generally provide estimates of the units to be shipped for a particular program, and we review third-party market studies and work with our customers to refine and understand these projections. This provides us with some reasonable visibility into future revenue, however the number of units to be shipped for a particular program is not committed upfront.

***Cloud-Connected Components***

Our software platform's cloud-connected components are comprised of certain speech and natural language understanding related technologies, AI-enabled personalization and context-based response frameworks, and content integration platforms. Our cloud-connected speech-related technologies perform many of the same tasks as our speech-related edge components while offering enhanced functionality through increased computational power and access to external content. Our principal content platform offering is Content Services, a data aggregation system which supports access to a wide range of live information such as news, traffic and weather. Cloud-connected components also support the replication of personalized settings such as voice profiles and preferences across multiple vehicles.

We offer cloud-connected components in the form of a connected service to the vehicle end user. Initial subscriptions typically have multi-year terms from the time of a vehicle's sale and are paid in advance by the OEM or supplier. Renewal options vary and are managed by our customers on behalf of vehicle end users.

***Virtual Assistant Coexistence***

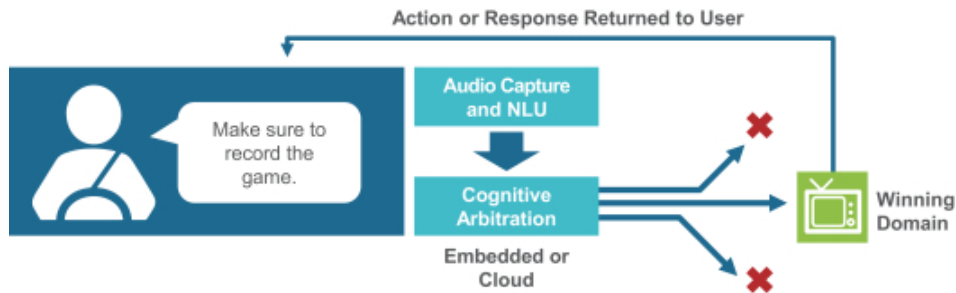
The wide variety of use cases encompassed by automotive cognitive assistance, in the context of evolving consumer preferences, necessitates the coexistence of multiple virtual assistants within the in-vehicle environment. For example, many vehicle-related categories such as navigation and control can best be addressed by a tightly integrated, vehicle-model-specific virtual assistant. At the same time, drivers and passengers often prefer to use familiar Internet-based virtual assistants for more general domains such as entertainment.

To enable our customers to provide a consistent automotive cognitive assistance experience across multiple coexisting virtual assistants, our software platform can support the integration of third-party virtual assistants, providing a uniform interface for virtual assistant engagement. We have invested in our platform to develop the technology and capabilities necessary to integrate third party virtual assistants with vehicles' systems.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

To make integration as seamless as possible, we have built cognitive arbitration technology that is capable of inferring user intent, determining which within a set of virtual assistants would be best suited to address a request, and sending the request to the selected assistant. Depending on a system's configuration and the virtual assistants to which it is connected, output can be presented back to the user through a vehicle-specific personality or through the virtual assistant's own interface. Cognitive arbitration represents an important control point with respect to the mobility experience and an important brand differentiation opportunity for OEMs and suppliers. Like the rest of our software platform, cognitive arbitration is a white label product that can be customized and branded.

Along with providing OEMs control over their brand identity, our cognitive arbitration technology is an important element in letting an OEM design the overall driver and passenger experience. This technology allows an OEM to dictate interactions with third-party virtual assistants within the vehicle, strengthening its ability to differentiate and control the overall in-vehicle experience.



**Professional Services**

We have a large professional services team that works with our customers in the design, development and deployment phases of a vehicle head unit program and vehicle model lifecycle, as well as in maintenance and enhancement engagements. Our range of capabilities include personalization of grammar and natural language understanding development, localization, language selection and system coverage, navigation speech data generation, system prompt recordings, porting our platform's framework and our ability to deploy cognitive arbitration technologies, and user experience reviews and studies. Our professional services team is globally distributed to serve our customers in their primary design and production jurisdictions. We typically charge manufacturers for our design and consulting work, although we have recently observed an industry shift towards connected services solutions and have changed our pricing strategy, both of which have moved fees from the professional services portion of our business to the license and connected services portion of our business. Our professional services contracts are primarily project-based, in line with customary non-recurring engineering industry practices.

**Our Competitive Strengths**

Our key competitive strengths include:

- **Industry-leading speech-related technology.** Our research shows that consumers see speech as an increasingly attractive medium for human-vehicle interaction. Nevertheless, they are often frustrated with speech recognition solutions that misunderstand spoken language or require users to speak rigid, pre-defined commands associated with a limited set of functions. Developing speech-based automotive virtual assistants that users will perceive as natural is challenging as a matter of artificial intelligence technology, acoustic engineering and user interface design. We believe our software platform, as tailored for a specific vehicle model by our professional services organization, represents one of the

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

most technologically advanced and highest-performing human-vehicle speech interaction systems available today. In tests performed by our customers to assess correct recognition of words, sentences, and domains, our solutions have achieved some of the highest marks relative to competitors and our offerings are backed by our portfolio of patents and associated rights.

- **Hybrid edge-cloud system architecture.** Our software platform’s hybrid architecture combines the performance, reliability and tight integration that only edge software can provide with the flexibility of cloud connectivity. Cloud-reliant solutions with which our software platform competes cannot match edge software’s low latency, its bandwidth efficiency or its availability in the absence of network connectivity. Moreover, emerging speech invocation paradigms such as wake up words and situationally aware invocation are most effectively implemented using edge technology.
- **Bespoke vehicle integration and acoustic tuning.** Cognitive assistance in categories such as navigation, entertainment and control requires tight integration with onboard vehicle components, which vary widely among vehicle models. Separately, speech interaction systems can be significantly hampered by the noisy environment of a vehicle cabin and must be tuned for particular acoustics and audio system components. To achieve the tight vehicle integration necessary to address these concerns, our professional services team works closely with OEMs and suppliers to customize our offerings for the particular characteristics of specific vehicle models. Our expertise in acoustics enables us to implement systems that can isolate the voices of individual speakers and support simultaneous virtual assistance for speakers in multiple zones, representing a key point of differentiation.
- **Interoperability with third-party Internet-based virtual assistants.** Virtual assistants from large technology companies have become popular with consumers. We believe that consumers want to use these assistants while traveling in their vehicles and that a comprehensive automotive cognitive assistance system requires the coexistence of multiple virtual assistants. To accommodate their end user preferences while still providing a unique and brand-specific experience, OEMs seek to offer a common in-vehicle interface with seamless integration across various virtual assistants. To this end, our software platform can support the integration of multiple third-party virtual assistants and provide a uniform interface for virtual assistant engagement. Our market-leading position and the large size of our installed base create incentives for third party virtual assistant providers to work with us and support this integration.
- **Independence from large technology companies and automobile industry players.** As vehicles become more autonomous, mobility experiences are being increasingly defined by in-cabin features and alternative forms of human-vehicle engagement. Branded, differentiated automotive cognitive assistance is thus increasingly important to OEMs’ brand value. As a neutral, independent, white-label software platform vendor, we empower our customers to build branded and differentiated experiences and retain ownership of, or rights to, their system design and data. The virtual assistant coexistence enabled by our cognitive arbitration functionality is designed to allow our customers to provide access to third-party virtual assistants without ceding overall control of the cognitive assistance experience.
- **OEM alignment.** The design and development of the head unit within the vehicle ecosystem is a complex process requiring tight integration of the software and hardware components used in and with the vehicle. We believe our demonstrated long-standing capabilities in working closely with OEMs, understanding their needs, product roadmaps and global go-to-market strategies enables us to innovate our technologies to meet an OEM’s specifications. Furthermore, our working relationships with OEMs uniquely allow us to market and sell our solutions on both a local and global basis in accordance with an OEM’s particular requirements.
- **Broad language coverage.** Our software platform supports over 70 languages and dialects, far more than any of our competitors. As a result of our broad language support, our customers are already delivering cognitive assistance based on our software platform in over 60 countries across the

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

Americas, Europe and Asia, including China, the U.S. and all other large automotive markets. Our language support also enables multi-lingual capabilities for domains such as music selection, point-of-interest selection, and cross-border navigation among others, representing a critical feature for markets such as Continental Europe in which automobiles may routinely traverse multiple lingual zones. We believe that our portfolio of languages and multi-lingual capabilities represent an important competitive advantage, as the development of capabilities to support a new language is expensive and time-consuming.

- **Broad, global network of deep relationships with OEMs and tier 1 suppliers.** We have supplied speech recognition systems to OEMs and suppliers for over 20 years, working closely with our customers through our global professional services organization to design and integrate our solutions into their brands. Today, we work with all major OEMs or their tier 1 suppliers worldwide, leveraging the geographic breadth and industry experience of our professional services teams. Our long history in the automotive industry and the global reach and experience of our over 400 professional services employees across 10 countries gives us credibility with OEMs as we seek new business with OEMs, either directly or through their tier 1 suppliers. We believe that OEMs who sell globally will value our experience in servicing and deploying solutions on a global basis. We often have master agreements or similar commercial arrangements with our customers. These master agreements help us retain customer relationships over the long term.

**Our Growth Strategies**

Our primary growth strategies include the following:

- **Maintain and extend product leadership.** We intend to continue investing in developing our product functionality, particularly with respect to the capabilities of our cloud-connected features and the breadth of categories and domains our software platform is able to address. Our existing relationship with, and our proximity in the design process to, OEMs provides us with insight into the needs of the end-users and roadmaps for innovation. For instance, this insight has helped us identify and advance our technologies for autonomous driving systems, which technologies have been incorporated in solutions currently under development. Additionally, we intend to continue to invest in customizing and supporting our solutions for specific individual automobile vehicle models, resulting in tight integration of our solutions. We believe that increased product functionality and tighter integration will enable us to increase the revenue per vehicle that we are able to generate. Additionally, these investments will help maintain our position with existing customers through new vehicle models and enable us to grow with the overall market for automotive cognitive assistance.
- **Continue to invest in interoperability with third-party virtual assistants.** We believe that the growing popularity of third-party virtual assistants is creating increasing demand for access to these assistants as part of the mobility experience. We also believe that complete automotive cognitive assistance requires the coexistence of multiple virtual assistants. We intend to continue to invest to develop our software platform's interoperability with third-party virtual assistants and its cognitive arbitration capabilities to maintain its position as a neutral automotive cognitive assistance platform. We believe a neutral automotive cognitive assistance platform will increasingly be valued by OEMs that prioritize maintaining their unique and branded in-car experience and the ability to control the mobility experience overall.
- **Increase penetration in key geographic markets, including China.** We operate worldwide today, including in emerging markets. However, our presence in certain large geographic automobile markets, such as India and Southeast Asia, is relatively small today primarily as a result of lower penetration of automobile cognitive assistance in those markets. We specifically invested in emerging markets such as Indonesia and Thailand in fiscal 2018 and expect to continue making investments in India in fiscal

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

2019. As these markets grow, we intend to continue to invest in manufacturer relationships and the development of localized technology to maintain and expand our local market share.

We currently serve the Chinese market through a combination of domestic OEMs and suppliers, such as Geely, Proton, Roewe, SAIC, Banma Network Technology and Huawei, and global non-Chinese manufacturers and suppliers who sell into the Chinese market, such as Audi, BMW, Daimler, Aptiv and Harman. We offer cognitive assistance in all the primary Chinese languages and dialects, including Mandarin, Cantonese and Shanghainese. Our current presence in China includes approximately 240 R&D, customization, and sales and marketing professionals across three R&D centers and professional services hubs. We intend to continue to expand our presence in the Chinese market through the ongoing development of language capabilities and investment in relationships with manufacturers and suppliers that sell into that market.

- **Deliver new functionality to existing installed base.** Our solutions have been installed in over 250 million vehicles to date. Our large installed base represents an opportunity to deliver new features and software. Depending on system capabilities, we are able to deliver updated functionality to our users in the form of embedded software upgrades performed by dealers and over-the-air updates delivered from the cloud.

**Market Opportunity and Industry Trends**

The market for automotive cognitive assistance is rapidly expanding. Grand View Research estimates that the automotive voice and speech recognition software market, comprised of Automatic Speech Recognition, Text to Speech, Speaker Identification and Speaker Verification, is expected to grow at an 18.6% compound annual growth rate to \$3.7 billion by 2025. We believe that many of the features of our software platform represent additional market opportunity beyond this estimate, including Push-to-Talk, Wake-Up Words, Just Talk, Cognitive Arbitration, Non-Speech Multimodal Input, Speech Signal Enhancement, Multi-Seat Intelligence and onboard sensor integration. We believe the market for these technologies has generally not been estimated by third parties due to the limited set of companies with the ability to offer the features into the market. However, given interest from our customers, we believe that the market for these features is large and growing at a faster rate than the 18.6% compound annual growth rate cited by Grand View Research for the automotive voice and speech recognition market.

The market for automobile cognitive assistance is being driven by a number of key industry trends, including the following:

- **Increasing consumer use of virtual assistants.** Smartphones have become ubiquitous, and smart speakers are becoming increasingly popular. Consumers are becoming increasingly accustomed to on-demand access to virtual assistants and special-purpose bots to help with various tasks. We believe that this results in increased demand for automotive cognitive assistance for two reasons. First, as consumers become increasingly accustomed to speech-based virtual assistants, they realize that speech is a natural interface for many automotive use cases including navigation, communication and entertainment system control. Second, with respect to more general informational domains including news, weather and sports, consumers want access to the same virtual assistants while riding in their vehicles as they increasingly have through smartphones and smart speakers in their homes.
- **Increasingly distracted driving.** Smartphones present drivers with a source of potential distraction. Speech-based virtual assistance is hands-free and eyes-free, decreasing the risks of distracted driving while still enabling users to communicate, obtain information, take action and engage with applications.
- **Increasing vehicle intelligence and connectivity.** Automobiles are becoming increasingly connected to the Internet, effectively operating as “rolling smartphones” with real-time external data access. At the

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

same time, OEMs are increasing the computational power available onboard their vehicles to address a variety of aspects of mobility, including safety and navigation. We believe that the combination of increasing connectivity and increasing computational power will drive increases in the number and proportion of vehicles shipped with onboard proprietary virtual assistants.

- **Autonomous driving.** As vehicles become increasingly autonomous, their drivers are becoming increasingly passive and passenger-like. We believe that cognitive assistance in the domain of trip planning will gradually and partially replace physical driving control through steering wheels and pedals. As this happens, cognitive assistance in the categories of entertainment and productivity will become increasingly important to the mobility experience.
- **Shared mobility.** Ridesharing and vehicle sharing are impacting how consumers interact with vehicles. Shared mobility reduces the amount of active driving that is required to achieve a given amount of transportation and therefore increases the time in which passengers are free to engage in entertainment and productivity activities. Shared mobility providers are increasingly competing on the basis of their ability to deliver a consistent, personalized mobility experience across mobile applications and vehicle cabins. We believe that cognitive assistance will play an important role in powering and differentiating these experiences.

**Implications of being an Emerging Growth Company**

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act, or “**JOBS Act**.” As an emerging growth company, we may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. These provisions include, among other things:

- exemption from the auditor attestation requirement in the assessment of our internal controls over financial reporting;
- exemption from new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies;
- exemption from compliance with any new requirements adopted by the Public Company Accounting Oversight Board (the “**PCAOB**”), requiring mandatory audit firm rotation or a supplement to our auditor’s report in which the auditor would be required to provide additional information about the audit and our financial statements;
- an exemption from the requirement to seek non-binding advisory votes on executive compensation and golden parachute arrangements; and
- reduced disclosure about executive compensation arrangements.

We may take advantage of these provisions until the end of the fiscal year following the fifth anniversary of the effectiveness of our registration statement on Form 10 or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company upon the earliest of: (i) the end of the fiscal year following the fifth anniversary of the effectiveness of our registration statement on Form 10, (ii) the first fiscal year after our annual gross revenues are \$1.07 billion or more, (iii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded \$700 million as of the end of the second quarter of that fiscal year. We may choose to take advantage of some, but not all, of these reduced burdens. For example, we have taken advantage of the reduced reporting requirement with respect to disclosure regarding our executive compensation arrangements in this Information Statement and expect to take advantage of the exemption from auditor attestation on the effectiveness of our internal control over financial reporting. For as long as we take advantage of the reduced reporting obligations, the information that we provide

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

stockholders may be different from information provided by other public companies. We have not yet determined whether to “opt out” of the extended transition period relating to the exemption from new or revised financial accounting standards. If we do not take advantage of the extended transition period, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies.

**Our Corporate Information**

We were formed as a Delaware limited liability company on February 14, 2019 and will convert into a Delaware corporation in connection with the Reorganization Transactions prior to the Spin-Off. Our corporate headquarters are located at 15 Wayside Road, Burlington, Massachusetts, and our telephone number is . Our website address is [www.cerence.com](http://www.cerence.com). Information contained on, or that can be accessed through, our website is not part of, and is not incorporated into, this Information Statement.

**Questions and Answers about the Spin-Off**

The following provides only a summary of certain information regarding the Spin-Off. You should read this Information Statement in its entirety for a more detailed description of the matters described below.

**Q: *What is the Spin-Off?***

A: The Spin-Off is the method by which we will separate from Nuance. In the Spin-Off, Nuance will distribute to its stockholders at least 80.1% of the shares of our common stock. Following the Spin-Off, we will be separate from Nuance and publicly traded. If a private letter ruling is obtained from the Internal Revenue Service (the “**IRS**”), Nuance may retain no more than approximately 18.5% ownership interest in us following the Sale Transaction and the Distribution, and otherwise will distribute all of its shares of our common stock and not retain any ownership in us. See “The Spin-Off—Material U.S. Federal Income Tax Consequences of the Spin-Off” for more information regarding the private letter ruling.

**Q: *What are the reasons for the Spin-Off?***

A: The Nuance Board believes that the separation of the automotive technology business from Nuance is in the best interests of Nuance stockholders and for the success of the automotive technology business for a number of reasons. See “The Spin-Off—Reasons for the Spin-Off” for more information.

**Q: *Is the completion of the Spin-Off subject to the satisfaction or waiver of any conditions?***

A: Yes, the completion of the Spin-Off is subject to the satisfaction, or the Nuance Board’s waiver, of certain conditions. Any of these conditions may be waived by the Nuance Board to the extent such waiver is permitted by law. In addition, Nuance may at any time until the Distribution decide to abandon the Distribution or modify or change the terms of the Distribution. See “The Spin-Off—Conditions to the Spin-Off” for more information.

**Q: *Will the number of Nuance shares I own change as a result of the Spin-Off?***

A: No, the number of shares of Nuance common stock you own will not change as a result of the Spin-Off.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**Q: Will the Spin-Off affect the trading price of my Nuance common stock?**

A: We expect the trading price of shares of Nuance common stock immediately following the Distribution to be lower than the trading price immediately prior to the Distribution because the trading price will no longer reflect the value of the Business. There can be no assurance that, following the Distribution, the combined trading prices of the Nuance common stock and our common stock will equal or exceed what the trading price of Nuance common stock would have been in the absence of the Spin-Off.

It is possible that after the Spin-Off, the combined equity value of Nuance and SpinCo will be less than Nuance's equity value before the Spin-Off.

**Q: What will I receive in the Spin-Off in respect of my Nuance common stock?**

A: As a holder of Nuance common stock, you will receive a dividend of one share of our common stock for every \_\_\_\_\_ shares of Nuance common stock you hold on the Record Date (as defined below). The distribution agent will distribute only whole shares of our common stock in the Spin-Off. See "The Spin-Off—Treatment of Fractional Shares" for more information on the treatment of the fractional share you may be entitled to receive in the Distribution. Your proportionate interest in Nuance will not change as a result of the Spin-Off. For a more detailed description, see "The Spin-Off."

**Q: What is being distributed in the Spin-Off?**

A: Nuance will distribute approximately \_\_\_\_\_ shares of our common stock in the Spin-Off, based on the approximately \_\_\_\_\_ shares of Nuance common stock outstanding as of \_\_\_\_\_, 2019. The actual number of shares of our common stock that Nuance will distribute will depend on the total number of shares of Nuance common stock outstanding on the Record Date. The shares of our common stock that Nuance distributes will constitute at least 80.1% of the issued and outstanding shares of our common stock immediately prior to the Distribution. For more information on the shares being distributed in the Spin-Off, see "Description of Our Capital Stock—Common Stock."

**Q: What is the record date for the Distribution?**

A: Nuance will determine record ownership as of the close of business on \_\_\_\_\_, 2019, which we refer to as the "**Record Date**."

**Q: When and how will the Distribution occur?**

A: The Distribution will be effective as of \_\_\_\_\_, New York City time, on \_\_\_\_\_, 2019, which we refer to as the "**Distribution Date**." On the Distribution Date, Nuance will release at least 80.1% of the shares of our common stock to the distribution agent to distribute to Nuance stockholders. The whole shares of our common stock will be credited in book-entry accounts for Nuance stockholders entitled to receive the shares in the Distribution.

**Q: How will Nuance vote any shares of our common stock it retains?**

A: Nuance has agreed to vote any shares of our common stock that it retains in proportion to the votes cast by our other stockholders and will grant us a proxy with respect to such shares. For additional information on these voting arrangements, see "Certain Relationships and Related Party Transactions—Relationship with Nuance Following the Separation."



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**Q: *What does Nuance intend to do with any shares of our common stock it retains?***

A: If a private letter ruling from the IRS is obtained and Nuance retains any of our shares, Nuance will sell all such retained shares to third party purchasers as soon as reasonably practicable following the Spin-Off, but in no event later than \_\_\_\_\_, while seeking to maximize overall value to its stockholders. These sales may occur pursuant to one or more public or private offerings.

**Q: *What do I have to do to participate in the Distribution?***

A: All holders of Nuance's common stock as of the Record Date will participate in the Distribution. You are not required to take any action in order to participate, but we urge you to read this Information Statement carefully. Holders of Nuance common stock on the Record Date will not need to pay any cash or deliver any other consideration, including any shares of Nuance common stock, in order to receive shares of our common stock in the Distribution. In addition, no stockholder approval of the Distribution is required. We are not asking you for a vote and request that you do not send us a proxy card.

**Q: *If I sell my shares of Nuance common stock on or before the Distribution Date, will I still be entitled to receive shares of SpinCo common stock in the Distribution?***

A: If you sell your shares of Nuance common stock before the Record Date, you will not be entitled to receive shares of SpinCo common stock in the Distribution. If you hold shares of Nuance common stock on the Record Date and decide to sell them on or before the Distribution Date, you may have the ability to choose to sell your Nuance common stock with or without your entitlement to receive our common stock in the Distribution. You should discuss the available options in this regard with your bank, broker or other nominee. See "The Spin-Off—Trading Prior to the Distribution Date" for more information.

**Q: *How will fractional shares be treated in the Distribution?***

A: The distribution agent will not distribute any fractional shares of our common stock in connection with the Spin-Off. Instead, the distribution agent will aggregate all fractional shares into whole shares and sell the whole shares in the open market at prevailing market prices on behalf of Nuance stockholders entitled to receive a fractional share. The distribution agent will then distribute the aggregate cash proceeds of the sales, net of brokerage fees, transfer taxes and other costs, pro rata to these holders (net of any required withholding for taxes applicable to each holder). We anticipate that the distribution agent will make these sales in the "when-issued" market, and "when-issued" trades will generally settle within two trading days following the Distribution Date. See "Q: How will our common stock trade?" for additional information regarding "when-issued" trading and "The Spin-Off—Treatment of Fractional Shares" for a more detailed explanation of the treatment of fractional shares. The distribution agent will, in its sole discretion, without any influence by Nuance or us, determine when, how, through which broker-dealer and at what price to sell the whole shares of our common stock. The distribution agent is not, and any broker-dealer used by the distribution agent will not be, an affiliate of either Nuance or us.

**Q: *What are the U.S. federal income tax consequences to me of the Distribution?***

A: For U.S. federal income tax purposes, no gain or loss will be recognized by, or be includible in the income of, a U.S. Holder (as defined in "The Spin-Off—Material U.S. Federal Income Tax

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

Consequences of the Spin-Off”) as a result of the Distribution, except with respect to any cash (if any) received by Nuance stockholders in lieu of fractional shares. After the Distribution, Nuance stockholders will allocate their basis in their Nuance common stock held immediately before the Distribution between their Nuance common stock and our common stock in proportion to their relative fair market values on the date of Distribution.

See “The Spin-Off—Material U.S. Federal Income Tax Consequences of the Spin-Off” for more information regarding the potential tax consequences to you of the Spin-Off.

**Q: *Does SpinCo intend to pay cash dividends?***

A: Once the Spin-Off is effective, we will be evaluating whether to pay cash dividends to our stockholders. The timing, declaration, amount and payment of future dividends to stockholders, if any, will fall within the discretion of our board of directors (our “**Board**”). Among the items we will consider when establishing a dividend policy will be the capital needs of our business and opportunities to retain future earnings for use in the operation of our business and to fund future growth. Additionally, the terms of the indebtedness we intend to incur in connection with the Spin-Off will limit our ability to pay cash dividends. See “Dividend Policy” for more information.

**Q: *Will SpinCo incur any debt prior to or at the time of the Distribution?***

A: In connection with the Spin-Off, we expect to incur indebtedness in an aggregate principal amount of approximately \$ million under a senior secured term loan facility, of which \$ million of the net proceeds will be transferred to Nuance immediately prior to the consummation of the Spin-Off. We also intend to enter into a revolving credit facility, none of which is expected to be drawn at the closing of the Spin-Off. The terms of such indebtedness are subject to change and will be finalized prior to the closing of the Spin-Off. See “Capitalization,” “Unaudited Pro Forma Combined Financial Statements,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” for more information.

**Q: *How will our common stock trade?***

A: We intend to apply to list our common stock on the Nasdaq Global Select Market under the symbol “CRNC.” The listing is subject to approval of our application. Currently, there is no public market for our common stock.

We anticipate that trading in our common stock will begin on a “when-issued” basis as early as one trading day prior to the Record Date for the Distribution and will continue up to and including the Distribution Date. “When-issued” trading in the context of a spin-off refers to a sale or purchase made conditionally on or before the Distribution Date because the securities of the spun-off entity have not yet been distributed. “When-issued” trades generally settle within two trading days after the Distribution Date. On the first trading day following the Distribution Date, any “when-issued” trading of our common stock will end and “regular-way” trading will begin. Regular-way trading refers to trading after the security has been distributed and typically involves a trade that settles on the second full trading day following the date of the trade. See “The Spin-Off—Trading Prior to the Distribution Date” for more information. We cannot predict the trading prices for our common stock before, on or after the Distribution Date.

**Q: *Do I have appraisal rights in connection with the Spin-Off?***

A: No. Holders of Nuance common stock are not entitled to appraisal rights in connection with the Spin-Off.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**Q: *Who is the transfer agent and registrar for SpinCo common stock?***

A: is the transfer agent and registrar for SpinCo common stock.

**Q: *Are there risks associated with owning shares of SpinCo common stock?***

A: Yes, there are substantial risks associated with owning shares of SpinCo common stock. Accordingly, you should read carefully the information set forth under “Risk Factors” in this Information Statement.

**Q: *Where can I get more information?***

A: If you have any questions relating to the mechanics of the Distribution, you should contact the distribution agent at:  
Before the Spin-Off, if you have any questions relating to the Spin-Off, you should contact Nuance at:

Investor Relations  
Nuance Communications, Inc.  
1 Wayside Road  
Burlington, MA 01803

After the Spin-Off, if you have any questions relating to SpinCo, you should contact us at:

Investor Relations  
Cerence Inc.  
15 Wayside Road  
Burlington, MA 01803

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**RISK FACTORS**

You should carefully consider all of the information in this Information Statement and each of the risks described below, which we believe are the principal risks that we face. Some of the risks relate to our business, others to the Spin-Off. Some risks relate principally to the securities markets and ownership of our common stock. Any of the following risks could materially and adversely affect our business, financial condition and results of operations and the actual outcome of matters as to which forward-looking statements are made in this Information Statement.

**Risks Relating to Our Business**

***The market in which we operate is highly competitive and rapidly changing and we may be unable to compete successfully.***

There are a number of companies that develop or may develop products that compete in the automotive cognitive assistance market. The market for our products and services is characterized by intense competition, evolving industry and regulatory standards, emerging business and distribution models, disruptive software technology developments, short product and service life cycles, price sensitivity on the part of customers, and frequent new product introductions, including alternatives for certain of our products that offer limited functionality at significantly lower costs or free of charge. Current and potential competitors have established, or may establish, cooperative relationships among themselves or with third parties to increase the ability of their technologies to address the needs of our prospective customers. Furthermore, existing or prospective customers may decide to develop competing products or have established, or may in the future establish, strategic relationships with our competitors. We also face significant competition with respect to cloud-based solutions in the automotive cognitive assistance market where existing and new competitors may have or have already established significant market share and product offerings.

The competition in the automotive cognitive assistance market could adversely affect our operating results by reducing the volume of the products and solutions we license or sell or the prices we can charge. Some of our current or potential competitors are large technology companies that have significantly greater financial, technical and marketing resources than we do, and others are smaller specialized companies that possess automotive expertise or regional focus and may have greater price flexibility than we do. These competitors may be able to respond more rapidly than we can to new or emerging technologies or changes in customer requirements, or may decide to offer products at low or unsustainable cost to win new business. They may also devote greater resources to the development, promotion and sale of their products than we do, and in certain cases may be able to include or combine their competitive products or technologies with other of their products or technologies in a manner whereby the competitive functionality is available at lower cost or free of charge within the larger offering. To the extent they do so, penetration of our products, and therefore our revenue, may be adversely affected. Our large competitors may also have greater access to customer data, which provides them with a competitive advantage in developing new products and technologies. Our success depends substantially upon our ability to enhance our products and technologies, to develop and introduce, on a timely and cost-effective basis, new products and features that meet changing customer requirements and incorporate technological enhancements, and to maintain our alignment with the OEMs, their technology and market strategies. If we are unable to develop new products and enhance functionalities or technologies to adapt to these changes and maintain our alignment with OEMs, our business will suffer.

***Adverse conditions in the automotive industry or the global economy more generally could have adverse effects on our results of operations.***

Our business depends on, and is directly affected by, the global automobile industry. Automotive production and sales are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences, changes in interest rate levels and credit availability, consumer confidence, fuel costs,

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

fuel availability, environmental impact, governmental incentives and regulatory requirements, and political volatility, especially in energy-producing countries and growth markets. Such factors may also negatively impact consumer demand for automobiles that include features such as our products. In addition, automotive production and sales can be affected by our customers' ability to continue operating in response to challenging economic conditions, and in response to labor relations issues, regulatory requirements, trade agreements and other factors. The volume of global automotive production has fluctuated, sometimes significantly, from year to year, and such fluctuations give rise to fluctuations in the demand for our products. Any significant adverse change in any of these factors, including, but not limited to, general economic conditions and the resulting bankruptcy of a customer or the closure of a customer manufacturing facility, may result in a reduction in automotive sales and production by our customers, and could have a material adverse effect on our business, results of operations and financial condition.

***Our strategy to increase cloud connected services may adversely affect our near-term revenue growth and results of operations.***

Our leadership position has historically been through our products and services based on edge software technology. We have been and are continuing to develop new products and services that incorporate cloud-connected components. The design and development of new cloud-connected components will involve significant expense. Our research and development costs have greatly increased in recent years and, together with certain expenses associated with delivering our connected services, are projected to continue to escalate in the near future. We may encounter difficulties with designing, developing and releasing new cloud-connected components, as well as integrating these components with our existing hybrid technologies. These development issues may further increase costs and may affect our ability to innovate in a manner demanded by the market. As a result, our strategy to incorporate more cloud-connected components may adversely affect our revenue growth and results of operations.

***Pricing pressures from our customers may adversely affect our business.***

We may experience pricing pressure from our customers in the future, which could result from the major OEMs' strong purchasing power. As a developer of automotive cognitive assistance components, we may be expected to quote fixed prices or be forced to accept prices with annual price reduction commitments for long-term sales arrangements or discounted reimbursements for our work. Any price reductions could impact our sales and profit margins. Our future profitability will depend upon, among other things, our ability to continuously reduce the costs for our components and maintain our cost structure. Our profitability is also influenced by our success in designing and marketing technological improvements in automotive cognitive assistance systems. If we are unable to offset any price reductions in the future, our business, results of operations and financial condition would be adversely affected.

***We invest effort and money seeking OEMs' validation of our technology, and there can be no assurance that we will win or be able to renew service contracts, which could adversely affect our future business, results of operations and financial condition.***

We invest effort and money from the time an OEM or a tier 1 supplier begins designing for an upcoming program to the date on which the customer chooses our technology to be incorporated directly or indirectly into one or more specific vehicle models to be produced by the customer. This selection process is known as a "design win." We could expend our resources without success. After a design win, it is typically quite difficult for a product or technology that did not receive the design win to displace the winner until the customer begins a new selection process because it is very unlikely that a customer will change complex technology until a vehicle model is revamped. In addition, the company with the winning design may have an advantage with the customer going forward because of the established relationship between the winning company and such customer, which could make it more difficult for such company's competitors to win the designs for other service contracts. Even if we have an established relationship with a customer, any failure to perform under a service contract or

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

innovate in response to their feedback may neutralize our advantage with that customer. If we fail to win a significant number of customer design competitions in the future or to renew a significant number of existing service contracts, our business, results of operations and financial condition would be adversely affected. Moreover, due to the evolution of our connected offerings and architecture, trending away from providing legacy infotainment and connected services and a change in our professional services pricing strategies, we expect our deferred revenue balances to decrease in the future. To the extent we are unable to renew existing service contracts, such decrease could intensify. The period of time from winning a contract to implementation is long and we are subject to the risks of cancellation or postponement of the contract or unsuccessful implementation.

Our products are technologically complex and incorporate many technological innovations. Prospective customers generally must make significant commitments of resources to test and validate our products before including them in any particular vehicle model. The development cycles of our products with new customers are approximately six months to two years after a design win, depending on the customer and the complexity of the product. These development cycles result in our investing our resources prior to realizing any revenues from the customer contracts. Further, we are subject to the risk that a customer cancels or postpones implementation of our technology, as well as that we will not be able to implement our technology successfully. Further, our sales could be less than forecast if the vehicle model is unsuccessful, including reasons unrelated to our technology. Long development cycles and product cancellations or postponements may adversely affect our business, results of operations and financial condition.

***Our business could be materially and adversely affected if we lost any of our largest customers.***

The loss of business from any of our major customers, whether by lower overall demand for vehicles, cancellation of existing contracts or the failure to award us new business, could have a material adverse effect on our business, results of operations and financial condition. Alternatively, there is a risk that one or more of our major customers could be unable to pay our invoices as they become due or that a customer will simply refuse to make such payments given its financial difficulties. If a major customer becomes subject to bankruptcy or similar proceedings whereby contractual commitments are subject to stay of execution and the possibility of legal or other modification, or if a major customer otherwise successfully procures protection against us legally enforcing its obligations, it is likely that we will be forced to record a substantial loss. In addition, certain of our customers that are tier 1 suppliers exclusively sell to certain OEMs, including some of our other customers. A bankruptcy of, or other significant disruption to, any of these OEMs could intensify any adverse impact on our business and results of operations.

***Our operating results may fluctuate significantly from period to period, and this may cause our stock price to decline.***

Our revenue and operating results may fluctuate materially in the future. These fluctuations may cause our results of operations to not meet the expectations of securities analysts or investors which would likely cause the price of our stock to decline. Factors that may contribute to fluctuations in operating results include:

- given our limited customer base, the volume, timing and fulfillment of large customer contracts;
- renewals of existing customer contracts and wins of new customer programs;
- increased expenditures incurred pursuing new product or market opportunities;
- receipt of royalty reports;
- fluctuating sales by our customers to their end-users;
- contractual counterparties failing to meet their contractual commitments to us;
- introduction of new products by us or our competitors;
- cybersecurity or data breaches;

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

- reduction in the prices of our products in response to competition, market conditions or contractual obligations;
- impairment of goodwill or intangible assets;
- accounts receivable that are not collectible;
- higher than anticipated costs related to fixed-price contracts with our customers;
- change in costs due to regulatory or trade restrictions;
- expenses incurred in litigation matters, whether initiated by us or brought by third-parties against us, and settlements or judgments we are required to pay in connection with disputes; and
- general economic trends as they affect the customer bases into which we sell.

Due to the foregoing factors, among others, our revenue and operating results may fluctuate significantly from period to period. Our expense levels are based in significant part on our expectations of future revenue, and we may not be able to reduce our expenses quickly to respond to near-term shortfalls in projected revenue. Therefore, our failure to meet revenue expectations would seriously harm our operating results, financial condition and cash flows.

***Following the Spin-Off, we will have our first senior management team. If we encounter difficulties in the transition, our business could be negatively impacted.***

In connection with the Spin-Off, we plan to appoint our first senior management team, including our first Chief Executive Officer and Chief Financial Officer. Our future success will partly depend upon our first senior management team and other key employees to effectively implement our business strategies. Our first management team may require transition time to fully understand all aspects of our business and the transition may be disruptive to, or cause uncertainty in, our business and strategic direction. If we have failures in any aspects of this transition, or the strategies implemented by our management team are not successful, our business could be harmed.

***If we are unable to attract and retain key personnel, our business could be harmed.***

If any of our key employees were to leave, we could face substantial difficulty in hiring qualified successors and could experience a loss in productivity while any successor obtains the necessary training and experience. Although we have arrangements with some of our executive officers designed to promote retention, our employment relationships are generally at-will and we have had key employees leave in the past. We cannot assure you that one or more key employees will not leave in the future. We intend to continue to hire additional highly qualified personnel, including research and development and operational personnel, but may not be able to attract, assimilate or retain qualified personnel in the future. Any failure to attract, integrate, motivate and retain these employees could harm our business.

***We depend on skilled employees and could be impacted by a shortage of critical skills.***

Much of our future success depends on the continued service and availability of skilled employees, particularly with respect to technical areas. Skilled and experienced personnel in the areas where we compete are in high demand, and competition for their talents is intense. We expect that many of our key employees will receive a total compensation package that includes equity awards. New regulations or volatility in the stock market could diminish our use, and the value, of our equity awards. This would place us at a competitive disadvantage in attracting qualified personnel or force us to offer more cash compensation.

***Cybersecurity and data privacy incidents or breaches may damage client relations and inhibit our growth.***

The confidentiality and security of our information, and that of third parties, is critical to our business. Our services involve the transmission, use, and storage of customers' and their customers' information, which may be

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

confidential or contain personally identifiable information. Any cybersecurity or data privacy incidents could have a material adverse effect on our results of operations and financial condition. While we maintain a broad array of information security and privacy measures, policies and practices, our networks may be breached through a variety of means, resulting in someone obtaining unauthorized access to our information, to information of our customers or their customers, or to our intellectual property; disabling or degrading service; or sabotaging systems or information. In addition, hardware, software, systems, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud or other forms of deceiving our employees, contractors, and vendors. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. We will continue to incur significant costs to continuously enhance our information security measures to defend against the threat of cybercrime. Any cybersecurity or data privacy incident or breach may result in:

- loss of revenue resulting from the operational disruption;
- loss of revenue or increased bad debt expense due to the inability to invoice properly or to customer dissatisfaction resulting in collection issues;
- loss of revenue due to loss of customers;
- material remediation costs to recreate or restore systems;
- material investments in new or enhanced systems in order to enhance our information security posture;
- cost of incentives offered to customers to restore confidence and maintain business relationships;
- reputational damage resulting in the failure to retain or attract customers;
- costs associated with potential litigation or governmental investigations;
- costs associated with any required notices of a data breach;
- costs associated with the potential loss of critical business data;
- difficulties enhancing or creating new products due to loss of data or data integrity issues; and
- other consequences of which we are not currently aware but will discover through the remediation process.

***Our business is subject to a variety of domestic and international laws, rules, policies and other obligations including data protection and anticorruption.***

We are subject to U.S. and international laws and regulations in multiple areas, including data protection, anticorruption, labor relations, tax, foreign currency, anti-competition, import, export and trade regulations, and we are subject to a complex array of federal, state and international laws relating to the collection, use, retention, disclosure, security and transfer of personally identifiable information. In many cases, these laws apply not only to transfers between unrelated third-parties but also to transfers between us and our subsidiaries. Many jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. The European Commission adopted the European General Data Protection Regulation (the “**GDPR**”), which went into effect on May 25, 2018. China adopted a new cybersecurity law as of June 2017. In addition, California adopted significant new consumer privacy laws in June 2018 that will be effective beginning in January 2020. Complying with the GDPR and other requirements may cause us to incur substantial costs and may require us to change our business practices.

Any failure by us, our customers or other parties with whom we do business to comply with our privacy policy or with federal, state or international privacy-related or data protection laws and regulations could result in



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

proceedings against us by governmental entities or others. Any alleged or actual failure to comply with applicable privacy laws and regulations may:

- cause our customers to lose confidence in our solutions;
- harm our reputation;
- expose us to litigation, regulatory investigations and to resulting liabilities including reimbursement of customer costs, damages penalties or fines imposed by regulatory agencies; and
- require us to incur significant expenses for remediation.

We are also subject to a variety of anticorruption laws in respect of our international operations, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and the Canadian Corruption of Foreign Public Officials Act, and regulations issued by the U.S. Customs and Border Protection, the U.S. Bureau of Industry and Security, the U.S. Treasury Department's Office of Foreign Assets Control, and various other foreign governmental agencies. We cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted. Actual or alleged violations of these laws and regulations could lead to enforcement actions and financial penalties that could result in substantial costs.

***A significant portion of our revenue are derived, and a significant portion of our research and development activities are based, outside the United States. Our results could be harmed by economic, political, regulatory, foreign currency fluctuations and other risks associated with these international regions.***

Because we operate worldwide, our business is subject to risks associated with doing business internationally. We generate most of our international revenue in Europe and Asia, and we anticipate that revenue from international operations could increase in the future. In addition, some of our products are developed outside the United States. We conduct a significant portion of the development of our voice recognition and natural language understanding solutions in Canada and Germany. We also have significant research and development resources in Austria, Belgium, China, India, Italy, and the United Kingdom. We are exposed to fluctuating exchange rates of foreign currencies including the euro, British pound, Canadian dollar, Chinese RMB, Japanese yen, Indian rupee and South Korean won. Accordingly, our future results could be harmed by a variety of factors associated with international sales and operations, including:

- adverse political and economic conditions, or changes to such conditions, in a specific region or country;
- trade protection measures, including tariffs and import/export controls, imposed by the United States and/or by other countries or regional authorities such as China, Canada or the European Union;
- the impact on local and global economies of the United Kingdom leaving the European Union;
- changes in foreign currency exchange rates or the lack of ability to hedge certain foreign currencies;
- compliance with laws and regulations in many countries and any subsequent changes in such laws and regulations;
- geopolitical turmoil, including terrorism and war;
- changing data privacy regulations and customer requirements to locate data centers in certain jurisdictions;
- evolving restrictions on cross-border investment, including recent enhancements to the oversight by the Committee on Foreign Investment in the United States pursuant to the Foreign Investment Risk Preview Modernization Act and substantial restrictions on investment from China;
- changes in applicable tax laws;

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

- difficulties in staffing and managing operations in multiple locations in many countries;
- longer payment cycles of foreign customers and timing of collections in foreign jurisdictions; and
- less effective protection of intellectual property than in the United States.

***Our business in China is subject to aggressive competition and is sensitive to economic, market and political conditions.***

We operate in the highly competitive automotive cognitive assistance market in China and face competition from both international and smaller domestic manufacturers. We anticipate that additional competitors, both international and domestic, may seek to enter the Chinese market resulting in increased competition. Increased competition may result in price reductions, reduced margins and our inability to gain or hold market share. There have been periods of increased market volatility and moderation in the levels of economic growth in China, which resulted in periods of lower automotive production growth rates in China than those previously experienced. In addition, political tensions between China and the United States may negatively impact our ability to conduct business in China. If we are unable to grow or maintain our position in the Chinese market, the pace of growth slows or vehicle sales in China decrease, our business, results of operations and financial condition could be materially adversely effected. Government regulations and business considerations may also require us to conduct business in China through joint ventures with Chinese companies. Our participation in joint ventures would limit our control over Chinese operations and may expose our proprietary technologies to misappropriation by joint venture partners. The above risks, if realized, could have a material adverse effect on our business, results of operations and financial condition.

***Interruptions or delays in our services or services from data center hosting facilities or public clouds could impair the delivery of our services and harm our business.***

Because our services are complex and incorporate a variety of third-party hardware and software, our services may have errors or defects that could result in unanticipated downtime for our customers and harm to our reputation and our business. We have from time to time, found defects in our services, and new errors in our services may be detected in the future. In addition, we currently serve our customers from data center hosting facilities or third-party public clouds we directly manage. Any damage to, or failure of, the systems and facilities that serve our customers in whole or in part could result in interruptions in our service. Interruptions in our service may reduce our revenue, cause us to issue credits or pay service level agreement penalties, cause customers to terminate their on-demand services, and adversely affect our renewal rates and our ability to attract new customers.

***If our goodwill or other intangible assets become impaired, our operating results could be negatively impacted.***

We have significant intangible assets, including goodwill and other intangible assets, which are susceptible to valuation adjustments as a result of changes in various factors or conditions. The most significant intangible assets are goodwill, customer relationships and patents and core technologies. Customer relationships are amortized over their estimated economic lives based on the pattern of economic benefits expected to be generated from the use of the asset. Technologies and patents are amortized on a straight-line basis over their estimated useful lives. We assess the potential impairment of goodwill on an annual basis. Whenever events or changes in circumstances indicate that the carrying value may not be recoverable, we will be required to assess the potential impairment of goodwill and other intangible assets. Factors that could trigger an impairment of such assets include the following:

- changes in our organization or management reporting structure that could result in additional reporting units, which may require alternative methods of estimating fair values or greater disaggregation or aggregation in our analysis by reporting unit;
- significant under performance relative to historical or projected future operating results;

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

- significant changes in the strategy for our overall business;
- significant negative industry or economic trends;
- significant decline in our stock price for a sustained period; and
- our market capitalization declining to below net book value.

Future adverse changes in these or other unforeseeable factors could result in an impairment charge that would impact our results of operations and financial position in the reporting period identified.

***Tax matters may cause significant variability in our financial results.***

Our businesses are subject to income taxation in the United States, as well as in many tax jurisdictions throughout the world. Tax rates in these jurisdictions may be subject to significant change. If our effective tax rate increases, our operating results and cash flow could be adversely affected. Our effective income tax rate can vary significantly between periods due to a number of complex factors including:

- projected levels of taxable income;
- pre-tax income being lower than anticipated in countries with lower statutory rates or higher than anticipated in countries with higher statutory rates;
- increases or decreases to valuation allowances recorded against deferred tax assets;
- tax audits conducted and settled by various tax authorities;
- adjustments to income taxes upon finalization of income tax returns;
- the ability to claim foreign tax credits;
- the repatriation of non-U.S. earnings for which we have not previously provided for income taxes; and
- changes in tax laws and their interpretations in countries in which we are subject to taxation.

**Risks Relating to our Intellectual Property and Technology**

***Third parties have claimed and may claim in the future that we are infringing their intellectual property, and we could be exposed to significant litigation or licensing expenses or be prevented from selling our products if such claims are successful.***

From time to time, we are subject to claims and legal actions alleging that we or our customers may be infringing or contributing to the infringement of the intellectual property rights of others. We may be unaware of intellectual property rights of others that may cover some of our technologies and products. If it appears necessary or desirable, we may seek licenses for these intellectual property rights. However, we may not be able to obtain licenses from some or all claimants, the terms of any offered licenses may not be acceptable to us, and we may not be able to resolve disputes without litigation. Any litigation regarding intellectual property could be costly and time-consuming and could divert the attention of our management and key personnel from our business operations. Intellectual property disputes could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on unfavorable terms, prevent us from licensing certain of our products, cause severe disruptions to our operations or the markets in which we compete, or require us to satisfy indemnification commitments with our customers including contractual provisions under various arrangements. Any of these could seriously harm our business.

***Unauthorized use of our proprietary technology and intellectual property could adversely affect our business and results of operations.***

Our success and competitive position depend in large part on our ability to obtain and maintain intellectual property rights protecting our products and services. We rely on a combination of patents, copyrights,

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

trademarks, service marks, trade secrets, confidentiality provisions and licensing arrangements to establish and protect our intellectual property and proprietary rights. Unauthorized parties may attempt to copy or discover aspects of our products or to obtain, license, sell or otherwise use information that we regard as proprietary. Policing unauthorized use of our products is difficult and we may not be able to protect our technology from unauthorized use. Additionally, our competitors may independently develop technologies that are substantially the same or superior to our technologies and that do not infringe our rights. In these cases, we would be unable to prevent our competitors from selling or licensing these similar or superior technologies. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States. Although the source code for our proprietary software is protected both as a trade secret and as a copyrighted work, litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Litigation, regardless of the outcome, can be very expensive and can divert management's efforts.

***Our software products may have bugs, which could result in delayed or lost revenue, expensive correction, liability to our customers and claims against us.***

Complex software products such as ours may contain errors, defects or bugs. Defects in the solutions or products that we develop and sell to our customers could require expensive corrections and result in delayed or lost revenue, adverse customer reaction and negative publicity about us or our products and services. Customers who are not satisfied with any of our products may also bring claims against us for damages, which, even if unsuccessful, would likely be time-consuming to defend, and could result in costly litigation and payment of damages. Such claims could harm our reputation, financial results and competitive position.

***We may be unable to respond quickly enough to changes in technology and technological risks and to develop our intellectual property into commercially viable products.***

Changes in legislative, regulatory or industry requirements or in competitive technologies may render certain of our products obsolete or less attractive to our customers, which could adversely affect our results of operations. Our ability to anticipate changes in technology and regulatory standards and to successfully develop and introduce new and enhanced products on a timely basis will be a significant factor in our ability to be competitive. There is a risk that we will not be able to achieve the technological advances that may be necessary for us to be competitive or that certain of our products will become obsolete. Moreover, restrictions on the use of our technology under the Separation and Distribution Agreement and the Intellectual Property Agreement over the next five years may limit our ability to adapt to technology and regulatory developments and thereby compete effectively in the market. We are also subject to the risks generally associated with new product introductions and applications, including lack of market acceptance, delays in product development and failure of products to operate properly. These risks could have a material adverse effect on our business, results of operations and financial condition.

***We utilize certain key technologies, content and services from, and integrate certain of our solutions with, third parties and may be unable to replace those technologies, content and services if they become obsolete, unavailable or incompatible with our solutions.***

We utilize certain key technologies and content from, and/or integrate certain of our solutions with, hardware, software, services and content of third parties. Some of these vendors are also our competitors in various respects. These third-party vendors could, in the future, seek to charge us cost prohibitive fees for such use or integration or may design or utilize their solutions in a manner that makes it more difficult for us to continue to utilize their solutions, or integrate their technologies with our solutions, in the same manner or at all. Any significant interruption in the supply or maintenance of such third-party hardware, software, services or content could negatively impact our ability to offer our solutions unless and until we replace the functionality provided by this third-party hardware, software and/or content. In addition, we are dependent upon these third parties' ability to enhance their current products, develop new products on a timely and cost-effective basis and

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

respond to emerging industry standards and other technological changes. There can be no assurance that we would be able to replace the functionality or content provided by third-party vendors in the event that such technologies become obsolete or incompatible with future versions of our solutions or are otherwise not adequately maintained or updated. Any delay in or inability to replace any such functionality could have a material adverse effect on our business, results of operations and financial condition. Furthermore, delays in the release of new and upgraded versions of third-party software applications could have a material adverse effect on our business, results of operations and financial condition.

**Risks Relating to the Spin-Off**

***The Spin-Off could result in significant tax liability to Nuance and its stockholders.***

Completion of the Spin-Off is conditioned on Nuance's receipt of a written opinion from Paul, Weiss, Rifkind, Wharton & Garrison LLP to the effect that the Distribution will qualify for non-recognition of gain and loss under Section 355 and related provisions of the Code. Nuance can waive receipt of the opinion as a condition to the completion of the Spin-Off.

In addition, Nuance has requested a private letter ruling from the IRS regarding Nuance's potential retention of no more than approximately 18.5% of our common stock. If the private letter ruling is not obtained prior to the Distribution, Nuance will not retain any ownership interest in us, and will distribute all of its shares of our common stock. If the private letter ruling is obtained prior to the Distribution, Nuance may retain no more than an approximately 18.5% ownership interest in us for a limited period of time, which Nuance would sell to third party purchasers as soon as reasonably practicable after the Spin-Off, subject to market and regulatory conditions, but in no event later than .

The opinion of counsel does not, and the private letter ruling would not, address any U.S. state or local or foreign tax consequences of the Spin-Off. The opinion would rely on the private letter ruling with respect to matters covered by the private letter ruling (if obtained), assumes that the Spin-Off will be completed according to the terms of the Separation and Distribution Agreement and relies on the facts as stated in the Separation and Distribution Agreement, the Tax Matters Agreement, the other ancillary agreements, this Information Statement and a number of other documents. In addition, the opinion is, and the private letter ruling would be, based on certain assumptions as well as certain representations as to factual matters from, and certain covenants by, Nuance and us. The opinion and the private letter ruling (if obtained) cannot be relied on if any of the assumptions, representations or covenants are incorrect, incomplete or inaccurate or are violated in any material respect.

The private letter ruling, if obtained, would generally be binding on the IRS. The opinion of counsel, however, is not binding on the IRS or the courts, and there can be no assurance that the IRS or a court will not take a contrary position. If the conclusions expressed in the opinion are challenged by the IRS, and if the IRS prevails in such challenge, the tax consequences of the Spin-Off (including the tax consequences to Nuance and U.S. Holders) could be materially less favorable.

If the Spin-Off were determined not to qualify for non-recognition of gain or loss under Section 355 and related provisions of the Code, each U.S. Holder who receives our common stock in the Distribution would generally be treated as receiving a distribution in an amount equal to the fair market value of our common stock received, which would generally result in: (1) a taxable dividend to the U.S. Holder to the extent of that U.S. Holder's pro rata share of Nuance's current or accumulated earnings and profits; (2) a reduction in the U.S. Holder's basis (but not below zero) in Nuance common stock to the extent the amount received exceeds the stockholder's share of Nuance's earnings and profits; and (3) taxable gain from the exchange of Nuance common stock to the extent the amount received exceeds the sum of the U.S. Holder's share of Nuance's earnings and profits and the U.S. Holder's basis in its Nuance common stock. See below and "The Spin-Off—Material U.S. Federal Income Tax Consequences of the Spin-Off."

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

***If the Spin-Off were determined not to qualify as tax-free for U.S. federal income tax purposes, we could have an indemnification obligation to Nuance, which could adversely affect our business, financial condition and results of operations.***

If, as a result of any of our representations being untrue or our covenants being breached, the Spin-Off, and certain of the Reorganization Transactions, were determined not to qualify for non-recognition of gain or loss under Section 355 and related provisions of the Code, we could be required to indemnify Nuance for the resulting taxes and related expenses. Those amounts could be material. Any such indemnification obligation could adversely affect our business, financial condition and results of operations.

In addition, if we or our stockholders were to engage in transactions that resulted in a 50% or greater change by vote or value in the ownership of our stock during the four-year period beginning on the date that begins two years before the date of the Distribution, the Spin-Off would generally be taxable to Nuance, but not to stockholders, under Section 355(e) of the Code, unless it were established that such transactions and the Spin-Off were not part of a plan or series of related transactions. If the Spin-Off were taxable to Nuance due to such a 50% or greater change in ownership of our stock, Nuance would recognize gain equal to the excess of the fair market value on the Distribution Date of our common stock distributed to Nuance stockholders over Nuance's tax basis in our common stock and would also recognize gain in respect of certain of the Reorganization Transactions, and we generally would be required to indemnify Nuance for the tax on such gain and related expenses. Those amounts would be material. Any such indemnification obligation could adversely affect our business, financial condition and results of operations. See "Certain Relationships and Related Party Transactions—Agreements with Nuance—Tax Matters Agreement."

***We intend to agree to numerous restrictions to preserve the non-recognition treatment of the Spin-Off, which may reduce our strategic and operating flexibility.***

We intend to agree in the Tax Matters Agreement to covenants and indemnification obligations that address compliance with Section 355 and related provisions of the Code and are intended to preserve the tax-free nature of the Spin-Off. These covenants will include certain restrictions on our activity for a period of two years following the Spin-Off, unless we or Nuance obtain a private letter ruling from the IRS or an opinion of counsel, in each case acceptable to Nuance in its reasonable discretion, that the restricted action would not impact the non-recognition treatment of the Spin-Off, or unless Nuance otherwise gives its consent for us to take a restricted action. These covenants and indemnification obligations may limit our ability to pursue strategic transactions or engage in new businesses or other transactions that may maximize the value of our business, and might discourage or delay a strategic transaction that our stockholders may consider favorable. See "Certain Relationships and Related Party Transactions—Agreements with Nuance—Tax Matters Agreement."

***Until the separation occurs, Nuance has sole discretion to change the terms of the separation in ways that may be unfavorable to us.***

Until the Sale Transaction and the Spin-Off occur, SpinCo will be a wholly-owned subsidiary of Nuance. Accordingly, Nuance will effectively have the sole and absolute discretion to determine and change the terms of the separation, including the establishment of the record date for the Distribution and the Distribution Date. These changes could be unfavorable to us. In addition, the separation and Distribution and related transactions are subject to the satisfaction or waiver by Nuance in its sole discretion of a number of conditions. We cannot assure you that any or all of these conditions will be met. Nuance may also decide at any time not to proceed with the separation and distribution.

***We may be unable to achieve some or all of the benefits that we expect to achieve from the Spin-Off.***

We believe that, as an independent, publicly traded company, we will be able to, among other things, design and implement corporate strategies and policies and develop partnerships that are better targeted to our

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

business's areas of strength and differentiation, better focus our financial and operational resources on those specific strategies, create effective incentives for our management and employees that are more closely tied to our business performance, provide investors more flexibility and enable us to achieve alignment with a more natural stockholder base and implement and maintain a capital structure designed to meet our specific needs. We may be unable to achieve some or all of the benefits that we expect to achieve as an independent company in the time we expect, if at all, for a variety of reasons, including: (i) the completion of the Spin-Off will require significant amounts of our management's time and effort, which may divert management's attention from operating and growing our business; (ii) following the Spin-Off, we may be more susceptible to market fluctuations and other adverse events than if it were still a part of Nuance; and (iii) following the Spin-Off, our businesses will be less diversified than Nuance's businesses prior to the separation. If we fail to achieve some or all of the benefits that we expect to achieve as an independent company, or do not achieve them in the time we expect, our business, financial condition and results of operations could be adversely affected.

***We may be unable to make, on a timely or cost-effective basis, the changes necessary to operate as an independent, publicly traded company, and we may experience increased costs after the Spin-Off.***

We have historically operated as part of Nuance's organization, and Nuance has provided us with various corporate functions. Following the Spin-Off, Nuance will have no obligation to provide us with assistance other than the transition and other services described under "Certain Relationships and Related Party Transactions." These services do not include every service that we have received from Nuance in the past, and Nuance is only obligated to provide the transition services for limited periods following completion of the Spin-Off. The agreements relating to such transition services and to the Spin-Off more generally will be negotiated prior to the Spin-Off, at a time when SpinCo's business will still be operated by Nuance. The agreements generally will be entered into on arms-length terms similar to those that would be agreed with an unaffiliated third party such as a buyer in sale transaction, but SpinCo will not have an independent board of directors or a management team independent of Nuance representing its interests while the agreements are being negotiated. It is possible that we might have been able to achieve more favorable terms if the circumstances differed. We will rely on Nuance to satisfy its performance and payment obligations under any transition services agreements and other agreements related to the Spin-Off, and if Nuance does not satisfy such obligations, we could incur operational difficulties or losses.

Following the Spin-Off and the cessation of any transition services agreements, we will need to provide internally or obtain from unaffiliated third parties the services we will no longer receive from Nuance. These services include legal, accounting, information technology, research and software development, human resources and other general administrative and infrastructure support, the effective and appropriate performance of which are critical to our operations. We may be unable to replace these services in a timely manner or on terms and conditions as favorable as those we receive from Nuance. Because our business has historically operated as part of the wider Nuance organization, we may be unable to successfully establish the infrastructure or implement the changes necessary to operate independently, or may incur additional costs that could adversely affect our business. If we fail to obtain the quality of services necessary to operate effectively or incur greater costs in obtaining these services, our business, financial condition and results of operations may be adversely affected.

***As we build our information technology infrastructure and transition our data to our own systems, we could incur substantial additional costs and experience temporary business interruptions, and our accounting and other management systems and resources may not be adequately prepared to meet the financial reporting and other requirements to which we will be subject following the Spin-Off.***

Following the Spin-Off, we will install and implement information technology infrastructure to support certain of our business functions, including accounting and reporting, human resources, sales operations, customer service, and distribution. We may incur substantially higher costs than currently anticipated as we transition from the existing transactional and operational systems and data centers we currently use as part of Nuance. If we are unable to transition effectively, we may incur temporary interruptions in business operations.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

Any delay in implementing, or operational interruptions suffered while implementing, our new information technology infrastructure could disrupt our business and have a material adverse effect on our results of operations.

In addition, if we are unable to replicate or transition certain systems, our ability to comply with regulatory requirements could be impaired. As a result of the Spin-Off, we will be directly subject to reporting and other obligations under the U.S. Securities and Exchange Act of 1934, as amended (the “**Exchange Act**”). Beginning with our second required Annual Report on Form 10-K, we intend to comply with Section 404 of the Sarbanes Oxley Act of 2002, as amended (the “**Sarbanes Oxley Act**”), which will require annual management assessments of the effectiveness of our internal control over financial reporting. In addition, once we cease to qualify as an “emerging growth company,” Section 404 of the Sarbanes Oxley Act will also require a report by our independent registered public accounting firm addressing these assessments in our Annual Report on Form 10-K for the year in which we cease to qualify as an “emerging growth company.” These reporting and other obligations may place significant demands on management, administrative and operational resources, including accounting systems and resources.

The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. Under the Sarbanes Oxley Act, we are required to maintain effective disclosure controls and procedures and internal controls over financial reporting. To comply with these requirements, we may need to upgrade our systems, implement additional financial and management controls, reporting systems and procedures and hire additional accounting and finance staff. We expect to incur additional annual expenses for the purpose of addressing these, and other public company reporting, requirements. If we are unable to upgrade our financial and management controls, reporting systems, information technology systems and procedures in a timely and effective fashion, our ability to comply with financial reporting requirements and other rules that apply to reporting companies under the Exchange Act could be impaired. Any failure to achieve and maintain effective internal controls could have a material adverse effect on our business, financial condition, results of operations and cash flow. See “—Risks Relating to Our Common Stock and the Securities Market—If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired and investors’ views of us could be harmed.”

***We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.***

We are an emerging growth company, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including, but not limited to, not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years following the effectiveness of our registration statement on Form 10. We will cease to be an emerging growth company upon the earliest of: (i) the end of the fiscal year following the fifth anniversary of the effectiveness of our registration statement on Form 10, (ii) the first fiscal year after our annual gross revenues are \$1.07 billion or more, (iii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded \$700 million as of the end of the second quarter of that fiscal year. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and the price of our common stock may be more volatile.



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have not yet determined whether to avail ourselves of this accommodation allowing for delayed adoption of new or revised accounting standards, but if we do not rely on this accommodation, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We intend to continue to improve our internal controls over financial reporting and ensure we are able to produce accurate and timely financial statements. However, no assurance can be given that our actions will be successful.

***We have no operating history as an independent, publicly traded company, and our historical combined financial information is not necessarily representative of the results we would have achieved as an independent, publicly traded company and may not be a reliable indicator of our future results.***

We derived the historical combined financial information included in this Information Statement from Nuance's consolidated financial statements, and this information does not necessarily reflect the results of operations and financial position we would have achieved as an independent, publicly traded company during the periods presented, or those that we will achieve in the future. This is primarily because of the following factors:

- Prior to the Spin-Off, we operated as part of Nuance's broader organization, and Nuance performed various corporate functions for us. Our historical combined financial information reflects allocations of corporate expenses from Nuance for these and similar functions. These allocations may not reflect the costs we will incur for similar services in the future as an independent publicly traded company.
- We will enter into transactions with Nuance that did not exist prior to the Spin-Off, such as Nuance's provision of transition and other services, and undertake indemnification obligations, which will cause us to incur new costs. See "Certain Relationships and Related Party Transactions—Agreements with Nuance."
- Our historical combined financial information does not reflect changes that we expect to experience in the future as a result of our separation from Nuance, including changes in the financing, cash management, operations, cost structure and personnel needs of our business. As part of Nuance, we enjoyed certain benefits from Nuance's operating diversity, size, purchasing power, borrowing leverage and available capital for investments, and we will lose these benefits after the Spin-Off. As an independent entity, we may be unable to purchase goods, services and technologies, such as insurance and health care benefits and computer software licenses, or access capital markets, on terms as favorable to us as those we obtained as part of Nuance prior to the Spin-Off, and our results of operations may be adversely affected. In addition, our historical combined financial data do not include an allocation of interest expense comparable to the interest expense we will incur as a result of the Reorganization Transactions and the Spin-Off, including interest expense in connection with the incurrence of indebtedness at SpinCo.

Following the Spin-Off, we will also face additional costs and demands on management's time associated with being an independent, publicly traded company, including costs and demands related to corporate governance, investor and public relations and public reporting. While we have been profitable as part of Nuance, we cannot assure you that our profits will continue at a similar level when we are an independent, publicly traded company. For additional information about our past financial performance and the basis of presentation of our Combined Financial Statements, see "Selected Historical Combined Financial Data," "Unaudited Pro Forma Combined Financial Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical Combined Financial Statements and the Notes thereto included elsewhere in this Information Statement.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

***We expect to incur new indebtedness immediately prior to the Distribution, and the degree to which we will be leveraged following completion of the Distribution could adversely affect our business, financial condition and results of operations.***

In connection with the Spin-Off, we intend to incur substantial indebtedness in an aggregate principal amount of approximately \$        million, of which \$        million of the net proceeds will be transferred to Nuance immediately prior to the consummation of the Spin-Off.

We have historically relied upon Nuance to fund our working capital requirements and other cash requirements. After the Distribution, we will not be able to rely on the earnings, assets or cash flow of Nuance, and Nuance will not provide funds to finance our working capital or other cash requirements. As a result, after the Distribution, we will be responsible for servicing our own debt and obtaining and maintaining sufficient working capital and other funds to satisfy our cash requirements. After the Spin-Off, our access to and cost of debt financing will be different from the historical access to and cost of debt financing under Nuance. Differences in access to and cost of debt financing may result in differences in the interest rate charged to us on financings, as well as the amount of indebtedness, types of financing structures and debt markets that may be available to us.

Our ability to make payments on and to refinance our indebtedness, including the debt incurred in connection with the Spin-Off, as well as any future debt that we may incur, will depend on our ability to generate cash in the future from operations, financings or asset sales. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

***The terms of the new indebtedness we expect to incur in connection with the Distribution will restrict our current and future operations, particularly our ability to incur debt that we may need to fund initiatives in response to changes in our business, the industry in which we operate, the economy and governmental regulations.***

We expect that the terms of the indebtedness we expect to incur in connection with the Distribution will include a number of restrictive covenants that impose significant operating and financial restrictions on us and our subsidiaries and limit our ability to engage in actions that may be in our long-term best interests. These may restrict our and our subsidiaries' ability to take some or all of the following actions:

- incur or guarantee additional indebtedness or sell disqualified or preferred stock;
- pay dividends on, make distributions in respect of, repurchase or redeem capital stock;
- make investments or acquisitions;
- sell, transfer or otherwise dispose of certain assets;
- create liens;
- enter into sale/leaseback transactions;
- enter into agreements restricting the ability to pay dividends or make other intercompany transfers;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our or our subsidiaries' assets;
- enter into transactions with affiliates;
- prepay, repurchase or redeem certain kinds of indebtedness;
- issue or sell stock of our subsidiaries; and/or
- significantly change the nature of our business.

Furthermore, the lenders of this indebtedness may require that we pledge our assets as collateral as security for our repayment obligations or that we abide by certain financial or operational covenants. Our ability to

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

comply with such covenants and restrictions may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. A breach of any of these covenants, if applicable, could result in an event of default under the terms of this indebtedness. If an event of default occurred, the lenders would have the right to accelerate the repayment of such debt, and the event of default or acceleration could result in the acceleration of the repayment of any other debt to which a cross-default or cross-acceleration provision applies. We might not have, or be able to obtain, sufficient funds to make these accelerated payments, and lenders could then proceed against any collateral. Any subsequent replacement of the agreements governing such indebtedness or any new indebtedness could have similar or greater restrictions. The occurrence and ramifications of an event of default could adversely affect our business, financial condition and results of operations. Moreover, as a result of all of these restrictions, we may be limited in how we conduct our business and pursue our strategy, unable to raise additional debt financing to operate during general economic or business downturns or unable to compete effectively or to take advantage of new business opportunities.

***The commercial and credit environment may adversely affect our access to capital.***

Our ability to issue debt or enter into other financing arrangements on acceptable terms could be adversely affected if there is a material decline in the demand for our products or in the solvency of our customers or suppliers or if there are other significantly unfavorable changes in economic conditions. Volatility in the world financial markets could increase borrowing costs or affect our ability to access the capital markets. These conditions may adversely affect our ability to obtain targeted credit ratings prior to and following the Spin-Off.

***We may have potential business conflicts of interest with Nuance with respect to our past and ongoing relationships.***

Conflicts of interest may arise between Nuance and us in a number of areas relating to our past and ongoing relationships, including:

- labor, tax, employee benefit, indemnification and other matters arising from our separation from Nuance;
- intellectual property matters;
- employee recruiting and retention; and
- business combinations involving our company.

We may not be able to resolve any potential conflicts, and, even if we do so, the resolution may be less favorable to us than if we were dealing with an unaffiliated party.

***Following the Spin-Off, certain of our directors and employees may have actual or potential conflicts of interest because of their financial interests in Nuance.***

Because of their current or former positions with Nuance, certain of our expected executive officers and directors own equity interests in Nuance. Continuing ownership of Nuance shares and equity awards could create, or appear to create, potential conflicts of interest if SpinCo and Nuance face decisions that could have implications for both SpinCo and Nuance.

***The allocation of intellectual property rights and data between Nuance and SpinCo as part of the Spin-Off, the shared use of certain intellectual property rights and data following the Spin-Off and restrictions on the use of intellectual property rights, could adversely impact our reputation, our ability to enforce certain intellectual property rights that are important to us and our competitive position.***

In connection with the Spin-Off, we are entering into agreements with Nuance governing the allocation of intellectual property rights and data related to our business. See "Certain Relationships and Related Party

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

Transactions—Agreements with Nuance—Agreements Governing Intellectual Property.” These agreements include restrictions on our use of Nuance’s intellectual property rights and data licensed to us, including limitations on the field of use in which we can exercise our license rights. As a result, we may not be able to pursue opportunities that require use of these license rights in industries other than the automotive industry and certain ancillary fields. Moreover, the licenses granted to us under Nuance’s intellectual property rights and data are nonexclusive, so Nuance may be able to license the rights and data to third parties that may compete with us. These agreements could adversely affect our position and options relating to intellectual property enforcement, licensing negotiations and monetization and access to data used in our business. We also may not have sufficient rights to grant sublicenses of intellectual property or data used in our business, and we may be subject to third party rights pertaining to the underlying intellectual property or data. These circumstances could adversely affect our ability to protect our competitive position in the industry and otherwise adversely affect our business, financial condition and results of operations.

**Risks Relating to Our Common Stock and the Securities Market**

***No market for our common stock currently exists and an active trading market may not develop or be sustained after the Spin-Off. Following the Spin-Off our stock price may fluctuate significantly.***

There is currently no public market for our common stock. Following the Spin-Off, we intend to list our common stock on a national securities exchange. We anticipate that before the Distribution Date, trading of shares of our common stock will begin on a “when-issued” basis and this trading will continue up to and including the Distribution Date. However, an active trading market for our common stock may not develop as a result of the Spin-Off or may not be sustained in the future. The lack of an active market may make it more difficult for stockholders to sell our shares and could lead to our share price being depressed or volatile.

We cannot predict the prices at which our common stock may trade after the Spin-Off or whether the combined market value of a share of our common stock and a share of Nuance’s common stock will be less than, equal to or greater than the market value of a share of Nuance common stock prior to the Spin-Off. The market price of our common stock may fluctuate widely, depending on many factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our results of operations due to factors related to our business;
- success or failure of our business strategies;
- competition and industry capacity;
- changes in interest rates and other factors that affect earnings and cash flow;
- our level of indebtedness, our ability to make payments on or service our indebtedness and our ability to obtain financing as needed;
- our ability to retain and recruit qualified personnel;
- our quarterly or annual earnings, or those of other companies in our industry;
- announcements by us or our competitors of significant acquisitions or dispositions;
- changes in accounting standards, policies, guidance, interpretations or principles;
- the failure of securities analysts to cover, or positively cover, our common stock after the Spin-Off;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- investor perception of our company and our industry;
- overall market fluctuations unrelated to our operating performance;

## [Table of Contents](#)

- results from any material litigation or government investigation;
- changes in laws and regulations (including tax laws and regulations) affecting our business;
- changes in capital gains taxes and taxes on dividends affecting stockholders; and
- general economic conditions and other external factors.

Furthermore, our business profile and market capitalization may not fit the investment objectives of some Nuance stockholders and, as a result, these Nuance stockholders may sell their shares of our common stock after the Distribution. See “—Substantial sales of our common stock may occur in connection with the Spin-Off, which could cause our stock price to decline.” Low trading volume for our stock, which may occur if an active trading market does not develop, among other reasons, would amplify the effect of the above factors on our stock price volatility.

Should the market price of our shares drop significantly, stockholders may institute securities class action lawsuits against SpinCo. A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources.

### ***Substantial sales of our common stock may occur in connection with the Spin-Off or in the future, either of which could cause our stock price to decline.***

Nuance stockholders receiving shares of our common stock in the Distribution generally may sell those shares immediately in the public market. It is likely that some Nuance stockholders, including some of its larger stockholders, will sell their shares of our common stock received in the Distribution if, for reasons such as our business profile or market capitalization as an independent company, we do not fit their investment objectives, or, in the case of index funds, we are not a participant in the index in which they are investing.

After completion of the Distribution, if a private letter ruling from the IRS is obtained, Nuance may retain no more than approximately 18.5% of our total shares outstanding and sell such shares as soon as reasonably practicable following the Spin-Off, but in no event later than . We will agree that, upon the request of Nuance, we will use our reasonable best efforts to effect a registration under applicable federal and state securities laws of any shares of our common stock retained by Nuance. In addition, any third party purchasers of approximately 1.4% of the shares of our common stock in the Sale Transaction may sell such shares following the Distribution.

The sales of significant amounts of our common stock or the perception in the market that such sales might occur may decrease the market price of our common stock.

### ***We will evaluate whether to pay cash dividends on our common stock in the future, and the terms of our indebtedness will limit our ability to pay dividends on our common stock.***

Once the Spin-Off is effective, we will be evaluating whether to pay cash dividends to our stockholders. The timing, declaration, amount and payment of future dividends to stockholders, if any, will fall within the discretion of our Board. Our Board’s decisions regarding the payment of dividends will depend on consideration of many factors, such as our financial condition, earnings, sufficiency of distributable reserves, opportunities to retain future earnings for use in the operation of our business and to fund future growth, capital requirements, debt service obligations, legal requirements, regulatory constraints and other factors that our Board deems relevant. Additionally, the terms of the indebtedness we intend to incur in connection with the Spin-Off will limit our ability to pay cash dividends. For more information, see “Dividend Policy.” There can be no assurance that we will pay a dividend in the future or continue to pay any dividend if we do commence paying dividends.

### ***Your percentage ownership in SpinCo may be diluted in the future.***

Your percentage ownership in SpinCo may be diluted in the future because of equity issuances for acquisitions, capital market transactions or otherwise, including equity awards that we will be granting to our

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

directors, officers and other employees. We expect that shares of SpinCo common stock will be issuable upon the future vesting of certain Nuance equity awards held by our employees that will be convertible into SpinCo equity awards in connection with the Spin-Off. In addition, prior to the Spin-Off, we expect our Board to adopt, and Nuance, as our sole stockholder, to approve, the Cerence 2019 Equity Incentive Plan (the “**Equity Plan**”) for the benefit of certain of our current and future employees, service providers and non-employee directors. Such awards will have a dilutive effect on our earnings per share, which could adversely affect the market price of our common stock.

In addition, our Amended and Restated Certificate of Incorporation will authorize us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over our common stock with respect to dividends and distributions, as our board of directors may generally determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of our common stock. For example, we could grant the holders of preferred stock the right to elect some number of the members of our Board in all events or upon the happening of specified events, or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences that we could assign to holders of preferred stock could affect the residual value of our common stock. See “Description of Our Capital Stock.”

From time-to-time, SpinCo may opportunistically evaluate and pursue acquisition opportunities, including acquisitions for which the consideration thereof may consist partially or entirely of newly-issued shares of SpinCo common stock and, therefore, such transactions, if consummated, would dilute the voting power and/or reduce the value of our common stock.

***The rights associated with SpinCo common stock will differ from the rights associated with Nuance common stock.***

Upon completion of the Distribution, the rights of Nuance stockholders who become SpinCo stockholders will be governed by the Amended and Restated Certificate of Incorporation of SpinCo and by Delaware law. The rights associated with Nuance shares are different from the rights associated with SpinCo shares. Material differences between the rights of stockholders of Nuance and the rights of stockholders of SpinCo include differences with respect to, among other things, the removal of directors, the convening of annual meetings of stockholders, stockholder approval of certain transactions, and certain anti-takeover measures. See “Description of Our Capital Stock—Certain Provisions of Delaware Law, Our Amended and Restated Certificate of Incorporation and Amended and Restated By-Laws” for more information.

***Certain provisions in our Amended and Restated Certificate of Incorporation and Amended and Restated By-Laws and Delaware law may discourage takeovers.***

Several provisions of our Amended and Restated Certificate of Incorporation, Amended and Restated By-Laws and Delaware law may discourage, delay or prevent a merger or acquisition. These include, among others, provisions that:

- provide for staggered terms for directors on our Board for a period following the Spin-Off;
- do not permit our stockholders to act by written consent and require that stockholder action must take place at an annual or special meeting of our stockholders, in each case except as such rights may otherwise be provided to holders of preferred stock;
- provide for the removal of directors only for cause for a period following the Spin-Off;
- establish advance notice requirements for stockholder nominations and proposals;
- provide that a special meeting of our stockholders may only be called by our Board, the Chairman of our Board or our Chief Executive Officer, or at the request of holders of not less than 20% of the outstanding shares of the common stock of SpinCo; and
- limit our ability to enter into business combination transactions.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

These and other provisions of our Amended and Restated Certificate of Incorporation, Amended and Restated By-Laws and Delaware law may discourage, delay or prevent certain types of transactions involving an actual or a threatened acquisition or change in control of SpinCo, including unsolicited takeover attempts, even though the transaction may offer our stockholders the opportunity to sell their shares of our common stock at a price above the prevailing market price. See “Description of Our Capital Stock” for more information.

***Our Amended and Restated Certificate of Incorporation will designate the courts of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.***

Our Amended and Restated Certificate of Incorporation will provide, in all cases to the fullest extent permitted by law, unless we consent in writing to the selection of an alternative forum, the Court of Chancery located within the State of Delaware will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of SpinCo, any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee or stockholder of SpinCo to SpinCo or SpinCo’s stockholders, any action asserting a claim arising pursuant to the Delaware General Corporate Law (“**DGCL**”) or as to which the DGCL confers jurisdiction on the Court of Chancery located in the State of Delaware or any action asserting a claim governed by the internal affairs doctrine or any other action asserting an “internal corporate claim” as that term is defined in Section 115 of the DGCL. However, if the Court of Chancery within the State of Delaware does not have jurisdiction, the action may be brought in any other state or federal court located within the State of Delaware. Further, this exclusive forum provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or the Securities Act, except that it may apply to such suits if brought derivatively on behalf of SpinCo. There is, however, uncertainty as to whether a court would enforce such provision in connection with suits to enforce a duty or liability created by the Exchange Act or the Securities Act if brought derivatively on behalf of SpinCo, and our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

Any person or entity purchasing or otherwise acquiring or holding any interest in shares of our capital stock will be deemed to have notice of and to have consented to these provisions. This provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits. Alternatively, if a court were to find this provision of our Amended and Restated Certificate of Incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions.

***If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired and investors’ views of us could be harmed.***

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, with auditor attestation of the effectiveness of our internal controls, beginning with our Annual Report on Form 10-K for the year in which we cease to qualify as an “emerging growth company.” If we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of shares of common stock could decline and we could be subject to sanctions or investigations by the U.S. Securities and Exchange Commission (the “**SEC**”) or other regulatory authorities, which would require additional financial and management resources.

Our ability to successfully implement our business plan and comply with Section 404 requires us to be able to prepare timely and accurate financial statements. Any delay in the implementation of, or disruption in the

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

transition to, new or enhanced systems, procedures or controls may cause our operations to suffer, and we may be unable to conclude that our internal control over financial reporting is effective and, once we cease to qualify as an “emerging growth company,” to obtain an unqualified report on internal controls from our auditors as required under Section 404 of the Sarbanes-Oxley Act. Moreover, we cannot be certain that these measures would ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Even if we were to conclude, and our auditors were to concur, that our internal control over financial reporting provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with United States Generally Accepted Accounting Principles (“**GAAP**”), because of its inherent limitations, internal control over financial reporting might not prevent or detect fraud or misstatements. This, in turn, could have an adverse impact on trading prices for our shares of common stock, and could adversely affect our ability to access the capital markets. See “—Risks Relating to the Spin-Off—As we build our information technology infrastructure and transition our data to our own systems, we could incur substantial additional costs and experience temporary business interruptions, and our accounting and other management systems and resources may not be adequately prepared to meet the financial reporting and other requirements to which we will be subject following the Spin-Off.”



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This Information Statement contains “forward-looking statements” that involve risks and uncertainties. These statements can be identified by the fact that they do not relate strictly to historical or current facts, but rather are based on current expectations, estimates, assumptions and projections about our industry and our business and financial results. Forward-looking statements often include words such as “anticipates,” “estimates,” “expects,” “projects,” “forecasts,” “intends,” “plans,” “continues,” “believes,” “may,” “will,” “goals” and words and terms of similar substance in connection with discussions of future operating or financial performance. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements. Accordingly, undue reliance should not be placed on any forward-looking statement made by us or on our behalf. Although we believe that the forward-looking statements contained in this Information Statement are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in such forward-looking statements, including but not limited to:

- the highly competitive and rapidly changing market in which we operate;
- adverse conditions in the automotive industry or the global economy more generally;
- our strategy to increase cloud services and fluctuations in our operating results;
- escalating pricing pressures from our customers;
- our failure to win, renew or implement service contracts;
- the cancellation or postponement of service contracts after a design win;
- the loss of business from any of our largest customers;
- transition difficulties for SpinCo with its first senior management team;
- inability to recruit and retain qualified personnel;
- cybersecurity and data privacy incidents that damage client relations;
- economic, political, regulatory, foreign exchange and other risks of international operations;
- unforeseen U.S. and foreign tax liabilities;
- the failure to protect our intellectual property or allegations that we have infringed the intellectual property of others;
- defects in our software products that result in lost revenue, expensive correction or claims against us;
- our inability to quickly respond to changes in technology and to develop our intellectual property into commercially viable products;
- a significant interruption in the supply or maintenance of our third-party hardware, software, services or data; and
- certain factors discussed elsewhere in this Information Statement.

These and other factors are more fully discussed in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections and elsewhere in this Information Statement. These risks could cause actual results to differ materially from those implied by forward-looking statements in this Information Statement. Even if our results of operations, financial condition and liquidity and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Information Statement, those results or developments may not be indicative of results or developments in subsequent periods.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

Any forward-looking statements made by us in this Information Statement speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**THE SPIN-OFF**

**Background**

On November 19, 2018, Nuance announced plans for the complete legal and structural separation of the Business from Nuance. To effect the separation, Nuance is undertaking the Reorganization Transactions described under “Certain Relationships and Related Party Transactions—Agreements with Nuance—Separation and Distribution Agreement” and the Sale Transaction.

Following the Reorganization Transactions and the Sale Transaction, Nuance will distribute at least 80.1% of the outstanding shares of our common stock to holders of Nuance’s common stock on a pro rata basis. Following the Spin-Off, we will be separate from Nuance and publicly traded. Subject to obtaining a private letter ruling from the IRS, Nuance may retain no more than approximately 18.5% ownership interest in us following the Sale Transaction and the Distribution. No approval of Nuance’s stockholders is required in connection with the Spin-Off, and Nuance’s stockholders will not have any appraisal rights in connection with the Spin-Off. See “The Spin-Off—Material U.S. Federal Income Tax Consequences of the Spin-Off” for more information regarding the private letter ruling.

Completion of the Spin-Off is subject to the satisfaction, or the Nuance Board’s waiver, to the extent permitted by law, of a number of conditions. In addition, Nuance may at any time until the Distribution decide to abandon the Distribution or modify or change the terms of the Distribution. For a more detailed discussion, see “—Conditions to the Spin-Off.”

**Reasons for the Spin-Off**

In 2018, the Nuance Board authorized a review of Nuance’s business portfolio and capital allocation options, with the goal of enhancing stockholder value. Due to differences in operational and strategic focus between Nuance and our Business and because the automotive technology industry is evolving rapidly with developments in shared mobility, connectivity and enhanced driver assistance that require the focus and investment by an independent company, Nuance considered a variety of alternatives for separating the Business from Nuance. As part of its review process, Nuance evaluated a range of potential structural alternatives in addition to the Spin-Off, including potential opportunities for dispositions and other separation transactions.

As part of this evaluation, Nuance considered a number of factors, including strategic clarity and flexibility for Nuance and SpinCo after the Spin-Off, the ability of the Business to compete and operate efficiently and effectively in the automotive technology market (including the ability to retain and attract management talent), the financial profile of SpinCo, SpinCo’s ability to optimize merger, acquisition and other capital allocation strategies for its focus areas, the expected tax impact of each structural alternative, and the potential reaction of investors. After evaluating each of these considerations, the Nuance Board concluded that the other alternatives considered, including a sale of the SpinCo business, did not present the same advantages as a Spin-Off, that the separation of SpinCo from the remainder of Nuance as a stand-alone, public company is the most attractive alternative for enhancing stockholder value and that proceeding with the Spin-Off would be in the best interests of Nuance and its stockholders.

In particular, Nuance considered the following potential benefits of this approach:

- **Enhanced Strategic and Operational Focus.** Following the Spin-Off, Nuance and SpinCo will each have a more focused business and be better able to dedicate financial, management and other resources to their respective areas of strength and differentiation. Each company will pursue growth opportunities and execute strategic plans best suited to address the distinct market trends and opportunities for its business. Given that SpinCo is the only current Nuance business primarily focused on the automotive technology industry, SpinCo will be better positioned as an independent company to properly channel and fund investments and develop partnerships to capitalize on long-term industry trends. SpinCo plans

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

to focus on automotive technology industry growth areas as well as continued operational excellence. We believe that SpinCo's separation from Nuance will allow Nuance to focus on the core growth opportunities in its healthcare and enterprise businesses.

- **Simplified Organizational Structure and Resources.** The Spin-Off will allow the management of each of Nuance and SpinCo to devote their time and attention to the development and implementation of corporate strategies and policies that are based on the specific company's business characteristics. Each company will be able to adapt faster to customers' changing needs, address specific market dynamics, target innovation and investments in select growth areas and accelerate decision-making processes.
- **Distinct and Clear Financial Profiles and Compelling Investment Cases.** Investment in one company or the other may appeal to investors with different goals, interests and concerns. The Spin-Off will allow investors to make independent investment decisions with respect to Nuance and SpinCo and may result in greater alignment between the interests of SpinCo's stockholder base and the characteristics of SpinCo's business, capital structure and financial results.
- **Performance Incentives.** We believe that the Spin-Off will enable SpinCo to create incentives for its management and employees that are more closely tied to its business performance and stockholder expectations. SpinCo's equity-based compensation arrangements will more closely align the interests of SpinCo's management and employees with the interests of its stockholders and should increase SpinCo's ability to attract and retain personnel.
- **Capital Structure.** The Spin-Off will enable each of Nuance and SpinCo to leverage its distinct growth profile and cash flow characteristics to optimize its capital structure and capital allocation strategy.

In determining whether to effect the Spin-Off, Nuance considered the costs and risks associated with the transaction, including the costs associated with preparing SpinCo to become an independent, publicly traded company, the risk of volatility in our stock price immediately following the Spin-Off due to sales by Nuance's stockholders whose investment objectives may no longer be met by our common stock, the time it may take for us to attract our optimal stockholder base, the possibility of disruptions in our business as a result of the Spin-Off, the risk that the combined trading prices of our common stock and Nuance's common stock after the Spin-Off may drop below the trading price of Nuance's common stock before the Spin-Off and the loss of synergies and scale from operating as one company. Notwithstanding these costs and risks, taking into account the factors discussed above, Nuance determined that the Spin-Off provided the best opportunity to achieve the above benefits and enhance stockholder value.

**When and How You Will Receive SpinCo Shares**

Nuance will distribute to its stockholders, as a pro rata dividend, one share of our common stock for every \_\_\_\_\_ shares of Nuance common stock outstanding as of \_\_\_\_\_, 2019, the Record Date of the Distribution.

Prior to the Distribution, Nuance will deliver at least 80.1% of the issued and outstanding shares of our common stock to the distribution agent. \_\_\_\_\_ will serve as distribution agent in connection with the Distribution and as transfer agent and registrar for our common stock.

If you own Nuance common stock as of the close of business on \_\_\_\_\_, 2019, the shares of our common stock that you are entitled to receive in the Distribution will be issued to your account as follows:

- **Registered stockholders.** If you own your shares of Nuance common stock directly through Nuance's transfer agent, you are a registered stockholder. In this case, the distribution agent will credit the whole shares of our common stock you receive in the Distribution by way of direct registration in book-entry form to a new account with our transfer agent. Registration in book-entry form refers to a method of recording share ownership where no physical stock certificates are issued to stockholders, as is the case in the Distribution. You will be able to access information regarding your book-entry account for SpinCo shares at or by calling \_\_\_\_\_.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

Commencing on or shortly after the Distribution Date, the distribution agent will mail to you an account statement that indicates the number of whole shares of our common stock that have been registered in book-entry form in your name. We expect it will take the distribution agent up to two weeks after the Distribution Date to complete the distribution of the shares of our common stock and mail statements of holding to all registered stockholders.

- **“Street name” or beneficial stockholders.** If you own your shares of Nuance common stock beneficially through a bank, broker or other nominee, the bank, broker or other nominee holds the shares in “street name” and records your ownership on its books. In this case, your bank, broker or other nominee will credit your account with the whole shares of our common stock that you receive in the Distribution on or shortly after the Distribution Date. We encourage you to contact your bank, broker or other nominee if you have any questions concerning the mechanics of having shares held in “street name.”

If you sell any of your shares of Nuance common stock on or before the Distribution Date, the buyer of those shares may in some circumstances be entitled to receive the shares of our common stock to be distributed in respect of the Nuance shares you sold. See “—Trading Prior to the Distribution Date” for more information.

We are not asking Nuance stockholders to take any action in connection with the Spin-Off. We are not asking you for a proxy and request that you not send us a proxy. We are also not asking you to make any payment or surrender or exchange any of your shares of Nuance common stock for shares of our common stock. The number of outstanding shares of Nuance common stock will not change as a result of the Spin-Off.

**Treatment of Fractional Shares**

The distribution agent will not distribute any fractional shares of our common stock in connection with the Spin-Off. Instead, the distribution agent will aggregate all fractional shares into whole shares and sell the whole shares in the open market at prevailing market prices on behalf of Nuance stockholders entitled to receive a fractional share. The distribution agent will then distribute the aggregate cash proceeds of the sales, net of brokerage fees, transfer taxes and other costs, pro rata to these holders (net of any required withholding for taxes applicable to each holder). We anticipate that the distribution agent will make these sales in the “when-issued” market, and “when-issued” trades will generally settle within two trading days following the Distribution Date. See “—Trading Prior to the Distribution Date” for additional information regarding “when-issued” trading. The distribution agent will, in its sole discretion, without any influence by Nuance or us, determine when, how, through which broker-dealer and at what price to sell the whole shares. The distribution agent is not, and any broker-dealer used by the distribution agent will not be, an affiliate of either Nuance or us.

The distribution agent will send to each registered holder of Nuance common stock entitled to a fractional share a check in the cash amount deliverable in lieu of that holder’s fractional share as soon as practicable following the Distribution Date. We expect the distribution agent to take about two weeks after the Distribution Date to complete the distribution of cash in lieu of fractional shares to Nuance stockholders. If you hold your shares through a bank, broker or other nominee, your bank, broker or nominee will receive, on your behalf, your pro rata share of the aggregate net cash proceeds of the sales. No interest will be paid on any cash you receive in lieu of a fractional share. The cash you receive in lieu of a fractional share will generally be taxable to you for U.S. federal income tax purposes. See “—Material U.S. Federal Income Tax Consequences of the Spin-Off” below for more information.

**Material U.S. Federal Income Tax Consequences of the Spin-Off**

***Consequences to U.S. Holders of Nuance common stock***

The following is a summary of the material U.S. federal income tax consequences to holders of Nuance common stock in connection with the Distribution. This summary is based on the Code, the Treasury Regulations

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

promulgated under the Code and judicial and administrative interpretations of those laws, in each case as in effect and available as of the date of this Information Statement and all of which are subject to change at any time, possibly with retroactive effect. Any such change could affect the tax consequences described below.

This summary is limited to holders of Nuance common stock that are U.S. Holders, as defined immediately below, that hold their Nuance common stock as a capital asset. A “U.S. Holder” is a beneficial owner of Nuance common stock that is, for U.S. federal income tax purposes:

- an individual who is a citizen or a resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (1) a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (2) in the case of a trust that was treated as a domestic trust under law in effect before 1997, a valid election is in place under applicable Treasury Regulations.

This summary does not discuss all tax considerations that may be relevant to stockholders in light of their particular circumstances, nor does it address the consequences to stockholders subject to special treatment under the U.S. federal income tax laws, such as:

- dealers or traders in securities or currencies;
- tax-exempt entities;
- banks, financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- persons who acquired Nuance common stock pursuant to the exercise of employee stock options or otherwise as compensation;
- stockholders who own, or are deemed to own, 10% or more, by voting power or value, of Nuance equity;
- stockholders owning Nuance common stock as part of a position in a straddle or as part of a hedging, conversion or other risk reduction transaction for U.S. federal income tax purposes;
- certain former citizens or long-term residents of the United States;
- stockholders who are subject to the alternative minimum tax;
- persons who are subject to special accounting rules under Section 451(b) of the Code;
- persons who own Nuance common stock through partnerships or other pass-through entities; or
- persons who hold Nuance common stock through a tax-qualified retirement plan.

This summary does not address any U.S. state or local or foreign tax consequences or any estate, gift or other non-income tax consequences.

If a partnership, or any other entity treated as a partnership for U.S. federal income tax purposes, holds Nuance common stock, the tax treatment of a partner in that partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership is urged to consult its own tax advisor as to its tax consequences.

**YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE AND LOCAL AND FOREIGN TAX CONSEQUENCES OF THE DISTRIBUTION.**

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**General**

Completion of the Spin-Off is conditioned upon Nuance's receipt of a written opinion from Paul, Weiss, Rifkind, Wharton & Garrison LLP, counsel to Nuance, to the effect that the Distribution will qualify for non-recognition of gain or loss under Section 355 and related provisions of the Code.

In addition, Nuance has requested a private letter ruling from the IRS regarding Nuance's potential retention of no more than approximately 18.5% of our common stock. If the private letter ruling is not obtained prior to the Distribution, Nuance will not retain any ownership interest in us, and will distribute all of its shares of our common stock. If the private letter ruling is obtained prior to the Distribution, Nuance may retain no more than an approximately 18.5% ownership interest in us for a limited period of time, which Nuance would sell to third party purchasers as soon as reasonably practicable after the Spin-Off, subject to market and regulatory conditions, but in no event later than .

The opinion will be, and the private letter ruling would be, based on the assumption that, among other things, the representations made, and information submitted, in connection with each (as applicable) are accurate. If the Distribution qualifies for non-recognition treatment and subject to the qualifications and limitations set forth herein (including the discussion below relating to the receipt of cash in lieu of fractional shares), for U.S. federal income tax purposes:

- no gain or loss will be recognized by, or be includible in the income of, a U.S. Holder as a result of the Distribution, except with respect to any cash received in lieu of fractional shares;
- the aggregate tax basis of the Nuance common stock and our common stock held by each U.S. Holder immediately after the Distribution will be the same as the aggregate tax basis of the Nuance common stock held by the U.S. Holder immediately before the Distribution, allocated between the Nuance common stock and our common stock in proportion to their relative fair market values on the date of the Distribution (subject to reduction upon the deemed sale of any fractional shares, as described below); and
- the holding period of our common stock received by each U.S. Holder will include the holding period of their Nuance common stock, provided that such Nuance common stock is held as a capital asset on the date of the Distribution.

U.S. Holders that have acquired different blocks of Nuance common stock at different times or at different prices are urged to consult their tax advisors regarding the allocation of their aggregate adjusted tax basis among, and the holding period of, shares of our common stock distributed with respect to such blocks of Nuance common stock.

The opinion of counsel will not, and the private letter ruling would not, address any U.S. state or local or foreign tax consequences of the Spin-Off. The opinion will rely on the private letter ruling with respect to matters covered by the private letter ruling (if obtained), will assume that the Spin-Off will be completed according to the terms of the Separation and Distribution Agreement and will rely on the facts as stated in the Separation and Distribution Agreement, the Tax Matters Agreement, the other ancillary agreements, this Information Statement and a number of other documents. In addition, the opinion will be, and the private letter ruling would be, based on certain assumptions as well as certain representations as to factual matters from, and certain covenants by, Nuance and us. The opinion and the private letter ruling (if obtained) cannot be relied on if any of the assumptions, representations or covenants is incorrect, incomplete or inaccurate or are violated in any material respect.

The private letter ruling, if obtained, would generally be binding on the IRS. The opinion of counsel, however, will not be binding on the IRS or the courts, and there can be no assurance that the IRS or a court will not take a contrary position. If the conclusions expressed in the opinion are challenged by the IRS, and if the IRS prevails in such challenge, the tax consequences of the Spin-Off could be materially less favorable.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

If the Distribution were determined not to qualify for non-recognition of gain or loss, the above consequences would not apply and each U.S. Holder who receives our common stock in the Distribution would generally be treated as receiving a distribution in an amount equal to the fair market value of our common stock received, which would generally result in:

- a taxable dividend to the U.S. Holder to the extent of that U.S. Holder's pro rata share of Nuance's current or accumulated earnings and profits;
- a reduction in the U.S. Holder's basis (but not below zero) in Nuance common stock to the extent the amount received exceeds the stockholder's share of Nuance's earnings and profits; and
- a taxable gain from the exchange of Nuance common stock to the extent the amount received exceeds the sum of the U.S. Holder's share of Nuance's earnings and profits and the U.S. Holder's basis in its Nuance common stock.

***Cash in Lieu of Fractional Shares***

If a U.S. Holder receives cash in lieu of a fractional share of common stock as part of the Distribution, the U.S. Holder will be treated as though it first received a distribution of the fractional share in the Distribution and then sold it for the amount of cash actually received. Provided the fractional share is considered to be held as a capital asset on the date of the Distribution, the U.S. Holder will generally recognize capital gain or loss measured by the difference between the cash received for such fractional share and the U.S. Holder's tax basis in that fractional share, as determined above. Such capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period for the Nuance common stock is more than one year on the date of the Distribution.

Payments of cash in lieu of a fractional share of our common stock may, under certain circumstances, be subject to "backup withholding," unless a U.S. Holder provides proof of an applicable exemption or a correct taxpayer identification number, and otherwise complies with the requirements of the backup withholding rules. Corporations will generally be exempt from backup withholding, but may be required to provide a certification to establish their entitlement to the exemption. Backup withholding is not an additional tax, and it may be refunded or credited against a U.S. Holder's U.S. federal income tax liability if the required information is timely supplied to the IRS.

***Information Reporting***

Treasury Regulations require each Nuance stockholder that, immediately before the Distribution, owned 5% or more (by vote or value) of the total outstanding stock of Nuance to attach to such stockholder's U.S. federal income tax return for the year in which the Distribution occurs a statement setting forth certain information related to the Distribution.

***Consequences to Nuance***

The following is a summary of the material U.S. federal income tax consequences to Nuance in connection with the Spin-Off that may be relevant to holders of Nuance common stock.

As discussed above, completion of the Spin-Off is conditioned upon Nuance's receipt of a written opinion from Paul, Weiss, Rifkind, Wharton & Garrison LLP, counsel to Nuance to the effect that the Distribution will qualify for non-recognition of gain or loss under Section 355 and related provisions of the Code. If the Distribution qualifies for non-recognition of gain or loss under Section 355 and related provisions of the Code, no gain or loss will be recognized by Nuance as a result of the Distribution (other than income or gain arising from any imputed income or other adjustment to Nuance, us or our respective subsidiaries if and to the extent that the Separation and Distribution Agreement or any ancillary agreement is determined to have terms that are not at arm's length). The opinion is subject to the qualifications and limitations as are set forth above under "—Consequences to U.S. Holders of Nuance common stock."



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

If the Distribution were determined not to qualify for non-recognition of gain or loss under Section 355 and related provisions of the Code, then Nuance would recognize gain equal to the excess of the fair market value of our common stock distributed to Nuance stockholders over Nuance's tax basis in our common stock, and would also recognize gain in respect of certain of the Reorganization Transactions.

***Indemnification Obligation***

If, as a result of any of our representations being untrue or our covenants being breached, the Spin-Off were determined not to qualify for non-recognition of gain or loss under Section 355 and related provisions of the Code, we could be required to indemnify Nuance for the resulting taxes and related expenses. In addition, if we or our stockholders were to engage in transactions that resulted in a 50% or greater change by vote or value in the ownership of our stock during the four-year period beginning on the date that begins two years before the date of the Distribution, the Spin-Off would generally be taxable to Nuance, but not to stockholders, under Section 355(e) of the Code, unless it were established that such transactions and the Spin-Off were not part of a plan or series of related transactions. If the Spin-Off were taxable to Nuance due to such a 50% or greater change in ownership of our stock, Nuance would recognize gain equal to the excess of the fair market value of our common stock distributed to Nuance stockholders over Nuance's tax basis in our common stock and would also recognize gain in respect of certain of the Reorganization Transactions, and we generally would be required to indemnify Nuance for the tax on such gain and related expenses.

**Results of the Spin-Off**

After the Spin-Off, we will be an independent, publicly traded company. Immediately following the Spin-Off, we expect to have approximately \_\_\_\_\_ shares of our common stock outstanding, based in-part on the number of Nuance stockholders and shares of Nuance common stock outstanding on \_\_\_\_\_, 2019. The actual number of shares of our common stock Nuance will distribute in the Spin-Off will depend on the actual number of shares of Nuance common stock outstanding on the Record Date, which will reflect any issuance of new shares or exercises of outstanding options pursuant to Nuance's equity plans, and any repurchase of Nuance shares by Nuance under its common stock repurchase program, on or prior to the Record Date. Shares of Nuance common stock held by Nuance as treasury shares will not be considered outstanding for purposes of, and will not be entitled to participate in, the Distribution. The Spin-Off will not affect the number of outstanding shares of Nuance common stock or any rights of Nuance stockholders. However, following the Distribution, the equity value of Nuance will no longer reflect the value of the Business. There can be no assurance that the combined trading prices of the Nuance common stock and our common stock will equal or exceed what the trading price of Nuance common stock would have been in absence of the Spin-Off.

Before our separation from Nuance, we intend to enter into a Separation and Distribution Agreement and several other agreements with Nuance related to the Spin-Off. These agreements will govern the relationship between us and Nuance up to and after completion of the Spin-Off and allocate between us and Nuance various assets, liabilities, rights and obligations, including employee benefits, environmental, intellectual property and tax-related assets and liabilities. We describe these arrangements in greater detail under "Certain Relationships And Related Party Transactions—Agreements with Nuance."

**Listing and Trading of Our Common Stock**

As of the date of this Information Statement, we are a wholly-owned subsidiary of Nuance. Accordingly, no public market for our common stock currently exists, although a "when-issued" market in our common stock may develop prior to the Distribution. See "—Trading Prior to the Distribution Date" below for an explanation of a "when-issued" market. We intend to apply to list our shares of common stock on the Nasdaq Global Select Market under the symbol "CRNC." The listing is subject to approval of our application. Following the Spin-Off, Nuance common stock will continue to trade on the Nasdaq Global Select Market under the symbol "NUAN."

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

Neither we nor Nuance can assure you as to the trading price of Nuance common stock or our common stock after the Spin-Off, or as to whether the combined trading prices of our common stock and the Nuance common stock after the Spin-Off will equal or exceed the trading prices of Nuance common stock prior to the Spin-Off. The trading price of our common stock may fluctuate significantly following the Spin-Off.

The shares of our common stock distributed to Nuance stockholders will be freely transferable, except for shares received by individuals who are our affiliates. Individuals who may be considered our affiliates after the Spin-Off include individuals who control, are controlled by or are under common control with us, as those terms generally are interpreted for federal securities law purposes. These individuals may include some or all of our directors and executive officers. Individuals who are our affiliates will be permitted to sell their shares of our common stock only pursuant to an effective registration statement under the Securities Act of 1933, or the “Securities Act,” or an exemption from the registration requirements of the Securities Act, such as those afforded by Section 4(a)(1) of the Securities Act or Rule 144 thereunder.

As described in “Certain Relationships and Related Party Transactions—Agreements with Nuance—Registration Rights Agreement,” we will enter into the Registration Rights Agreement with Nuance. We do not have any other contractual obligations to register our common stock.

**Trading Prior to the Distribution Date**

We expect a “when-issued” market in our common stock to develop as early as one trading day prior to the Record Date for the Distribution and continue up to and including the Distribution Date. “When-issued” trading refers to a sale or purchase made conditionally on or before the Distribution Date because the securities of the spun-off entity have not yet been distributed. If you own shares of Nuance common stock at the close of business on the Record Date, you will be entitled to receive shares of our common stock in the Distribution. You may trade this entitlement to receive shares of our common stock, without the shares of Nuance common stock you own, on the “when-issued” market. We expect “when-issued” trades of our common stock to settle within two trading days after the Distribution Date. On the first trading day following the Distribution Date, we expect that “when-issued” trading of our common stock will end and “regular-way” trading will begin.

We also anticipate that, as early as one trading day prior to the Record Date and continuing up to and including the Distribution Date, there will be two markets in Nuance common stock: a “regular-way” market and an “ex-distribution” market. Shares of Nuance common stock that trade on the regular-way market will trade with an entitlement to receive shares of our common stock in the Distribution. Shares that trade on the ex-distribution market will trade without an entitlement to receive shares of our common stock in the Distribution. Therefore, if you sell shares of Nuance common stock in the regular-way market up to and including the Distribution Date, you will be selling your right to receive shares of our common stock in the Distribution. However, if you own shares of Nuance common stock at the close of business on the Record Date and sell those shares on the ex-distribution market up to and including the Distribution Date, you will still receive the shares of our common stock that you would otherwise be entitled to receive in the Distribution.

If “when-issued” trading occurs, the listing for our common stock is expected to be under a trading symbol different from our regular-way trading symbol. We will announce our “when-issued” trading symbol when and if it becomes available. If the Spin-Off does not occur, all “when-issued” trading will be null and void.

**Conditions to the Spin-Off**

We expect that the Spin-Off will be effective on the Distribution Date, provided that the following conditions shall have been satisfied or waived by Nuance, including the following conditions:

- the Nuance Board shall have approved the Reorganization Transactions and Distribution and not withdrawn such approval, and shall have declared the dividend of our common stock to Nuance stockholders;

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

- the ancillary agreements contemplated by the Separation and Distribution Agreement shall have been executed by each party to those agreements;
- the SEC shall have declared effective our registration statement on Form 10, of which this Information Statement is a part, under the Exchange Act, and no stop order suspending the effectiveness of our registration statement shall be in effect and no proceedings for that purpose shall be pending before or threatened by the SEC;
- our common stock shall have been accepted for listing on a national securities exchange approved by Nuance, subject to official notice of issuance;
- Nuance shall have received the written opinion of Paul, Weiss, Rifkind, Wharton & Garrison LLP, which shall remain in full force and effect, regarding the intended treatment of the Distribution under the Code;
- the Reorganization Transactions shall have been completed (other than those steps that are expressly contemplated to occur at or after the Distribution);
- no order, injunction or decree issued by any governmental authority of competent jurisdiction or other legal restraint or prohibition preventing consummation of the Distribution shall be in effect, and no other event outside the control of Nuance shall have occurred or failed to occur that prevents the consummation of the Distribution;
- no other events or developments shall have occurred prior to the Distribution that, in the judgment of the Nuance Board, would result in the Distribution having a material adverse effect on Nuance or its stockholders;
- prior to the Distribution Date, this Information Statement shall have been mailed to the holders of Nuance common stock as of the Record Date; and
- certain other conditions set forth in the Separation and Distribution Agreement.

Any of the above conditions may be waived by the Nuance Board to the extent such waiver is permitted by law. If the Nuance Board waives any condition prior to the effectiveness of our registration statement on Form 10, of which this Information Statement Forms a part, and the result of such waiver is material to Nuance stockholders, we will file an amendment to our registration statement on Form 10, of which this Information Statement forms a part, to revise the disclosure in the Information Statement accordingly. In the event that Nuance waives a condition after our registration statement on Form 10 becomes effective and such waiver is material, we would communicate such change to Nuance's stockholders by filing a Form 8-K describing the change.

The fulfillment of the above conditions will not create any obligation on Nuance's part to complete the Spin-Off. We are not aware of any material federal, foreign or state regulatory requirements with which we must comply, other than SEC rules and regulations, or any material approvals that we must obtain, other than the approval for listing of our common stock and the SEC's declaration of the effectiveness of our registration statement on Form 10, in connection with the Distribution. Nuance may at any time until the Distribution decide to abandon the Distribution or modify or change the terms of the Distribution.

**Reasons for Furnishing this Information Statement**

We are furnishing this Information Statement solely to provide information to Nuance's stockholders who will receive shares of our common stock in the Distribution. You should not construe this Information Statement as an inducement or encouragement to buy, hold or sell any of our securities or any securities of Nuance. We believe that the information contained in this Information Statement is accurate as of the date set forth on the cover. Changes to the information contained in this Information Statement may occur after that date, and neither we nor Nuance undertakes any obligation to update the information except in the normal course of our and Nuance's public disclosure obligations and practices.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**DIVIDEND POLICY**

Once the Spin-Off is effective, we will be evaluating whether to pay cash dividends to our stockholders. The timing, declaration, amount and payment of future dividends to stockholders, if any, will fall within the discretion of our Board. Among the items we will consider when establishing a dividend policy will be the capital needs of our business and opportunities to retain future earnings for use in the operation of our business and to fund future growth. Additionally, the terms of the indebtedness we intend to incur in connection with the Spin-Off will limit our ability to pay cash dividends. There can be no assurance that we will pay a dividend in the future or continue to pay any dividend if we do commence the payment of dividends.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2019, on a historical basis and on an as adjusted basis to give effect to the Spin-Off and the transactions related to the Spin-Off, as if they occurred on March 31, 2019. You should review the following table in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” our historical Condensed Combined Financial Statements and the accompanying notes thereto, and our Unaudited Pro Forma Combined Financial Statements and the accompanying notes thereto included elsewhere in this Information Statement. For information on how each adjustment in the following table was computed, including a discussion of significant assumptions and estimates used to arrive at such adjustments, refer to the indicated note in the notes accompanying our Unaudited Pro Forma Combined Financial Statements. See “Unaudited Pro Forma Combined Financial Statements.”

	<b>As of March 31, 2019</b>		
	<b>Historical as Reported</b>	<b>Notes</b>	<b>As Adjusted</b>
		(Dollars in thousands)	
Cash and cash equivalents	\$ —	(D)	\$
Capitalization:			
Indebtedness:			
Current portion of long-term debt (1)	\$ —	(D)	\$
Long-term debt (1)	—	(D)	—
Total indebtedness	\$ —		\$
		(D)	
Total equity	\$ 983,186	(E)	\$
Total capitalization	\$ 983,186		\$

- (1) We expect to enter a senior secured term loan facility of \$       million aggregate principal amount outstanding without giving effect to financing fees of approximately \$       million, which is primarily intended to finance a cash transfer to Nuance and support operating the cash flow needs of the Cerence business. We also intend to enter into a \$       million revolving credit facility to be drawn on in the event that our working capital and other cash needs are not supported by our operating cash flow and cash available from the senior secured term loan.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**SELECTED COMBINED FINANCIAL DATA**

The following table presents certain selected historical combined financial information as of and for each of the years in the two-year period ended September 30, 2018 and 2017 and as of and for each of the six months ended March 31, 2019 and 2018. The selected historical combined financial data as of and for each of the years ended September 30, 2018 and 2017 is derived from historical Combined Financial Statements included elsewhere in this Information Statement. The selected historical combined financial data as of and for each of the six months ended March 31, 2019 and 2018 are derived from our Condensed Combined Financial Statements included elsewhere in this Information Statement. The Condensed Combined Financial Statements for the six months ended March 31, 2019 has been prepared under Financial Accounting Standards Board (“**FASB**”) Accounting Standard Codification (“**ASC**”) Topic 606, “*Revenue from Contracts with Customers*” (“**ASC 606**”), while the historical Combined Financial Statements have been prepared under FASB ASC Topic 605, “*Revenue Recognition*” (“**ASC 605**”). In our opinion, both financial statements include all adjustments, consisting of only ordinary recurring adjustments, necessary for a fair statement of the information set forth in this Information Statement.

ASC 606 was adopted as of October 1, 2018 using the modified retrospective approach from the previous guidance ASC 605. Our transition to ASC 606 represents a change in accounting policy that is reflected in our Condensed Combined Financial Statements for the six months ended March 31, 2019. The adoption of ASC 606 limits the comparability of revenue and expenses, including cost of revenue and certain operating expenses when compared to the six months ended March 31, 2018 and prior reporting periods. Refer to Note 3 to our Condensed Combined Financial Statements included elsewhere in this Information Statement for further details on our adoption of ASC 606 and a reconciliation of our operating results for the second quarter of fiscal 2019 under ASC 606 to the results under ASC 605.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

The selected historical combined financial data presented below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our historical Combined Financial Statements and Condensed Combined Financial Statements, including their respective accompanying Notes thereto included elsewhere in this Information Statement. For each of the periods presented, our business was wholly-owned by Nuance. The financial information included herein may not necessarily reflect our financial position, results of operations and cash flows in the future or what our financial position, results of operations and cash flows would have been had we been an independent, publicly traded company during the periods presented. In addition, our historical combined financial information does not reflect changes that we expect to experience in the future as a result of our separation from Nuance, including changes in the financing, operations, cost structure and personnel needs of our business. Further, the historical combined financial information includes allocations of certain Nuance corporate expenses, as described in Note 16 to the Combined Financial Statements. We believe the assumptions and methodologies underlying the allocation of these expenses are reasonable. However, such expenses may not be indicative of the actual level of expense that we would have incurred if we had operated as an independent, publicly traded company or of the costs expected to be incurred in the future.

	Six Months Ended March 31,			Year Ended September 30,	
	2019 (ASC 606) (Unaudited)	2019 (ASC 605) (Unaudited)	2018 (ASC 605) (Unaudited)	2018 (ASC 605)	2017 (ASC 605)
<b>Operations:</b>					
Total revenues	\$ 142,788	\$ 145,139	\$ 129,451	\$ 276,984	\$ 244,729
Gross profit	\$ 94,136	\$ 97,871	\$ 90,477	\$ 194,020	\$ 176,195
Income from operations	\$ 2,977	\$ 6,678	\$ 17,671	\$ 36,852	\$ 63,685
(Benefit) provision for income taxes	\$ 519	\$ 1,008	\$ 26,584	\$ 30,917	\$ 15,926
Net income (loss)	\$ 2,710	\$ 5,970	\$ (9,277)	\$ 5,881	\$ 47,276
<b>Financial Position:</b>					
Deferred revenue	\$ 345,723	\$ 355,517	\$ 320,049	\$ 348,649	\$ 300,182
Total assets	\$1,378,331	\$1,384,097	\$1,322,822	\$1,397,548	\$1,335,752
Total parent company equity	\$ 983,186	\$ 979,157	\$ 962,435	\$ 993,319	\$ 997,179
<b>Selected Data and Ratios:</b>					
Working capital	\$ (28,203)	\$ (36,618)	\$ (19,143)	\$ (38,839)	\$ (13,599)
Depreciation of property and equipment	\$ 4,114	\$ 4,114	\$ 4,336	\$ 9,159	\$ 7,008
Amortization of intangible assets	\$ 10,460	\$ 10,460	\$ 5,845	\$ 16,606	\$ 12,661
Gross margin percentage	65.9%	67.4%	69.9%	70.0%	72.0%
Operating margin percentage	2.1%	4.6%	13.7%	13.3%	26.0%

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS**

The following pro forma combined financial data of Cerence consists of pro forma combined statements of operations for the year ended September 30, 2018 and the six months ended March 31, 2019, and the pro forma combined balance sheet as of March 31, 2019.

The pro forma financial statements illustrate the financial impacts of the Spin-Off and the related transactions described below. The pro forma balance sheet gives effect to the Spin-Off and related transactions described below as if they had occurred on March 31, 2019. The pro forma combined statements of operations for the year ended September 30, 2018 and for the six months ended March 31, 2019 assume that the Spin-Off and related transactions described below had occurred as of October 1, 2017.

The following pro forma combined financial data is subject to assumptions and adjustments described in the accompanying notes. Cerence's management believes these assumptions and adjustments are reasonable under the circumstances and given the information available at this time. However, these adjustments are subject to change as Nuance and Cerence finalize the terms of the separation, including the Separation and Distribution Agreement and related transaction agreements. The pro forma combined financial data does not purport to represent what Cerence's financial position and results of operations actually would have been had the Spin-Off and related transactions occurred on the dates indicated, or to project Cerence's financial performance for any future period following the Spin-Off.

The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to the following factors:

- the pro forma adjustments are estimated based on the operating structure of Cerence during each of the historical periods presented, which may differ from the operating structure at the closing;
- we did not track the assets and liabilities of the Cerence historically—the pro forma adjustments are based on our estimates of the assets, liabilities and employees related to Cerence in each historical period presented, which may differ from the assets, liabilities and employees assumed at the closing of the Spin-Off; and
- the allocation of certain corporate costs for corporate administrative services, including general corporate expenses related to tax, treasury, finance, audit, risk management, legal, information technology, human resources, shareholder relations, compliance, shared services, insurance, employee benefits and incentives and stock-based compensation—these historical allocations may not be indicative of Cerence's future cost structure; however, the pro forma results have not been adjusted to reflect any potential changes associated with Cerence being an independent public company.

The pro forma combined balance sheet and statements of operations have been derived from Cerence's Combined Financial Statements and Condensed Combined Financial Statements included elsewhere in this Information Statement and have been adjusted to give effect to the following items related to the Spin-Off and the related transactions:

- the contribution by Nuance to Cerence, pursuant to the Separation and Distribution Agreement, of all the assets and liabilities that comprise Cerence's business;
- the impact of the Separation and Distribution Agreement, Transition Services Agreement, Employee Matters Agreement, Tax Matters Agreement and other agreements related to the Spin-Off between Nuance and Cerence and the provisions contained therein; and
- the expected incurrence of approximately \$        million of debt at an expected weighted-average interest rate of    % and a cash distribution of approximately \$        million to Nuance.

The pro forma combined financial data reported below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Combined Financial Statements and corresponding notes included elsewhere in this Information Statement.



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**UNAUDITED PRO FORMA COMBINED BALANCE SHEET  
As of March 31, 2019  
(Dollars in thousands)**

	<u>Historical</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>Adjusted</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ —	\$	[D]	\$
Accounts receivable, net	59,268			
Deferred costs	4,795			
Prepaid expenses and other current assets	17,468			
Total current assets	<u>81,531</u>			
Property and equipment, net	11,244			
Deferred costs	38,334			
Goodwill	1,120,216			
Intangible assets, net	74,445			
Deferred tax asset	51,637		[E]	
Other assets	924		[D]	
Total assets	<u>\$1,378,331</u>	<u>\$</u>		<u>\$</u>
<b>LIABILITIES AND PARENT COMPANY EQUITY</b>				
Current liabilities:				
Accounts payable	\$ 7,321	\$		\$
Deferred revenue	77,463			
Accrued expenses and other current liabilities	24,950			
Current portion of long-term debt	—		[D]	
Total current liabilities	<u>109,734</u>			
Long-term debt, net of current portion	—		[D]	
Deferred revenue, net of current portion	268,260			
Other liabilities	17,151			
Total liabilities	<u>395,145</u>			
Equity:				
Common stock	—			
Additional paid-in-capital	—			
Net parent investment	1,009,956		[D] [E]	
Accumulated other comprehensive income (loss)	(26,770)			
Total equity	<u>983,186</u>			
Total liabilities and equity	<u>\$1,378,331</u>	<u>\$</u>		<u>\$</u>

Refer to accompanying Notes to the Pro Forma Combined Financial Data

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS  
For the six months ended March 31, 2019  
(Dollars in thousands, except per share data)**

	<u>Historical</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>Adjusted</u>
<b>Revenues:</b>				
License	\$ 83,326	\$		\$
Connected services	36,114			
Professional services	23,232			
Other	116			
Total revenues	<u>142,788</u>			
<b>Cost of revenues:</b>				
License	907			
Connected services	20,360			
Professional services	23,189			
Amortization of intangible assets	4,196			
Total cost of revenues	<u>48,652</u>			
Gross profit	<u>94,136</u>			
<b>Operating expenses:</b>				
Research and development	46,369			
Sales and marketing	19,244			
General and administrative	11,409			
Amortization of intangible assets	6,264			
Restructuring and other costs, net	7,456		[B]	
Acquisition-related costs	417			
Total operating expenses	<u>91,159</u>			
Income from operations	2,977			
<b>Other income (expense):</b>				
Interest expense	—		[A]	
Other income (expense), net	252			
Income before income taxes	3,229			
Provision for income taxes	519			
Net income	<u>\$ 2,710</u>	<u>\$</u>		<u>\$</u>
<b>Pro forma earnings per share:</b>				
Basic			[F]	<u>\$</u>
Diluted			[F]	<u>\$</u>
<b>Pro forma weighted average common shares outstanding:</b>				
Basic				<u></u>
Diluted				<u></u>

Refer to accompanying Notes to the Pro Forma Combined Financial Data

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS  
For the year ended September 30, 2018  
(Dollars in thousands, except per share data)**

	<u>Historical</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>Adjusted</u>
<b>Revenues:</b>				
License	\$171,075	\$		\$
Connected services	60,227			
Professional services	45,451			
Other	231			
Total revenues	<u>276,984</u>			
<b>Cost of revenues:</b>				
License	1,156			
Connected services	32,919			
Professional services	41,123			
Amortization of intangible assets	7,766			
Total cost of revenues	<u>82,964</u>			
Gross profit	<u>194,020</u>			
Operating expenses:				
Research and development	80,957			
Sales and marketing	30,553			
General and administrative	19,873			
Amortization of intangible assets	8,840			
Restructuring and other costs, net	12,863		[B]	
Acquisition-related costs	4,082			
Total operating expenses	<u>157,168</u>			
Income from operations	<u>36,852</u>			
Other income (expense):				
Interest expense	—		[A]	
Other income (expense), net	<u>(54)</u>			
Income before income taxes	36,798			
Provision for income taxes	<u>30,917</u>			
Net income	<u>\$ 5,881</u>	<u>\$</u>		<u>\$</u>
<b>Pro forma earnings per share:</b>				
Basic			[F]	<u>\$</u>
Diluted			[F]	<u>\$</u>
<b>Pro forma weighted average common shares outstanding:</b>				
Basic				<u></u>
Diluted				<u></u>

Refer to accompanying Notes to the Pro Forma Combined Financial Data

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL DATA  
(Dollars in thousands)**

- (A) Reflects interest expense related to a \$ senior secured term loan that we expect to enter into in connection with the Spin-Off, offset by amortization of anticipated facility financing fees of \$ to be paid by Cerence. The expected weighted-average interest rate on the debt is approximately %. We estimate that interest expense would have been \$ and \$ and for the year ended September 30, 2018 and for the six months ended March 31, 2019, respectively. Interest expense was calculated assuming constant debt levels throughout the periods. Interest expense may be higher or lower if our actual interest rate changes. A 1/8% change to the annual interest rate would change interest expense by \$ on an annual basis, assuming the revolving credit facility was fully drawn. Cerence estimates that amortization of the financing fees would have been \$ and \$ and for the year ended September 30, 2018 and for the six months ended March 31, 2019, respectively.
- (B) Reflects an adjustment to restructuring expenses that removes \$ and \$ of expenses incurred during the year ended September 30, 2018 and six months ended March 31, 2019, respectively, that are directly related to the Spin-Off. As these costs represent material, nonrecurring costs directly related to the separation, a pro forma adjustment was performed to reverse the costs.
- (C) Reflects \$ and \$ for the year ended September 30, 2018 and for the six months ended March 31, 2019 for costs to be incurred by Cerence for the services to be provided by Nuance under the Transition Services Agreement.
- (D) Reflects \$ of borrowings expected to be incurred in connection with the separation offset by anticipated financing fees to be paid by us of \$. We plan to distribute \$ of the proceeds to Nuance in connection with the Spin-Off. We also intend to enter into a \$ revolving credit facility to support our business post-Spin-Off, but do not expect to draw on this facility immediately. The financing fees related to the revolving credit facility are shown as an adjustment to other long term assets.
- (E) Reflects the tax effects of the pro forma adjustments at the applicable statutory income tax rates.
- (F) The number of shares used to compute basic earnings per share for the year ended September 30, 2018 and for the six months ended March 31, 2019 is based on the number of shares of Nuance common stock outstanding on September 30, 2018 and March 31, 2019, respectively, assuming the anticipated distribution ratio of shares of our common stock for each share of Nuance common stock outstanding, and, assuming a private letter ruling is obtained from the IRS allowing Nuance to retain no more than approximately 18.5% of our common stock, additional shares to be retained by Nuance. The number of Nuance shares used to determine the assumed distribution reflects the Nuance shares outstanding as of each balance sheet date, which is the most current information as of the date of those financial statements. While the actual future impact of potential dilution from shares of common stock related to equity awards granted to our employees under Nuance's share-based plans will depend on various factors, pro forma diluted shares outstanding were not adjusted as we do not currently have an estimate of the future dilutive impact.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**BUSINESS**

**Overview**

Cerence builds automotive cognitive assistance solutions to power natural and intuitive interactions between automobiles, drivers and passengers, and the broader digital world. We possess one of the world's most popular software platforms for building automotive virtual assistants, such as "Hey BMW" and "Ni hao Banma". Our customers include all major OEMs or their tier 1 suppliers worldwide, including BMW, Daimler, FCA Group, Ford, Geely, GM, Renault-Nissan, SAIC, Toyota, Volkswagen Group, Aptiv, Bosch, Continental, DENSO TEN and Harman. We deliver our solutions on a white-label basis, enabling our customers to deliver customized virtual assistants with unique, branded personalities and ultimately strengthening the bond between automobile brands and end users.

Our platform utilizes industry-leading speech recognition, natural language understanding, speech signal enhancement and acoustic modeling technology. Automotive virtual assistants built with our platform can enable a wide variety of modes of human-vehicle interaction, including speech, touch, handwriting, gaze tracking and gesture recognition, and can support the integration of third party virtual assistants into the in-vehicle experience. Our vision for the future is to power an ever-expanding range of interactions between humans and mobility products and services.

The market for automotive cognitive assistance is rapidly expanding. The proliferation of smartphones and smart speakers has encouraged consumers to rely on a growing number of virtual assistants and special-purpose bots for various tasks such as controlling entertainment systems and checking the news. Automobile drivers and passengers increasingly expect hands-free access to virtual assistants as part of the mobility experience, with common use cases in a variety of categories including mobility domains such as navigation, voice-activated texts, and telephone communication, automobile domains, such as automobile user guides, and ignition on-off, and generic domains, such as entertainment. To meet the increasing demand for automotive cognitive assistance and to offer differentiated mobility experiences, OEMs and suppliers are building proprietary virtual assistants into an increasing proportion of their vehicles. We believe that this trend will continue and that consumer appetite for automotive cognitive assistance will grow further as vehicles become more autonomous and drivers pursue new forms of human-vehicle engagement previously not feasible during vehicle operation.

Our software platform is a market leader for building integrated, branded and differentiated virtual assistants for automobiles. As a unified platform and common interface for automotive cognitive assistance, our software platform provides OEMs and suppliers with an important control point with respect to the mobility experience and their brand value. Our platform is fully customizable and designed to support our customers in creating their own ecosystem in the automobile and transforming the vehicle into a hub for numerous connected devices and services. Virtual assistants built with our software platform can address user requests across a wide variety of categories, such as navigation, control, media, communication and tools. Our software platform is comprised of edge computing and cloud-connected software components and a software framework linking these components together under a common programming interface. We implement our software platform for our customers through our professional services organization, which works with OEMs and suppliers to optimize our software for the requirements, configurations and acoustic characteristics of specific vehicle models.

We generate revenue primarily by selling software licenses and cloud-connected services. In addition, we generate professional services revenue from our work with OEMs and suppliers during the design, development and deployment phases of the vehicle model lifecycle and through maintenance and enhancement projects. Through our over 20 years in the automotive industry, we have developed longstanding industry relationships and benefit from incumbency. We have existing relationships with all major OEMs or their tier 1 suppliers, and while our customer contracts vary, they generally represent multi-year engagements, giving us visibility into future revenue. We have master agreements or similar commercial arrangements in place with many of our customers, supporting customer retention over the long term.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

We are being spun off of Nuance, a leading provider of speech and language solutions for businesses and consumers around the world. Nuance has won numerous awards for the performance of its speech recognition and conversational artificial intelligence software. Speech recognition, natural language understanding, artificial intelligence and predictive touch solutions from Nuance have powered many pioneering intelligent devices, including mobile devices, cars, televisions, and wearable devices, and are also established technologies in healthcare and enterprise services. Following the Spin-Off, we will have possession of approximately 1,250 patents and other intellectual property currently owned by Nuance. Additionally, we will employ over 700 personnel devoted to research and development who will continue to develop our artificial intelligence technology. We will also continue to benefit from Nuance’s deep portfolio of intellectual property and data, and we will provide certain of our intellectual property and data to Nuance, by entering into agreements with Nuance where we and Nuance provide to the other certain licenses or rights to certain intellectual property and data.

Our solutions have been installed in more than 250 million automobiles to date, including over 45 million new vehicles in 2018 alone. In aggregate, over 60 automobile brands worldwide use our solutions, covering over 70 languages and dialects, including English, German, Mandarin, Cantonese and Shanghainese.

In fiscal 2018, we generated revenue of \$277.0 million and net income of \$5.9 million.

**Our Offerings**

Our mission is to deliver automotive cognitive assistance solutions that are natural and intuitive and that enable OEMs to strengthen the emotional connection with their end users through a distinct, consistent, branded experience. Our principal offering is our software platform, which our customers use to build virtual assistants that can communicate, find information and take action across an expanding variety of categories, including navigation, media, communication, information and tools, which include common domains such as music, news, sports, telephone, messaging and weather. Our software, developed in deep partnership with the automotive industry, improves the mobility experience for drivers and passengers all over the world.

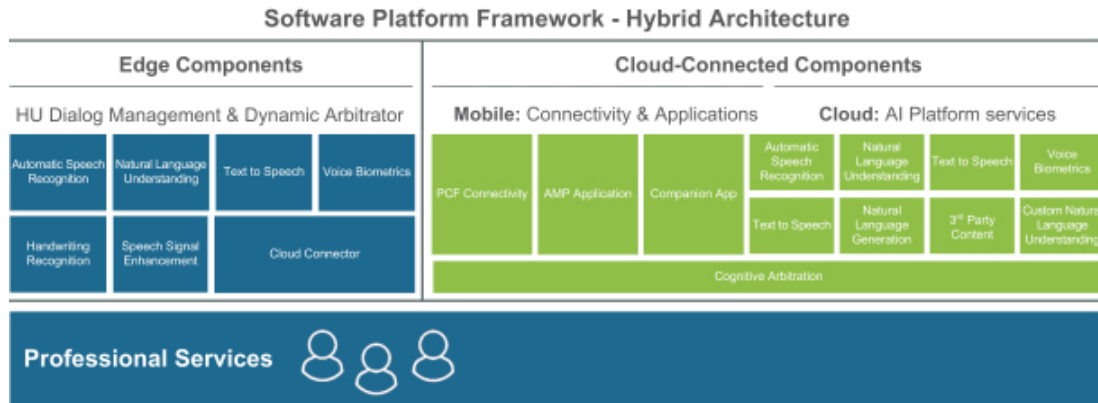


User engagement with virtual assistants built with our software platform typically begins with a voice request. Upon receiving such an input, our software platform system determines what the user has said, infers user intent, and maps the request to the most applicable category and domain. Depending on the applicable domain, our software platform determines whether to respond directly or access an external data source or third party virtual assistant, in all cases resulting in a response including spoken words or taking action. Depending on

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

the complexity of the request and other factors, engagement may consist of multiple rapid voice interactions with the user and may combine assistance in multiple domains.

Our software platform has a hybrid architecture combining edge software components, which are embedded in a vehicle’s head unit and integrated with onboard systems, with cloud-connected components, which access data and content on external networks and support over-the-air updates. This hybrid architecture enables our software platform to combine the performance, reliability, efficiency, security and tight vehicular integration of embedded software with the flexibility that cloud connectivity provides. Response frameworks can generally be customized such that requests are processed first at the edge, controlling cloud transmission costs, or in parallel at the edge and in the cloud, to achieve higher confidence responses with low latency. Through the edge computing capabilities, the platform is able to provide certain features, such as wake-up-word, while avoiding privacy and latency issues associated with always-listening cloud-connected technologies. Our software platform includes a common programming framework for its edge and cloud-connected components, and our customers can choose the software components that are necessary to power the experiences that they want to build and offer.



We deliver our software platform through our professional services organization, which works with OEMs and suppliers to tailor it to the desired requirements, configurations and acoustic characteristics of specific vehicle models. For an initial implementation, our professional services engagements typically begin with the porting of our key technologies to the customer’s specific hardware platform and the development of specific dialogues and grammar libraries. Our professional services teams also work with OEMs on acoustic optimization of a system and application of our audio signal processing technologies. Following an initial implementation, our professional services organization may continue to provide services over the course of a head unit program and vehicle model lifecycle through maintenance and enhancement engagements.

**Edge Software Components**

Our software platform’s edge software components are installed on a vehicle’s head unit and can operate without access to external networks and information. We tailor our edge software components to a customer’s desired use cases and a vehicle model’s unique systems, sensors and data interfaces.

Capabilities of our edge software components include automatic speech recognition, natural language understanding, noise cancellation, driver and passenger voice isolation, voice biometrics, wake-up word and text-to-speech synthesis, as well certain non-speech technologies such as touch and text input. Edge deployment suits these technologies as it provides the following functionality and benefits:

- *Performance.* Processing at the edge is often necessary to meet the low latency requirements of natural conversation.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

- *Vehicle Systems Integration.* Vehicle applications, sensors, and data interfaces can be integrated deeply with embedded systems.
- *Availability.* Edge-located systems are available regardless of cellular coverage and network connectivity.
- *Reduced cost.* Processing at the edge reduces or eliminates cellular data transmission costs.
- *Privacy.* Users' utterances and system outputs processed at the edge remain onboard and can immediately be purged.

Certain forms of assistant speech invocation can only be implemented using edge software. The use of wake-up words like “*Hey BMW*” and “*Ni hao Banma*” require constant listening and signal processing to identify instances when a virtual assistant should activate and respond. Sending a constant stream of audio from the car interior to the cloud for processing would require enormous amounts of bandwidth and potentially create privacy concerns. The same requirements apply to our new JustTalk technology, which constantly listens to spoken conversation, determines speaker intent, and invokes assistance appropriately without requiring a specific invocation phrase.

We typically sell our edge software components under a traditional per unit perpetual software license model, in which a per unit fee is charged for each software instance installed on an automotive head unit. Our customers generally provide estimates of the units to be shipped for a particular program, and we review third-party market studies and work with our customers to refine and understand these projections. This provides us with some reasonable visibility into future revenue, however the number of units to be shipped for a particular program is not committed upfront.

***Cloud-Connected Components***

Our software platform's cloud-connected components are comprised of certain speech and natural language understanding related technologies, AI-enabled personalization and context-based response frameworks, and content integration platforms. Our cloud-connected speech-related technologies perform many of the same tasks as our speech-related edge components while offering enhanced functionality through increased computational power and access to external content. Our principal content platform offering is Content Services, a data aggregation system which supports access to a wide range of live information such as news, traffic and weather. Cloud-connected components also support the replication of personalized settings such as voice profiles and preferences across multiple vehicles.

We offer cloud-connected components in the form of a connected service to the vehicle end user. Initial subscriptions typically have multi-year terms from the time of a vehicle's sale and are paid in advance by the OEM or supplier. Renewal options vary and are managed by our customers on behalf of vehicle end users.

***Virtual Assistant Coexistence***

The wide variety of use cases encompassed by automotive cognitive assistance, in the context of evolving consumer preferences, necessitates the coexistence of multiple virtual assistants within the in-vehicle environment. For example, many vehicle-related categories such as navigation and control can best be addressed by a tightly integrated, vehicle-model-specific virtual assistant. At the same time, drivers and passengers often prefer to use familiar Internet-based virtual assistants for more general domains such as entertainment.

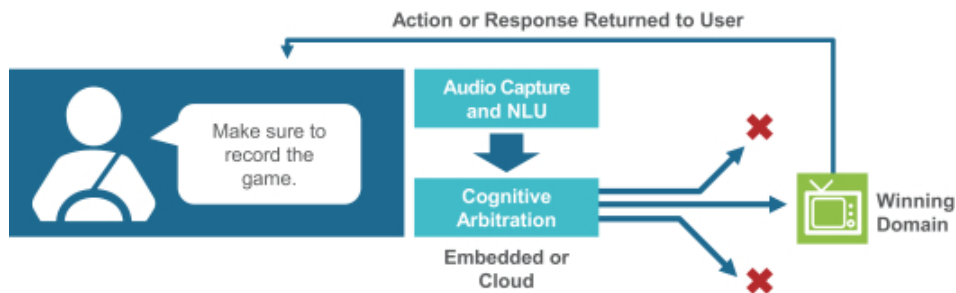
To enable our customers to provide a consistent automotive cognitive assistance experience across multiple coexisting virtual assistants, our software platform can support the integration of third-party virtual assistants, providing a uniform interface for virtual assistant engagement. We have invested in our platform to develop the technology and capabilities necessary to integrate third party virtual assistants with vehicles' systems.



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

To make integration as seamless as possible, we have built cognitive arbitration technology that is capable of inferring user intent, determining which within a set of virtual assistants would be best suited to address a request, and sending the request to the selected assistant. Depending on a system's configuration and the virtual assistants to which it is connected, output can be presented back to the user through a vehicle-specific personality or through the virtual assistant's own interface. Cognitive arbitration represents an important control point with respect to the mobility experience and an important brand differentiation opportunity for OEMs and suppliers. Like the rest of our software platform, cognitive arbitration is a white label product that can be customized and branded.

Along with providing OEMs control over their brand identity, our cognitive arbitration technology is an important element in letting an OEM design the overall driver and passenger experience. This technology allows an OEM to dictate interactions with third-party virtual assistants within the vehicle, strengthening its ability to differentiate and control the overall in-vehicle experience.



**Professional Services**

We have a large professional services team that works with our customers in the design, development and deployment phases of a vehicle head unit program and vehicle model lifecycle, as well as in maintenance and enhancement engagements. Our range of capabilities include personalization of grammar and natural language understanding development, localization, language selection and system coverage, navigation speech data generation, system prompt recordings, porting our platform's framework and ability to deploy cognitive arbitration technologies, and user experience reviews and studies. Our professional services team is globally distributed to serve our customers in their primary design and production jurisdictions. We typically charge manufacturers for our design and consulting work, although we have recently observed an industry shift towards connected services solutions and have changed our pricing strategy, both of which have moved fees from the professional services portion of our business to the license and connected services portion of our business. Our professional services contracts are primarily project-based, in line with customary non-recurring engineering industry practices.

**Our Competitive Strengths**

Our key competitive strengths include:

- **Industry-leading speech-related technology.** Our research shows that consumers see speech as an increasingly attractive medium for human-vehicle interaction. Nevertheless, they are often frustrated with speech recognition solutions that misunderstand spoken language or require users to speak rigid, pre-defined commands associated with a limited set of functions. Developing speech-based automotive virtual assistants that users will perceive as natural is challenging as a matter of artificial intelligence technology, acoustic engineering and user interface design. We believe our software platform, as tailored for a specific vehicle model by our professional services organization, represents one of the most technologically advanced and highest-performing human-vehicle speech interaction systems available today. In tests performed by our customers to assess correct recognition of words, sentences,

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

and domains, our solutions have achieved some of the highest marks relative to competitors and our offerings are backed by our portfolio of patents and associated rights.

- **Hybrid edge-cloud system architecture.** Our software platform’s hybrid architecture combines the performance, reliability and tight integration that only edge software can provide with the flexibility of cloud connectivity. Cloud-reliant solutions with which our software platform competes cannot match edge software’s low latency, its bandwidth efficiency or its availability in the absence of network connectivity. Moreover, emerging speech invocation paradigms such as wake up words and situationally aware invocation are most effectively implemented using edge technology.
- **Bespoke vehicle integration and acoustic tuning.** Cognitive assistance in categories such as navigation, entertainment and control requires tight integration with onboard vehicle components, which vary widely among vehicle models. Separately, speech interaction systems can be significantly hampered by the noisy environment of a vehicle cabin and must be tuned for particular acoustics and audio system components. To achieve the tight vehicle integration necessary to address these concerns, our professional services team works closely with OEMs and suppliers to customize our offerings for the particular characteristics of specific vehicle models. Our expertise in acoustics enables us to implement systems that can isolate the voices of individual speakers and support simultaneous virtual assistance for speakers in multiple zones, representing a key point of differentiation.
- **Interoperability with third-party Internet-based virtual assistants.** Virtual assistants from large technology companies have become popular with consumers. We believe that consumers want to use these assistants while traveling in their vehicles and that a comprehensive automotive cognitive assistance system requires the coexistence of multiple virtual assistants. To accommodate their end user preferences while still providing a unique and brand-specific experience, OEMs seek to offer a common in-vehicle interface with seamless integration across various virtual assistants. To this end, our software platform can support the integration of multiple third-party virtual assistants and provide a uniform interface for virtual assistant engagement. Our market-leading position and the large size of our installed base create incentives for third party virtual assistant providers to work with us and support this integration.
- **Independence from large technology companies and automobile industry players.** As vehicles become more autonomous, mobility experiences are being increasingly defined by in-cabin features and alternative forms of human-vehicle engagement. Branded, differentiated automotive cognitive assistance is thus increasingly important to OEMs’ brand value. As a neutral, independent, white-label software platform vendor, we empower our customers to build branded and differentiated experiences and retain ownership of, or rights to, their system design and data. The virtual assistant coexistence enabled by our cognitive arbitration functionality is designed to allow our customers to provide access to third-party virtual assistants without ceding overall control of the cognitive assistance experience.
- **OEM alignment.** The design and development of the head unit within the vehicle ecosystem is a complex process requiring tight integration of the software and hardware components used in and with the vehicle. We believe our demonstrated long-standing capabilities in working closely with OEMs, understanding their needs, product roadmaps and global go-to-market strategies enables us to innovate our technologies to meet an OEM’s specifications. Furthermore, our working relationships with OEMs uniquely allow us to market and sell our solutions on both a local and global basis in accordance with an OEM’s particular requirements.
- **Broad language coverage.** Our software platform supports over 70 languages and dialects, far more than any of our competitors. As a result of our broad language support, our customers are already delivering cognitive assistance based on our software platform in over 60 countries across the Americas, Europe and Asia, including China, the U.S. and all other large automotive markets. Our language support also enables multi-lingual capabilities for domains such as music selection, point-of-interest selection, and cross-border navigation among others, representing a critical feature for markets such as Continental Europe in which automobiles may routinely traverse multiple lingual

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

zones. We believe that our portfolio of languages and multi-lingual capabilities represent an important competitive advantage, as the development of capabilities to support a new language is expensive and time-consuming.

- **Broad, global network of deep relationships with OEMs and tier 1 suppliers.** We have supplied speech recognition systems to OEMs and suppliers for over 20 years, working closely with our customers through our global professional services organization to design and integrate our solutions into their brands. Today, we work with all major OEMs or their tier 1 suppliers worldwide, leveraging the geographic breadth and industry experience of our professional services teams. Our long history in the automotive industry and the global reach and experience of our over 400 professional services employees across 10 countries gives us credibility with OEMs as we seek new business with OEMs, either directly or through their tier 1 suppliers. We believe that OEMs who sell globally will value our experience in servicing and deploying solutions on a global basis. We often have master agreements or similar commercial arrangements with our customers. These master agreements help us retain customer relationships over the long term.

### **Our Growth Strategies**

Our primary growth strategies include the following:

- **Maintain and extend product leadership.** We intend to continue investing in developing our product functionality, particularly with respect to the capabilities of our cloud-connected features and the breadth of categories and domains our software platform is able to address. Our existing relationship with, and our proximity in the design process to, OEMs provides us with insight into the needs of the end-users and roadmaps for innovation. For instance, this insight has helped us identify and advance our technologies for autonomous driving systems, which technologies have been incorporated in solutions currently under development. Additionally, we intend to continue to invest in customizing and supporting our solutions for specific individual automobile vehicle models, resulting in tight integration of our solutions. We believe that increased product functionality and tighter integration will enable us to increase the revenue per vehicle that we are able to generate. Additionally, these investments will help maintain our position with existing customers through new vehicle models and enable us to grow with the overall market for automotive cognitive assistance.
- **Continue to invest in interoperability with third-party virtual assistants.** We believe that the growing popularity of third-party virtual assistants is creating increasing demand for access to these assistants as part of the mobility experience. We also believe that complete automotive cognitive assistance requires the coexistence of multiple virtual assistants. We intend to continue to invest to develop our software platform's interoperability with third-party virtual assistants and its cognitive arbitration capabilities to maintain its position as a neutral automotive cognitive assistance platform. We believe a neutral automotive cognitive assistance platform will increasingly be valued by OEMs that prioritize maintaining their unique and branded in-car experience and the ability to control the mobility experience overall.
- **Increase penetration in key geographic markets, including China.** We operate worldwide today, including in emerging markets. However, our presence in certain large geographic automobile markets, such as India and Southeast Asia, is relatively small today primarily as a result of lower penetration of automobile cognitive assistance in those markets. We specifically invested in emerging markets such as Indonesia and Thailand in fiscal 2018 and expect to continue making investments in India in fiscal 2019. As these markets grow, we intend to continue to invest in manufacturer relationships and the development of localized technology to maintain and expand our local market share.

We currently serve the Chinese market through a combination of domestic OEMs and suppliers, such as Geely, Proton, Roewe, SAIC, Banma Network Technology and Huawei, and global non-Chinese manufacturers and suppliers who sell into the Chinese market, such as Audi, BMW, Daimler, Aptiv

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

and Harman. We offer cognitive assistance in all the primary Chinese languages and dialects, including Mandarin, Cantonese and Shanghainese. Our current presence in China includes approximately 240 R&D, customization, and sales and marketing professionals across three R&D centers and professional services hubs. We intend to continue to expand our presence in the Chinese market through the ongoing development of language capabilities and investment in relationships with manufacturers and suppliers that sell into that market.

- ***Deliver new functionality to existing installed base.*** Our solutions have been installed in over 250 million vehicles to date. Our large installed base represents an opportunity to deliver new features and software. Depending on system capabilities, we are able to deliver updated functionality to our users in the form of embedded software upgrades performed by dealers and over-the-air updates delivered from the cloud.

### **Market Opportunity and Industry Trends**

The market for automotive cognitive assistance is rapidly expanding. Grand View Research estimates that the automotive voice and speech recognition software market, comprised of Automatic Speech Recognition, Text to Speech, Speaker Identification and Speaker Verification, is expected to grow at an 18.6% compound annual growth rate to \$3.7 billion by 2025. We believe that many of the features of our software platform represent additional market opportunity beyond this estimate, including Push-to-Talk, Wake-Up Words, Just Talk, Cognitive Arbitration, Non-Speech Multimodal Input, Speech Signal Enhancement, Multi-Seat Intelligence and onboard sensor integration. We believe the market for these technologies has generally not been estimated by third parties due to the limited set of companies with the ability to offer the features into the market. However, given interest from our customers, we believe that the market for these features is large and growing at a faster rate than the 18.6% compound annual growth rate cited by Grand View for the automotive voice and speech recognition market.

The market for automobile cognitive assistance is being driven by a number of key industry trends, including the following:

- ***Increasing consumer use of virtual assistants.*** Smartphones have become ubiquitous, and smart speakers are becoming increasingly popular. Consumers are becoming increasingly accustomed to on-demand access to virtual assistants and special-purpose bots to help with various tasks. We believe that this results in increased demand for automotive cognitive assistance for two reasons. First, as consumers become increasingly accustomed to speech-based virtual assistants, they realize that speech is a natural interface for many automotive use cases including navigation, communication and entertainment system control. Second, with respect to more general informational domains including news, weather and sports, consumers want access to the same virtual assistants while riding in their vehicles as they increasingly have through smartphones and smart speakers in their homes.
- ***Increasingly distracted driving.*** Smartphones present drivers with a source of potential distraction. Speech-based virtual assistance is hands-free and eyes-free, decreasing the risks of distracted driving while still enabling users to communicate, obtain information, take action and engage with applications.
- ***Increasing vehicle intelligence and connectivity.*** Automobiles are becoming increasingly connected to the Internet, effectively operating as “rolling smartphones” with real-time external data access. At the same time, OEMs are increasing the computational power available onboard their vehicles to address a variety of aspects of mobility, including safety and navigation. We believe that the combination of increasing connectivity and increasing computational power will drive increases in the number and proportion of vehicles shipped with onboard proprietary virtual assistants.
- ***Autonomous driving.*** As vehicles become increasingly autonomous, their drivers are becoming increasingly passive and passenger-like. We believe that cognitive assistance in the domain of trip

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

planning will gradually and partially replace physical driving control through steering wheels and pedals. As this happens, cognitive assistance in the categories of entertainment and productivity will become increasingly important to the mobility experience.

- **Shared mobility.** Ridesharing and vehicle sharing are impacting how consumers interact with vehicles. Shared mobility reduces the amount of active driving that is required to achieve a given amount of transportation and therefore increases the time in which passengers are free to engage in entertainment and productivity activities. Shared mobility providers are increasingly competing on the basis of their ability to deliver a consistent, personalized mobility experience across mobile applications and vehicle cabins. We believe that cognitive assistance will play an important role in powering and differentiating these experiences.

## Competition

The automobile cognitive assistance market is competitive. Today, we face two primary sets of competitors:

- **Large technology companies.** Many large technology companies, including Amazon, Apple, Google, Microsoft, Alibaba, Baidu and Tencent, offer Internet-based virtual assistants. Given the popularity in general of these virtual assistants, we believe that automobile drivers and riders increasingly desire the ability to use them as part of the mobility experience. To meet this demand, some of these companies have invested in technologies, such as Apple CarPlay, to make their virtual assistants more accessible within vehicle cabins.

While these third-party virtual assistants directly compete with some of the functionality we provide as part of our software platform, they also increase the need for our software platform in two ways. First, given the fragmented and competitive nature of the virtual assistant market, it is important for OEMs and suppliers to enable their passengers to utilize a variety of virtual assistants. Our software platform's cognitive arbitration functionality can, dependent on appropriate third party agreements, enable OEMs and suppliers to provide access to multiple third-party virtual assistants through a consistent, branded interface. Second, the noisy environment of a vehicle cabin presents significant speech processing challenges for smartphone-based third-party virtual assistants that are not designed for a specific vehicle model. Our software platform integrates with third-party virtual assistants and improves their functionality by improving the quality of speech input.

- **Small, focused competitors.** We compete for business directly with certain companies focused on cognitive assistance, including SoundHound in the U.S., iFlyTek in China, and other regional and technology-focused competitors. These companies have had some success selling into our customer base. However, we believe that we have multiple meaningful competitive advantages, including our scale, our globally distributed team, our best-in-class portfolio of compatible languages, and our deep focus on the automotive market. We also believe that our technology, particularly our speech signal enhancement and acoustic tuning, is superior based on benchmarking results against our competitors. We believe we will continue to be able to compete successfully against these competitors as we continue to invest in our offerings.

Our industry has attracted, and may continue to attract, new entrants. Although we find that OEMs often prefer to maintain relationships with suppliers that have a proven record of performance, they also rigorously reevaluate suppliers on the basis of product quality, price, reliability and timeliness of delivery, product design capability, technical expertise and development capability, new product innovation, financial viability, operational flexibility, customer service and overall management.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**Technology**

Our software platform's edge and cloud-connected software components are based on a number of proprietary technologies. We customize these technologies for specific vehicle models and continuously update and improve our features and functionality. Our key technologies include but are not limited to the following:

- **Speech Signal Enhancement.** A high-quality voice input signal is a precondition to reliable speech recognition and cognitive assistance. However, in a typical vehicle cabin, ambient interior sounds and noise from around the vehicle mix with infotainment system output and conversations between passengers, creating a complex soundscape that can obscure virtual assistant requests. Audio signal processing technologies are therefore critical to the cognitive assistance experience. We have been developing and combining highly advanced audio signal enhancement technologies for over 20 years, and we tune our software in relation to the placement of microphones in a vehicle to create defined acoustic zones and support the isolation of individual speakers. Our technologies deliver best-in-class speech recognition results, as evidenced by tests performed by our customers to assess correct recognition of words, sentences, and domains, in which our solutions have achieved some of the highest marks relative to competitors.
- **Automatic Speech Recognition.** Our speech recognition technology, built using neural networks and specifically designed for automotive applications, is recognized as the automotive industry leader in automatic speech recognition. We support 70 languages and dialects, representing one of the largest language portfolios in the speech industry. Key features of our speech recognition technology include free-form conversational interpretation, as opposed to a rigid system of predefined commands, and barge-in capabilities, enabling users to correct and modify their requests in the middle of stating them.
- **Natural Language Understanding.** Once speech has been captured and accurately converted into words, natural language understanding technology, or NLU, is necessary to match the request to the appropriate category and domain to interpret the user's intent. Our NLU system applies artificial intelligence reasoning, including predefined and learned preferences and real-time contextual information, to deliver informative responses consistent with what a user desires. NLU processing is performed by a hybrid of edge and cloud-connected software components to optimize performance, efficiency, reliability and security.
- **Vocalizer: Text-to-Speech and Natural Language Generation.** In many cases, the most useful result of a spoken query or command is a spoken response back to the user. To enable cognitive assistants to speak, we offer text-to-speech technology in more than 70 languages and dialects and over 130 distinct voices. We also develop custom voices for customers who wish to differentiate themselves through an exclusive personality representing their brand.
- **Voice Biometrics.** Our software platform includes biometric functionality that can detect minute differences in humans' voices and securely store and match users' voiceprints. The voice biometrics enables personalization of the automotive experience by recognizing users based on their voice and automatically loading individual preferences and other automotive settings.
- **Push-to-Talk, Wake-Up Words and Just Talk.** Through our software platform, we are capable of offering three methods for invoking the virtual assistant, which can be implemented alone or in combination:
  - *Push-to-Talk*, functionality, most commonly implemented as a button on the steering wheel or center console.
  - *Wake-Up Word*, functionality, involving a spoken keyword or phrase, such as "Hey BMW."
  - *Just Talk*. Our active listening technology, introduced in 2017, filters out background noise and irrelevant conversation until it hears a keyword, phrase, or command that it understands as related to an applicable domain and intended as a virtual assistant request. False triggers are minimized through sophisticated syntax, cadence and intonation analysis performed in real-time and can be further reduced using automobile sensors such as head or body movement trackers.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

- **Cognitive Arbitration.** Our cognitive arbitration technology can route arbitrary requests to the most appropriate virtual assistant or bot, including third party virtual assistants.
- **Non-Speech, Multimodal Input.** Our technology seeks to mimic conversational human interaction by incorporating input methods beyond speech. Our multimodal capabilities allow vehicle systems to accept multiple forms of input such as voice, gestures, gaze, predictive text and handwriting.
- **Multi-Seat Intelligence.** Due to its flexible design our speech signal enhancement technology can be easily configured for complex multi-zone scenarios with various users and nearly arbitrary microphone configurations. Dedicated processing modes enable efficient and robust multi-user speech recognition in challenging acoustical environments. This allows for passenger interaction in individual zones like sharing music or interacting simultaneously with the car or infotainment systems, where some passengers can enjoy browsing their music by speech, while others can send emails or other work-related activities.

**Research, Development, and Intellectual Property**

Our company is being spun off of Nuance, a leader in the development of speech recognition, natural language understanding and conversational artificial intelligence for a variety of industrial applications. As part of Nuance, our research and development efforts have taken two forms. First, we have maintained technical engineering centers in major regions of the world that help develop our software platform and its underlying components and provide our customers with local engineering capabilities and design development. Second, we have collaborated with Nuance's centralized research and development efforts and participated in the development of various technologies beneficial to our company and the broader Nuance organization.

Following the Spin-Off, our company will remain responsible for its own research and development efforts. SpinCo employees who have been engaged in research and development attributable to SpinCo will generally become employees of SpinCo. After the Spin-Off, we will employ approximately 700 research and development personnel around the world, including scientists, engineers and technicians. Our total research and development expenses were approximately \$81.0 million and \$56.8 million for fiscal 2018 and 2017, respectively.

We believe that continued investment in research and development will be critical for us to continue to deliver market-leading solutions for automotive cognitive assistance. Accordingly, we intend to continue to invest in our product portfolio and allocate capital and resources to our growth opportunities.

Additionally, as part of the Spin-Off, our company will take possession of approximately 1,250 active patents and patent applications currently held by Nuance. We will also enter into the Intellectual Property Agreement, which will provide us with certain rights with respect to patents that will continue to be held by Nuance. While no individual patent or group of patents, taken alone, is considered material to our business, in the aggregate, these patents and rights provide meaningful protection for our products, technologies, and technical innovations.

**Customers**

Our customers include all major OEMs or their tier 1 suppliers worldwide. Our automobile manufacturer customers, commonly referred to as OEMs, include BMW, FCA Group, Ford, Daimler, Geely, Renault-Nissan, SAIC, Toyota, Volkswagen Group and many others and represented 36% of our sales in fiscal 2018. Our largest customer, Toyota, represented 19% of our revenue in fiscal 2018. Our tier 1 supplier customers, who typically sell automobile components to the OEMs, include Aptiv, Bosch, Continental, DENSO TEN, Harman and many others and represented 60% of our business in 2018.

Our revenue base is geographically diverse. In fiscal 2018, approximately 40%, 30% and 30% of our revenue came from the Americas, Europe and Asia, respectively.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**Sales and Marketing and Professional Services**

We market our offerings using a high-touch OEM solutions model. We sell directly to our customers, which include OEMs and suppliers and are described in “—Customers”, and for each of our customers we assign a team comprising sales and marketing as well as professional services personnel. Our customer contracts are bespoke and vary widely, but generally represent multi-year agreements providing strong visibility into future revenue and supporting retention of customer relationships over the long term.

Our sales and marketing team includes approximately 100 employees. This team includes sales representatives, account managers, sales engineers, product managers and marketing experts. As we sell our offerings to all major OEMs or their tier 1 suppliers today, our sales strategy is primarily focused on leveraging our existing client relationships. Account managers typically have longstanding relationships with specific customers and are distributed worldwide to provide local customer coverage. We oftentimes utilize customer-specific demo days in which we showcase our technology and capabilities to OEMs and tier 1 suppliers on an individual basis. These events help maintain our market presence and awareness of our platform’s offerings while also providing opportunities to solicit feedback and input from our customers on our roadmap and future technologies.

Our professional services organization includes approximately 450 employees. These employees work with our customers in the design phase of the vehicle lifecycle to tailor our platform for specific requirements such as branding and also tune the software for the characteristics of a vehicle model. Our professional services team also provides post-design phase services through maintenance engagements, particular with respect to our cloud-connected solutions. The tight integration of our platform into our customers’ design process and their vehicles supports our ability to win future business with those customers. Like our sales representatives, our professional services employees often have longstanding relationships with specific customers and are distributed worldwide to provide local customer coverage.

**Employees**

As of March 31, 2019, we had approximately 1,300 full-time employees, including approximately 100 in sales and marketing, approximately 400 in professional services and approximately 700 in research and development. Approximately 85% of our employees are based outside of the United States. None of our employees in the United States is represented by a labor union, however certain of our employees in Europe are represented by workers councils or labor unions. We believe that our relationships with our employees are satisfactory.

**Legal Proceedings**

Similar to many companies in the software industry, we are involved in a variety of claims, demands, suits, investigations and proceedings that arise from time to time relating to matters incidental to the ordinary course of our business, including actions with respect to contracts, intellectual property, employment, benefits and securities matters. We evaluate the probability of adverse outcomes and, as applicable, estimate the amount of probable losses that may result from pending matters. Probable losses that can be reasonably estimated are reflected in our combined financial statements. These recorded amounts are not material to our combined financial statements for any of the periods presented in the accompanying combined financial statements. While it is not possible to predict the outcome of these matters with certainty, we do not expect the results of any of these actions to have a material adverse effect on our results of operations or financial position. However, each of these matters is subject to uncertainties, the actual losses may prove to be larger or smaller than the accruals reflected in our combined financial statements, and we could incur judgments or enter into settlements of claims that could adversely affect our financial position, results of operations or cash flows.



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**Properties**

Our corporate headquarters will be located in Burlington, Massachusetts, and our international headquarters will be located in the Maastricht area in the Netherlands. In May 2019, we entered into a lease for our Burlington, Massachusetts headquarters that includes approximately 30,000 square feet of building space. Larger leased sites include properties located in: Montreal, Canada; Bellevue, Washington; Aachen and Ulm, Germany; and Shanghai and Chengdu, China.

We believe our existing facilities and equipment are in good operating condition and are suitable for the conduct of our business.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS**

*The following discussion and analysis presented below should be read in conjunction with the Combined Financial Statements and Condensed Combined Financial Statements, the corresponding notes, and the each included elsewhere in this information statement. The financial information presented in this section is derived from forward looking statements, which are described in detail in the section titled "Cautionary Statement Concerning Forward Looking Statements". The matters discussed in these forward looking statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from those made, projected, or implied in the forward-looking statements. See the section titled "Risk Factors" for a discussion of the risks, uncertainties, and assumptions associated with these statements.*

**Overview**

Cerence builds automotive cognitive assistance solutions to power natural and intuitive interactions between automobiles, drivers and passengers, and the broader digital world. We possess one of the world's most popular software platforms for building automotive virtual assistants. Our customers include all major OEMs or their tier 1 suppliers worldwide. We deliver our solutions on a white-label basis, enabling our customers to deliver customized virtual assistants with unique, branded personalities and ultimately strengthening the bond between automobile brands and end users. Our vision for the future is to power an ever-expanding range of interactions between humans and mobility products and services.

Our principal offering is our software platform, which our customers use to build virtual assistants that can communicate, find information and take action across an expanding variety of categories. Our software platform has a hybrid architecture combining edge software components with cloud-connected components. Edge software components are installed on a vehicle's head unit and can operate without access to external networks and information. Cloud-connected components are comprised of certain speech and natural language understanding related technologies, AI-enabled personalization and context-based response frameworks, and content integration platform.

We generate revenue primarily by selling software licenses and cloud-connected services. Our edge software components are typically sold under a traditional per unit perpetual software license model, in which a per unit fee is charged for each software instance installed on an automotive head unit. We typically license cloud-connected software components in the form of a service to the vehicle end user, which is paid for in advance. In addition, we generate professional services revenue from our work with our customers during the design, development and deployment phases of the vehicle model lifecycle and through maintenance and enhancement projects. We have existing relationships with all major OEMs or their tier 1 suppliers, and while our customer contracts vary, they generally represent multi-year engagements, giving us visibility into future revenue.

**Business Trends**

During fiscal year 2018, we experienced total revenue growth of 13.2%, primarily driven by our license and connected services revenues due to increased market penetration of our edge technologies and connected services solutions. Professional service revenue decreased primarily due to an industry shift towards connected services solutions and a change in our pricing strategy, but we expect professional service revenue to continue to be a significant component of our revenue and a meaningful part of our business. Due to the increase in demand for hybrid solutions, the historical strength of licensed edge technologies and connected services solutions, and our interpretation of industry trends, we believe license and connected services revenues will continue to experience growth into the future.

Consistent with the increased revenue and customer demand in fiscal year 2018 compared to fiscal year 2017, fiscal year 2018 was a key investment year for the Cerence business in which we focused on accelerating

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

R&D and expanding our professional services team to improve the end user experience we are able to deliver. Total cost of revenues increased by 21.1% during fiscal year 2018, primarily driven by the hiring of more professional services staff. Total operating expenses grew by 39.7% during fiscal year 2018, primarily driven by innovation initiatives in order to increase our competitive position in the market. We hired a significant amount of new engineering and product innovation personnel, resulting in a 42.6% increase in R&D expenses. Our acquisition of Voicebox Technologies Corporation (“**Voicebox**”) on April 2, 2018, which provided additional customer relationships and technology, and the incurrence of professional service costs to establish the Cerence business as a stand-alone public company drove a 589.7% increase in restructuring and other costs, net. We anticipate that our R&D expenses will continue to represent the majority of our operating expenses as we focus on developing new products and advancing our core technologies.

***Basis of Presentation***

The accompanying combined financial data was derived from the consolidated financial statements and accounting records of Nuance. The Combined Financial Statements were prepared for the year ended September 30, 2018 (“**fiscal year 2018**”) and the year ended September 30, 2017 (“**fiscal year 2017**”). The Condensed Combined Financial Statements were prepared for the six months ended March 31, 2019 and the six months ended March 31, 2018.

Cerence is being spun off from Nuance, a leading provider of speech and language solutions for businesses and consumers around the world. The preparation of these financial statements required considerable judgement and reflect significant assumptions and allocations that we believe are reasonable. These financial statements reflect the combined historical results of operations, financial position, and cash flows of the Cerence business in conformity with GAAP. However, the historical combined financial information may not be indicative of our future performance and does not necessarily reflect what our combined results of operations, financial position, and cash flows would have been had our business operated as a separate publicly traded company during the periods presented.

Specifically, the Combined Financial Statements and the Condensed Combined Financial Statements include certain assets and liabilities that have historically been held at the corporate level of Nuance, but are allocable to Cerence. Nuance provides certain services such as legal, accounting, information technology, human resources, treasury and other infrastructure support on our behalf. The cost of these services has been allocated to us based on various financial measures that we determined to most closely align with each service. While we have determined these allocations are a reasonable representation of benefits received and services utilized by the Cerence business, actual costs that would have been incurred if we had been a stand-alone company would depend on factors such as the organizational structure, infrastructure, information technology, and strategic decision making.

Following the completion of the Spin-Off, we expect to incur expenditures relating to the start-up of our own stand-alone corporate functions and information technology systems, reorganizing and hiring employees, and other miscellaneous transaction related costs. Since we expect to be publicly traded on Nasdaq following the Spin-Off, subject to approval of our application, we will be required to incur costs to establish public company functions such as internal audit, corporate treasury, and investor relations. Additionally, we will incur costs for Nasdaq listing fees, compensation of our newly formed Board, public company insurance, external audit, and external legal counsel. We do not expect the expenditures associated with operating as a stand-alone public company to be materially higher than those historically allocated to us from Nuance. Refer to Note 2 to the accompanying Combined Financial Statements included elsewhere in this Information Statement for additional information.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**Comparability of Results**

As of October 1, 2018, we adopted ASC 606 using the modified retrospective approach from the previous guidance 605. Our transition to ASC 606 represents a change in accounting policy that is reflected in our Condensed Combined Financial Statements for the six months ended March 31, 2019. The adoption of ASC 606 limits the comparability of revenue and expenses, including cost of revenue and certain operating expenses, presented in the results of operations for the six months ended March 31, 2019 when compared to the six months ended March 31, 2018 and prior reporting periods. Refer to Note 3 to our Condensed Combined Financial Statements included elsewhere in this Information Statement for further details on our adoption of ASC 606 and a reconciliation of our operating results for the six months ended March 31, 2019 under ASC 606 to the results under ASC 605.

**Key Metrics**

In evaluating our financial condition and operating performance, we focus on revenue, operating margins, and cash flow from operations.

For the six months ended March 31, 2019 as compared to the six months ended March 31, 2018:

- Total revenue under ASC 606 increased by \$13.3 million, or 10.3%, from \$129.5 million to \$142.8 million as compared to total revenue in the six months ended March 31, 2018 under ASC 605. Comparing both periods under ASC 605, total revenue increased by \$15.6 million or 12.1%, from \$129.5 million to \$145.1 million.
- Operating margin under ASC 606 decreased by 11.6 percentage points from 13.7% to 2.1% as compared to operating margin in the six months ended March 31, 2018 under ASC 605. Comparing both periods under ASC 605, operating margin decreased by 9.1 percentage points from 13.7% to 4.6%.
- Cash provided by operating activities for the six months ended March 31, 2019 was \$42.5 million, a decrease of \$6.3 million, or 12.9%, from cash provided by operating activities of \$48.8 million for the six months ended March 31, 2018.

For fiscal year 2018 as compared to fiscal year 2017:

- Total revenue increased by \$32.3 million, or 13.2%, from \$244.7 million to \$277.0 million.
- Operating margin decreased by 12.7 percentage points from 26.0% to 13.3%.
- Cash provided by operating activities increased by \$18.5 million, or 19.1%, from \$96.8 million to \$115.3 million.

**Operating Results**

The following table shows the total operating results of the Cerence business for the six months ended March 31, 2019 under ASC 606 and ASC 605, the six months ended March 31, 2018, and fiscal year 2018 (dollars in thousands):

	Six Months Ended March 31,			Year Ended September 30,	
	2019 (ASC 606)	2019 (ASC 605)	2018 (ASC 605)	2018 (ASC 605)	2017 (ASC 605)
<b>Revenue:</b>					
License	\$ 83,326	\$ 83,104	\$ 78,019	\$ 171,075	\$ 148,803
Connected services	36,114	36,483	28,440	60,227	45,696
Professional services	23,232	25,484	22,928	45,451	49,645
Other	116	68	64	231	585
Total revenues	<u>142,788</u>	<u>145,139</u>	<u>129,451</u>	<u>276,984</u>	<u>244,729</u>

**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

	Six Months Ended March 31,			Year Ended September 30,	
	2019 (ASC 606)	2019 (ASC 605)	2018 (ASC 605)	2018 (ASC 605)	2017 (ASC 605)
<b>Cost of Revenue:</b>					
License	\$ 907	\$ 908	\$ 446	\$ 1,156	\$ 773
Connected services	20,360	19,710	14,294	32,919	25,292
Professional services	23,189	22,454	20,964	41,123	35,571
Amortization of intangible assets	4,196	4,196	3,270	7,766	6,898
Total cost of revenues	<u>48,652</u>	<u>47,268</u>	<u>38,974</u>	<u>82,964</u>	<u>68,534</u>
Gross Profit	<u>94,136</u>	<u>97,871</u>	<u>90,477</u>	<u>194,020</u>	<u>176,195</u>
<b>Operating Expenses:</b>					
Research and development	46,369	46,369	36,099	80,957	56,755
Sales and marketing	19,244	19,278	14,515	30,553	29,909
General and administrative	11,409	11,409	10,116	19,873	17,485
Amortization of intangible assets	6,264	6,264	2,575	8,840	5,763
Restructuring and other costs, net	7,456	7,456	8,177	12,863	1,865
Acquisition-related costs	417	417	1,324	4,082	733
Total operating expenses	<u>91,159</u>	<u>91,193</u>	<u>72,806</u>	<u>157,168</u>	<u>112,510</u>
Income from operations	2,977	6,678	17,671	36,852	63,685
Other income (expense), net	252	300	(364)	(54)	(483)
Net income before income taxes	3,229	6,978	17,307	36,798	63,202
Provision for income taxes	519	1,008	26,584	30,917	15,926
Net income (loss)	<u>\$ 2,710</u>	<u>\$ 5,970</u>	<u>\$ (9,277)</u>	<u>\$ 5,881</u>	<u>\$ 47,276</u>

Our revenue consists primarily of license revenue, connected services revenue and revenue from professional services. License revenue primarily consists of license royalties associated with our edge software components, with costs of license revenue primarily consisting of third-party royalty expenses for certain external technologies we leverage. Connected services revenue represents the subscription fee that provides access to our connected services components, including the customization and construction of our connected services solutions. Cost of connected service revenue primarily consists of labor costs of software delivery services, infrastructure, and communications fees that support our connected services solutions. Professional services revenue is primarily comprised of porting, integrating, and customizing our embedded solutions, with costs primarily consisting of compensation for services personnel, contractors and overhead.

Our operating expenses include R&D, sales and marketing and general and administrative expenses. R&D expenses primarily consist of salaries, benefits, and overhead relating to research and engineering staff. Sales and marketing expenses includes salaries, benefits, and commissions related to our sales, product marketing, product management, and business unit management teams. General and administrative expenses primarily consist of personnel costs for administration, finance, human resources, general management, fees for external professional advisers including accountants and attorneys, and provisions for doubtful accounts.

Amortization of acquired patents and core technology are included within cost of revenues whereas the amortization of other intangible assets, such as acquired customer relationships, trade names and trademarks, are included within operating expenses. Customer relationships are amortized over their estimated economic lives based on the pattern of economic benefits expected to be generated from the use of the asset. Other identifiable intangible assets are amortized on a straight-line basis over their estimated useful lives.

Restructuring costs are costs related to reorganizing various business units, including costs associated with employee severance, closing and opening facilities, terminating contracts, and separation costs related to establishing Cerence business as a stand-alone public company.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

Acquisition-related costs include transition and integration costs, professional service fees, and fair value adjustments related to business and asset acquisitions, including potential acquisitions.

Other income (expense), net consists primarily of foreign exchange gains (losses).

**Six Months Ended March 31, 2019 Compared with Six Months Ended March 31, 2018**

*Total Revenues*

The following table shows total revenues by products type, including the corresponding percentage change (dollars in thousands):

	Six Months Ended March 31,					
	2019 (ASC 606)	2019 (ASC 605)	% of Total	2018 (ASC 605)	% of Total	% Change (ASC 605)
License	\$ 83,326	\$ 83,104	57.3%	\$ 78,019	60.3%	6.5%
Connected services	36,114	36,483	25.1%	28,440	22.0%	28.3%
Professional services	23,232	25,484	17.6%	22,928	17.7%	11.1%
Other	116	68	0.0%	64	0.0%	6.3%
<b>Total revenues</b>	<b>\$142,788</b>	<b>\$145,139</b>		<b>\$129,451</b>		<b>12.1%</b>

Total revenues under ASC 606 for the six months ended March 31, 2019 decreased by \$2.4 million compared to revenue for the same period presented under ASC 605 primarily due to the re-allocation of contract consideration to multiple performance obligations based on standalone selling prices. Under ASC 605, total revenues for the six months ended March 31, 2019 were \$145.1 million, an increase of \$15.6 million, or 12.1%, from \$129.5 million from the six months ended March 31, 2018. This growth was primarily driven by connected services revenues resulting from increased demand for our hybrid solutions. License revenue also experienced notable growth.

*License Revenue*

License revenue under ASC 606 for the six months ended March 31, 2019 increased by \$0.2 million compared to the same period presented under ASC 605 primarily due to previously recognizing certain license revenues ratably because vendor specific objective evidence of fair value (“**VSOE**”) did not exist for certain elements of the transaction. Under ASC 606, VSOE of fair value is no longer required when allocating transaction price to performance obligations. Accordingly, under ASC 606 license revenue is recognized as control is transferred and based upon the standalone selling price proportionally allocated to the license from the contract transaction price. Under ASC 605, license revenue for the six months ended March 31, 2019 was \$83.1 million, an increase of \$5.1 million, or 6.5%, from \$78.0 million for the six months ended March 31, 2018. License revenue increased primarily due to a higher volume of licensing royalties from new and existing customers. As a percentage of total revenue, license revenue decreased by 3.0 percentage points from 60.3% for the six months ended March 31, 2018 to 57.3% for the six months ended March 31, 2019.

*Connected Services Revenue*

Connected services revenue under ASC 606 for the six months ended March 31, 2019 decreased by \$0.4 million compared to the same period presented under ASC 605 primarily due to re-allocation of contract consideration to multiple performance obligations based on standalone selling prices. Under ASC 605, connected services revenue for the six months ended March 31, 2019 was \$36.5 million, an increase of \$8.1 million, or 28.3%, from \$28.4 million for the six months ended March 31, 2018. This increase was primarily driven by greater demand for our connected services solutions as our customers increasingly deploy hybrid solutions. As a percentage of total revenue, connected services revenue increased by 3.1 percentage points from 22.0% for second quarter of fiscal 2018 to 25.1% for the six months ended March 31, 2019.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

*Professional Services Revenue*

Professional services revenue under ASC 606 for the six months ended March 31, 2019 decreased by \$2.3 million compared to the same period presented under ASC 605 primarily due to re-allocation of contract consideration to multiple performance obligations based on standalone selling prices. Under ASC 605, professional service revenue for the six months ended March 31, 2019 was \$25.5 million, an increase of \$2.6 million, or 11.1%, from \$22.9 million for the six months ended March 31, 2018. As a percent of total revenue, professional services revenue remained relatively consistent period over period.

*Total Cost of Revenues and Gross Profits*

The following table shows total cost of revenues by product type and the corresponding percentage change (dollars in thousands):

	Six Months Ended March 31,			% Change (ASC 605)
	2019 (ASC 606)	2019 (ASC 605)	2018 (ASC 605)	
License	\$ 907	\$ 908	\$ 446	103.6%
Connected services	20,360	19,710	14,294	37.9%
Professional services	23,189	22,454	20,964	7.1%
Amortization of intangibles	4,196	4,196	3,270	28.3%
Total cost of revenues	<u>\$ 48,652</u>	<u>\$ 47,268</u>	<u>\$ 38,974</u>	21.3%

The following table shows total gross margin by product type and the corresponding percentage change (dollars in thousands):

	Six Months Ended March 31,			% Change (ASC 605)
	2019 (ASC 606)	2019 (ASC 605)	2018 (ASC 605)	
License	\$ 82,419	\$ 82,196	\$ 77,573	6.0%
Connected services	15,754	16,773	14,146	18.6%
Professional services	43	3,030	1,964	54.3%
Other	116	68	64	6.3%
Amortization of intangibles	(4,196)	(4,196)	(3,270)	28.3%
Total gross margin	<u>\$ 94,136</u>	<u>\$ 97,871</u>	<u>\$ 90,477</u>	8.2%

Total cost of revenues under ASC 606 for the six months ended March 31, 2019 increased by \$1.4 million compared to total cost of revenues for the same period presented under ASC 605. Under ASC 605, total cost of revenues for the six months ended March 31, 2019 were \$47.3 million, an increase of \$8.3 million, or 21.3%, from \$39.0 million for the six months ended March 31, 2018. The increase in cost of revenues resulted primarily from the growth of our cloud-based connected services revenue, which required an increase in cloud-based infrastructure and employee costs. We also experienced an increase in amortization of intangible assets that was included in costs of revenues primarily due to our acquisition of Voicebox, which increased the carrying value of our total intangible assets.

Total gross margin under ASC 606 for the six months ended March 31, 2019 decreased by \$3.7 million compared to total gross margin for the same period presented under ASC 605. Under ASC 605, we experienced an increase in total gross margin of \$7.4 million, or 8.2%, from \$90.5 million to \$97.9 million, which was primarily driven by increased demand for our license and connected services solutions, which have costs that do not increase proportionally with revenue.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

*Cost of License Revenue*

Cost of license revenue for the six months ended March 31, 2019 was \$0.9 million, an increase of \$0.5 million or 103.6%, from \$0.4 million for the six months ended March 31, 2018. Cost of license revenues increased due to third-party royalty expenses associated with external technologies we leverage in our edge software components. As a percentage of total cost of revenue, cost of license revenue increased by 0.8 percentage points from 1.1% for the six months ended March 31, 2018 to 1.9% for the six months ended March 31, 2019.

License gross margin under ASC 606 for the six months ended March 31, 2019 increased by \$0.2 million compared to license gross margin for the same period presented under ASC 605. Under ASC 605, license gross margin increased by \$4.6 million, or 6.0% from \$77.6 million to \$82.2 million since costs associated with license royalties are minimal.

*Cost of Connected Services Revenue*

Cost of connected services revenue under ASC 606 for the six months ended March 31, 2019 increased by \$0.7 million compared to cost of connected services revenue for the same period presented under ASC 605. Under ASC 605, cost of connected services revenue for the six months ended March 31, 2019 was \$19.7 million, an increase of \$5.4 million, or 37.9%, from \$14.3 million for the six months ended March 31, 2018. Cost of connected services revenue increased primarily as a result of the growth of cloud-based connected services revenue from new and existing customers utilizing our software delivery services for connected services solutions. As a percentage of total cost of revenue, cost of connected service revenue increased by 5.0 percentage points from 36.7% for the six months ended March 31, 2018 to 41.7% for the six months ended March 31, 2019.

Connected services gross margin under ASC 606 for the six months ended March 31, 2019 decreased by \$1.0 million compared to connected services gross margin for the same period presented under ASC 605. Under ASC 605, connected services gross margin increased \$2.7 million, or 18.6%, from \$14.1 million to \$16.8 million which was primarily due to connected services revenue growth on relatively fixed cloud infrastructure and employee costs.

*Cost of Professional Services Revenue*

Cost of professional services revenue under ASC 606 for the six months ended March 31, 2019 increased by \$0.7 million compared to cost of professional services revenue for the same period presented under ASC 605. Under ASC 605, cost of professional services revenue for the six months ended March 31, 2018 was \$22.5 million, an increase of \$1.5 million, or 7.1%, from \$21.0 million for the six months ended March 31, 2018. Cost of professional services revenue increased primarily due to our investments in professional services staff to meet customer program demands. As a percentage of total cost of revenue, cost of professional services revenue decreased by 6.3 percentage points from 53.8% for the six months ended March 31, 2018 to 47.5% for the six months ended March 31, 2019.

Professional services gross margin under ASC 606 for the six months ended March 31, 2019 decreased by \$3.0 million compared to professional services gross margin for the same period presented under ASC 605. Under ASC 605, professional services gross margin increased \$1.0 million, or 54.3%, from \$2.0 million to \$3.0 million.

*Operating Expenses*

The tables below show each component of operating expense. Other income (expense) and provision for income taxes are non-operating expenses and presented in a similar format (dollars in thousands).

*R&D Expenses*

	<u>Six Months Ended March 31,</u>		<u>% Change</u>
	<u>2019</u>	<u>2018</u>	
Research and development	\$ 46,369	\$ 36,099	28.4%



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

R&D expenses for the six months ended March 31, 2019 were \$46.4 million, an increase of \$10.3 million, or 28.4%, from \$36.1 million for the six months ended March 31, 2018. R&D expenses increased primarily as a result of hiring more engineers and other product innovation personnel. As a percentage of total operating expenses, R&D expenses increased by 1.2 percentage points from 49.6% for the six months ended March 31, 2018 to 50.8% for the six months ended March 31, 2019.

*Sales & Marketing Expenses*

	Six Months Ended March 31,			% Change (ASC 605)
	2019 (ASC 606)	2019 (ASC 605)	2018 (ASC 605)	
Sales and marketing	\$ 19,244	\$ 19,278	\$ 14,515	32.8%

Sales and marketing expenses under ASC 606 for the six months ended March 31, 2019 decreased by less than \$0.1 million compared to sales and marketing expenses for the same period presented under ASC 605 due to the amortization of capitalized sales commission expenses over the period of benefit. Under ASC 605, sales commission was expensed as incurred. Under ASC 605, sales and marketing expenses for the six months ended March 31, 2019 were \$19.3 million, an increase of \$4.8 million, or 32.8%, from \$14.5 million for the six months ended March 31, 2018. Sales and marketing expenses increased primarily as a result of higher sales quota attainment and the expansion of our sales and marketing staff levels. As a percentage of total operating expenses, sales and marketing expenses increased by 1.2 percentage points from 19.9% for the six months ended March 31, 2018 to 21.1% for the six months ended March 31, 2019.

*General & Administrative Expenses*

	Six Months Ended March 31,		% Change
	2019	2018	
General and administrative	\$ 11,409	\$ 10,116	12.8%

General and administrative expenses for the six months ended March 31, 2019 were \$11.4 million, an increase of \$1.3 million, or 12.8%, from \$10.1 million for the six months ended March 31, 2018. General and administrative expenses increased primarily as a result of a higher allocation from Nuance following its divestiture of a separate operating segment and an increase in general and administrative activity. As a percentage of total operating expenses, general and administrative expenses decreased by 1.4 percentage points from 13.9% for the six months ended March 31, 2018 to 12.5% for the six months ended March 31, 2019.

*Amortization of Intangible Assets*

	Six Months Ended March 31,		% Change
	2018	2017	
Cost of revenues	\$ 4,196	\$ 3,270	28.3%
Operating expense	6,264	2,575	143.3%
Total amortization expense	<u>\$ 10,460</u>	<u>\$ 5,845</u>	79.0%

Intangible asset amortization for the six months ended March 31, 2019 was \$10.5 million, an increase of \$4.7 million, or 79.0%, from \$5.8 million for the six months ended March 31, 2018. The increase primarily relates to our acquisition of Voicebox which resulted in the addition of several customer relationships and technology that increased amortization expense by \$5.3 million. This increase was partially offset by certain other customer relationships and tradenames becoming fully amortized during fiscal year 2018.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

*Restructuring and Other Costs, Net*

	Six Months Ended March 31,		% Change
	2019	2018	
Restructuring and other costs, net	7,456	8,177	-8.8%

Restructuring and other costs, net for the six months ended March 31, 2019 were \$7.5 million, a decrease of \$0.7 million, or 8.8%, from \$8.2 million for the six months ended March 31, 2018. Restructuring and other costs, net decreased primarily due to lower professional service fees related to establishing the Cerence business as a stand-alone public company. As a percentage of total operating expense, restructuring and other costs, net decreased by 3.0 percentage points from 11.2% for the six months ended March 31, 2018 to 8.2% for the six months ended March 31, 2019.

*Acquisition-related Costs*

	Six Months Ended March 31,		% Change
	2019	2018	
Acquisition-related costs	\$ 417	\$ 1,324	-68.5%

Acquisition-related costs for the six months ended March 31, 2019 were \$0.4 million, a decrease of \$0.9 million, or 68.5%, from \$1.3 million for the six months ended March 31, 2018. Acquisition-related costs decreased as a direct result of lower fees related to assessing potential acquisitions. As a percentage of total operating expense, acquisition-related costs decreased by 1.3 percentage points from 1.8% for the six months ended March 31, 2018 to 0.5% for the six months ended March 31, 2019.

*Other Income (Expense), Net*

	Six Months Ended March 31,			% Change
	2019	2019	2018	
	(ASC 606)	(ASC 605)	(ASC 605)	
Other income (expense), net	\$ 252	\$ 300	\$ (364)	182.4%

Other income (expense), net for the six months ended March 31, 2019 was \$0.3 million, an increase of \$0.7 million, or 182.4%, from \$(0.4) million for the six months ended March 31, 2018. The net increase in other income (expense), net over the prior fiscal year is primarily the result of foreign currency differences year over year.

*Provision for Income Taxes*

	Six Months Ended March 31,		% Change
	2019	2018	
Provision for income taxes	\$ 519	\$ 26,584	98.0%
Effective income tax rate	16.1%	153.6%	

Our effective income tax rate for the six months ended March 31, 2019 was 16.1%, compared to 153.6% for the six months ended March 31, 2018. Consequently, provision for income taxes for the six months ended March 31, 2019 was \$0.5 million, a net change of \$26.1 million, or 98.0%, from \$26.6 million for the six months ended March 31, 2018. The effective income tax rate for the six months ended March 31, 2019 differed from the U.S. statutory rate of 21.0%, primarily due to our earnings in foreign jurisdictions that are subject to lower tax rates.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

The effective income tax rate for the six months ended March 31, 2018 differed from the blended U.S. statutory rate of 24.5% primarily due to the recognition of \$23.1 million in deferred tax expense from the remeasurement of deferred tax assets and liabilities as a result of the Tax Cuts and Jobs Act (“**TCJA**”) enacted in December 2017.

***Fiscal Year 2018 Compared with Fiscal Year 2017***

*Total Revenues*

The following table shows total revenues by product type, including the corresponding percentage change (dollars in thousands):

	<b>Year Ended September 30,</b>				<b>% Change</b>
	<b>2018</b>	<b>% of Total</b>	<b>2017</b>	<b>% of Total</b>	
License	\$171,075	61.8%	\$148,803	60.8%	15.0%
Connected services	60,227	21.7%	45,696	18.7%	31.8%
Professional services	45,451	16.4%	49,645	20.3%	-8.4%
Other	231	0.1%	585	0.2%	-60.5%
<b>Total revenues</b>	<b>\$276,984</b>		<b>\$244,729</b>		<b>13.2%</b>

Our total revenues for fiscal year 2018 were \$277.0 million, an increase of \$32.3 million, or 13.2%, from \$244.7 million from fiscal year 2017. This growth was primarily driven by license royalties. We also experienced notable growth in connected services revenues resulting from increased demand for our hybrid solutions.

*License Revenue*

License revenue for fiscal year 2018 was \$171.1 million, an increase of \$22.3 million, or 15.0%, from \$148.8 million for fiscal year 2017. License revenues increased primarily due to a higher volume of licensing royalties from new and existing customers utilizing our technologies. This was a result of an increase in overall cars shipped and more customers licensing suites of our software and technologies rather than individual licenses. As a percentage of total revenue, license revenue increased by 1.0 percentage points from 60.8% for fiscal year 2017 to 61.8% for fiscal year 2018.

*Connected Services Revenue*

Connected services revenue for fiscal year 2018 was \$60.2 million, an increase of 31.8%, or \$14.5 million, from \$45.7 million for fiscal year 2017. This increase is primarily driven by greater demand for our connected services solutions as our customers shift their preferences from shipping automobiles with fully customized embedded solutions to hybrid solutions. As a percentage of total revenue, connected services revenue increased by 3.0 percentage points from 18.7% for fiscal year 2017 to 21.7% for fiscal year 2018.

*Professional Services Revenue*

Professional services revenue for fiscal year 2018 was \$45.5 million, a decrease of \$4.1 million, or 8.4%, from \$49.6 million for fiscal year 2017. Professional services revenue decreased primarily due to industry shift towards connected service solutions and a change in our pricing strategy. As a percentage of total revenue, professional services revenue decreased by 3.9 percentage points from 20.3% for fiscal year 2017 to 16.4% for fiscal year 2018.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

*Total Cost of Revenues and Gross Margin*

The following table shows total cost of revenues by product type and the corresponding percentage change (dollars in thousands):

	<b>Year Ended September 30,</b>		<b>% Change</b>
	<b>2018</b>	<b>2017</b>	
License	\$ 1,156	\$ 773	49.5%
Connected services	32,919	25,292	30.2%
Professional services	41,123	35,571	15.6%
Amortization of intangibles	7,766	6,898	12.6%
Total cost of revenues	<u>\$ 82,964</u>	<u>\$ 68,534</u>	21.1%

The following table shows total gross margin by product type and the corresponding percentage change (dollars in thousands):

	<b>Year Ended September 30,</b>		<b>% Change</b>
	<b>2018</b>	<b>2017</b>	
License	\$ 169,919	\$ 148,030	14.8%
Connected services	27,308	20,404	33.8%
Professional services	4,328	14,074	-69.2%
Other	231	585	-60.5%
Amortization of intangibles	(7,766)	(6,898)	12.6%
Total gross margin	<u>\$ 194,020</u>	<u>\$ 176,195</u>	10.1%

Our total cost of revenues for fiscal year 2018 were \$83.0 million, an increase of \$14.5 million, or 21.1%, from \$68.5 million for fiscal year 2017. The increase in cost of revenues was primarily the result of hiring more professional services staff and higher cloud infrastructure and employee costs for connected services, provide our customization and implementation services to our customers. We experienced an increase in our amortization of intangible assets that was included in costs of revenues primarily due to our acquisition of Voicebox, which increased the carrying value of our total intangible assets. We experienced an increase in gross profit of \$17.8 million, or 10.1%, from \$176.2 million to \$194.0 million which was primarily driven by increased demand for our license and connected services solutions which require costs that do not increase proportionally with revenue.

*Cost of License Revenue*

Cost of license revenue for fiscal year 2018 were \$1.2 million, an increase of \$0.4 million, or 49.5%, from \$0.8 million for fiscal year 2017. Cost of license revenues increased due to third-party royalty expenses associated with external technologies we leverage in our edge software components. As our license revenue grows, we expect our cost of license revenue to grow at a lower rate due to the nature of our royalty expenses. As a percentage of total cost of revenue, cost of license revenue increased by 0.3 percentage points from 1.1% for fiscal year 2017 to 1.4% for fiscal year 2018. License gross margin increased \$21.9 million, or 14.8%, from \$148.0 million to \$169.9 million since costs associated with license royalties are minimal.

*Cost of Connected Services Revenue*

Cost of connected services revenue for fiscal year 2018 were \$32.9 million, an increase of \$7.6 million, or 30.2%, from \$25.3 million for fiscal year 2017. Cost of connected services revenue increased primarily as a result of the growth of cloud-based connected services revenue from new and existing customers utilizing our software delivery services for connected services solutions. As a percentage of total cost of revenue, cost of

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

connected service revenue increased by 2.8 percentage points from 36.9% for fiscal year 2017 to 39.7% for fiscal year 2018. Connected services gross margin increased \$6.9 million, or 33.8%, from \$20.4 million to \$27.3 million, which was primarily due to connected services revenue growth on relatively fixed cloud infrastructure and employee costs.

*Cost of Professional Services Revenue*

Cost of professional services revenue for fiscal year 2018 were \$41.1 million, an increase of \$5.5 million, or 15.6%, from \$35.6 million for fiscal year 2017. Cost of professional services revenue increased primarily due to our investments in professional services staff to meet customer program demands which differentiate our service offerings. As a percentage of total cost of revenue, cost of professional services revenue decreased by 2.3 percentage points from 51.9% for fiscal year 2017 to 49.6% for fiscal year 2018. Professional services gross margin decreased \$9.8 million, or 69.2%, from \$14.1 million to \$4.3 million, which was primarily the result of a change in our pricing strategy and increased hiring of professional services staff as we invest in expanding and differentiating our professional services offerings.

*Operating Expenses*

The tables below show each component of operating expense. Other income (expense), net and provision for income taxes are non-operating expenses and presented in a similar format (dollars in thousands).

*R&D Expenses*

	<u>Year Ended September 30,</u>		<u>% Change</u>
	<u>2018</u>	<u>2017</u>	
Research and development	\$ 80,957	\$ 56,755	42.6%

Historically, R&D expenses are our largest operating expense as we continue to build on our existing software platforms and develop new technologies. R&D expenses for fiscal year 2018 were \$81.0 million, an increase of \$24.2 million, or 42.6%, from \$56.8 million for fiscal year 2017. R&D expense increased primarily as a result of hiring more engineers and other essential product innovation personnel. Investing in R&D personnel is essential to advancing our technologies and enhancing in-car experiences. As a percentage of total operating expenses, R&D expenses increased by 1.1 percentage points from 50.4% for fiscal year 2017 to 51.5% for fiscal year 2018.

*Sales & Marketing Expenses*

	<u>Year Ended September 30,</u>		<u>% Change</u>
	<u>2018</u>	<u>2017</u>	
Sales and marketing	\$ 30,553	\$ 29,909	2.2%

Sales and marketing expenses for fiscal year 2018 were \$30.6 million, an increase of \$0.7 million, or 2.2%, from \$29.9 million for fiscal year 2017. Sales and marketing expenses increased primarily as a result of higher compensation expenses associated with our existing sales and marketing staff, third party service fees, and other miscellaneous sales and marketing expenses of \$1.7 million, \$0.6 million, and \$0.6 million, respectively. This increase was offset by reduced commission expenses resulting from recent changes in our commission plans and stock compensation expenses of \$1.2 million and \$1.0 million, respectively. As a percentage of total operating expenses, sales and marketing expenses decreased by 7.2 percentage points from 26.6% for fiscal year 2017 to 19.4% for fiscal year 2018.

*General & Administrative Expenses*

	<u>Year Ended September 30,</u>		<u>% Change</u>
	<u>2018</u>	<u>2017</u>	
General and administrative	\$ 19,873	\$ 17,485	13.7%

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

General and administrative expenses for fiscal year 2018 were \$19.9 million, an increase of \$2.4 million, or 13.7%, from \$17.5 million for fiscal year 2017. General and administrative expenses increased primarily as a result of costs incurred by Nuance on our behalf. The increase in general and administrative expenses was primarily attributable to professional and legal fees, administrative salaries expenses, and software fees. As a percentage of total operating expenses, general and administrative expenses decreased by 2.9 percentage points from 15.5% for fiscal year 2017 to 12.6% for fiscal year 2018.

*Amortization of Intangible Assets*

	<u>Year Ended September 30,</u>		<u>% Change</u>
	<u>2018</u>	<u>2017</u>	
Cost of revenues	\$ 7,766	\$ 6,898	12.6%
Operating expense	8,840	5,763	53.4%
Total amortization	<u>\$ 16,606</u>	<u>\$ 12,661</u>	31.2%

Intangible asset amortization for fiscal year 2018 were \$16.6 million, an increase of \$3.9 million, or 31.2%, from \$12.7 million for fiscal year 2017. The increase primarily relates to our acquisition of Voicebox which resulted in the addition of several customer relationships that increased amortization expense. This increase was partially offset by certain other customer relationships and tradenames becoming fully amortized during fiscal year 2018. Additional intangibles amortization due to restructuring is included in restructuring and other costs, net as discussed below.

As a percentage of total cost of revenues, intangible asset amortization within cost of revenues decreased by 0.7 percentage points from 10.1% for fiscal year 2017 to 9.4% for fiscal year 2018. As a percentage of total operating expenses, intangible asset amortization expenses within operating expenses increased by 0.5 percentage points from 5.1% for fiscal year 2017 to 5.6% for fiscal year 2018.

*Restructuring and Other Costs, Net*

	<u>Year Ended September 30,</u>		<u>% Change</u>
	<u>2018</u>	<u>2017</u>	
Restructuring and other costs, net	\$ 12,863	\$ 1,865	589.7%

Restructuring and other costs, net for fiscal year 2018 were \$12.9 million, an increase of \$11.0 million, or 589.7%, from \$1.9 million for fiscal year 2017. Restructuring and other costs, net increased primarily due to professional service fees incurred to establish the Cerence business as a stand-alone public company and the reorganization of Voicebox business units in order to achieve process optimization and cost reductions following the acquisition. As a percentage of total operating expense, restructuring and other costs, net increased by 6.5 percentage points from 1.7% for fiscal year 2017 to 8.2% for fiscal year 2018.

*Acquisition-related Costs*

	<u>Year Ended September 30,</u>		<u>% Change</u>
	<u>2018</u>	<u>2017</u>	
Acquisition-related costs	\$ 4,082	\$ 733	456.9%

Acquisition-related costs for fiscal year 2018 were \$4.1 million, an increase of \$3.4 million, or 456.9%, from \$0.7 million for fiscal year 2017. Acquisition costs increased as a direct result of integration, legal, and other professional fees incurred resulting from the acquisition of Voicebox on April 2, 2018. As a percentage of total operating expense, acquisition-related costs increased by 1.9 percentage points from 0.7% for fiscal year 2017 to 2.6% for fiscal year 2018.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

*Other Income (Expense), Net*

	Year Ended September 30,		% Change
	2018	2017	
Other income (expense), net	\$ (54)	\$ (483)	88.8%

Other income (expense), net for fiscal year 2018 was less than \$(0.1) million, a decrease of \$0.4 million, or 88.8%, from \$(0.5) million for fiscal year 2017. The net increase in other income (expense), net over the prior fiscal year is primarily the result of foreign currency gains (losses) year over year.

*Provision for Income Taxes*

	Year Ended September 30,		% Change
	2018	2017	
Provision for income taxes	\$ 30,917	\$ 15,926	94.1%
Effective income tax rate	84.0%	25.2%	

Our effective income tax rate for fiscal year 2018 was 84.0%, compared to 25.2% for fiscal year 2017. Consequently, provision for income taxes for fiscal year 2018 was \$30.9 million, an increase of \$15.0 million, or 94.1 %, from \$15.9 million for fiscal year 2017. The effective income tax rate for fiscal year 2018 differed from the blended U.S. statutory rate of 24.5%, primarily due to the net tax provisions resulting from the TCJA remeasurement of deferred tax assets and liabilities at the lower enacted rate, our R&D credits, and the domestic production activities deduction. The effective income tax rate for fiscal year 2017 differed from the U.S. statutory rate of 35.0% due to our earnings in foreign jurisdictions that are subject to significantly lower rates, R&D credits, and the domestic production activities deduction.

**Liquidity and Capital Resources**

Historically, the Cerence business has generated positive cash flows from operations. As part of Nuance, the Cerence business utilized a centralized approach to cash management and financing its operations. Under this approach, the Cerence business did not maintain their own cash and cash equivalent balances. Nuance bills customers and collects cash associated with the Cerence business' operations. Nuance approves and provides all cash required for operating or investing activities outside of the Cerence business' normal course of business. This cash management arrangement is not reflective of the manner in which the Cerence business would have financed its operations if it had been a standalone business during the historical periods presented. Historically, the Cerence business was not allocated cash or cash equivalents from Nuance. Additionally, the Cerence business was not allocated any debt or interest expense since Nuance's corporate borrowings were not specifically identifiable to the Cerence business for any of the historical periods presented.

**Six Months Ended March 31, 2019 Compared with Six Months Ended March 31, 2018**

The following table shows net cash provided or used by operating, investing, and financing activities (dollars in thousands):

	Six Months Ended March 31,		% Change
	2019	2018	
Net cash provided by operating activities	\$ 42,520	\$ 48,831	-12.9%
Cash used in investing activities	(2,472)	(3,287)	-24.8%
Cash used in financing activities	(40,048)	(45,544)	-12.1%
Net changes in cash and cash equivalents	\$ —	\$ —	0.0%

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

*Cash Provided by Operating Activities*

Cash provided by operating activities for the six months ended March 31, 2019 was \$42.5 million, a net decrease of \$6.3 million, or 12.9%, from cash provided by operating activities of \$48.8 million for the six months ended March 31, 2018. The change in cash used by operating activities stems mainly from unfavorable changes in working capital, primarily due to the timing of billing and collections which resulted in a decrease in cash from deferred revenue of \$5.8 million compared to the prior year. Further, payments for separation costs related to establishing the Cerence business as a stand-alone public company were approximately \$3.4 million for the six months ended March 31, 2019.

Deferred revenue represents a significant portion of our cash provided by operating activities and, depending on the nature of our contracts with customers, this balance can fluctuate significantly from period to period. Due to the evolution of our connected offerings and architecture, trending away from providing legacy contracts with content attributes connected services and a change in our professional services pricing strategy, we expect a decrease in our deferred revenue as certain legacy contracts with content attributes wind down and the new business model begins to ramp up. We do not expect any changes in deferred revenue to affect our ability to meet our obligations.

*Cash Used in Investing Activities*

Cash used in investing activities for the six months ended March 31, 2019 was \$2.5 million, a decrease of \$0.8 million, or 24.8%, from \$3.3 million for the six months ended March 31, 2018. The decrease related to the timing of cash outflows for capital expenditures.

*Cash Used in Financing Activities*

Cash used in financing activities for the six months ended March 31, 2019 was \$40.0 million, a net decrease of \$5.5 million, or 12.1%, from cash used in financing activities of \$45.5 million for the six months ended March 31, 2018. The change is comparable period over period and related to the cash distributions associated with Nuance's historical cash management process.

*Fiscal Year 2018 Compared with Fiscal Year 2017*

The following table shows net cash provided or used by operating, investing, and financing activities (dollars in thousands):

	<u>Year Ended September 30,</u>		<u>% Change</u>
	<u>2018</u>	<u>2017</u>	
Net cash provided by operating activities	\$ 115,259	\$ 96,784	19.1%
Net cash used in investing activities	(86,312)	(4,714)	1730.9%
Cash used in financing activities	(28,947)	(92,070)	-68.6%
Net changes in cash and cash equivalents	<u>\$ —</u>	<u>\$ —</u>	0.0%

*Cash Provided by Operating Activities*

Cash provided by operating activities for fiscal year 2018 was \$115.3 million, an increase of \$18.5 million, or 19.1%, from \$96.8 million for fiscal year 2017. The net increase in cash provided by operating activities was primarily due to favorable changes in working capital, primarily due to the timing of billing and collections which resulted in an increase in cash from accounts receivable of \$26.4 million compared to the prior year. This increase was partially offset by other changes in working capital, an increase in operating expenses primarily due to continue investments in R&D and \$7.9 million of separation costs related to establishing the Cerence business as a stand-alone public company.



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

*Cash Used in Investing Activities*

Cash used in investing activities for fiscal year 2018 was \$86.3 million, an increase of \$81.6 million, or 1730.9%, from \$4.7 million for fiscal year 2017. The increase in cash outflows was due to net cash payments of \$79.8 million associated with the acquisition of Voicebox, offset by a \$1.8 million decrease in cash outflows for capital expenditures.

*Cash Used in Financing Activities*

Cash used in financing activities for fiscal year 2018 was \$28.9 million, a decrease of \$63.2 million, or 68.6%, from cash used in financing activities of \$92.1 million for fiscal year 2017. The decrease in cash used in financing activities is the result of cash distributions associated with Nuance's historical cash management process.

*Business Acquisitions*

Historically, we have made several acquisitions. We approach the market with a focus on our core technologies and acquire companies based on a careful assessment of potential post-acquisition synergies that will help us expand our software platform and connected car services and advance our technologies.

On April 2, 2018, we acquired Voicebox, headquartered in Bellevue, Washington. Voicebox is a provider of conversational artificial intelligence, including voice recognition, natural language understanding, and artificial intelligence services. The aggregate consideration for this transaction was \$94.3 million which included \$79.8 million paid in cash, net of \$6.7 million in cash acquired, a \$12.9 million write-off of deferred revenues related to the Cerence business' pre-existing relationship with Voicebox, and a \$1.6 million deferred acquisition payment which will be paid in cash upon the conclusion of an indemnity period in the fiscal year 2019. The transaction was accounted for as a business combination and is included in the accompanying historical Combined Financial Statements beginning on the date of acquisition. Refer to Note 4 to the accompanying historical Combined Financial Statements included elsewhere in this Information Statement for more detail on the of Voicebox.

*Future Liquidity*

Our ability to fund future operating needs will depend on our ability to generate positive cash flows from operations and finance additional funding in the capital markets as needed. Upon the Distribution, Nuance intends to allocate \$            million cash and cash equivalents to the Cerence business. We expect that this allocation will more than adequately meet the short-term net working capital needs of our business at the close of the Distribution. More specifically, the March 31, 2019 net working capital of our business, excluding current deferred revenue and deferred cost, was \$44.5 million. This balance is representative of the short-term net cash inflows based on the working capital at that date and is also relatively consistent with the balance at September 30, 2018. Based on our history of generating positive cash flows and the \$            million of allocated cash and cash equivalents coupled with this working capital profile, we believe we will be able to meet our short-term operating cash needs. We believe we will meet all expected future cash requirements and obligations through a combination of cash flows from operating activities, available cash balances, and available credit via our revolving credit facility. Specifically, we anticipate our cost of revenues, funding our R&D activities, and debt obligations to be our primary uses of cash during the year ended September 30, 2020. Should we need to secure additional sources of liquidity, we believe we could finance our needs through the issuance of equity securities or debt offerings. However, we cannot guarantee that we will be able to obtain financing through the issuance of equity securities or debt offerings on reasonable terms in the future.

In connection with the Spin-Off, we intend to incur substantial indebtedness in the aggregate principal amount of approximately \$            million in the form of a first lien term loan, which is primarily intended to

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

finance a cash distribution to Nuance and provide initial support for the cash flow needs of the Cerence business. We also intend to enter into a \$ million revolving facility to be drawn on in the event that our working capital and other cash needs are not supported by our operating cash flow. We will require cash to fund interest payments in respect of this indebtedness and borrowings under the revolving credit facility.

### **Contractual Obligations, Contingent Liabilities, and Commitments**

The table below shows our contractual obligations as of September 30, 2018 (dollars in thousands):

	<b>Payments Due by the Year Ended September 30,</b>				<b>Total</b>
	<b>2019</b>	<b>2020 and 2021</b>	<b>2022 and 2023</b>	<b>Thereafter</b>	
Operating leases	\$5,501	\$ 9,019	\$ 6,543	\$ 3,481	\$24,544

Contractual obligations may include lease, pension contribution requirements, and other non-current liabilities that are enforceable and legally binding on the Cerence business, excluding contingent liabilities that may arise from litigation, arbitration, regulatory actions, or income taxes. As of the second quarter of fiscal 2019, the Cerence business was only subject to contractual obligations regarding operating leases.

### **Other Matters**

#### ***Off-Balance Sheet Arrangements***

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on its financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures, or capital resources.

#### ***Defined Benefit Plans***

We sponsor certain defined benefit plans that are offered primarily by certain of our foreign subsidiaries. Many of these plans were assumed through our acquisitions or are required by local regulatory requirements. We may deposit funds for these plans with insurance companies, third-party trustees, or into government-managed accounts consistent with local regulatory requirements, as applicable. Our total defined benefit plan pension expense was \$0.4 million for fiscal year 2018 and fiscal year 2017, respectively. The aggregate projected benefit obligation as of fiscal year 2018 and fiscal year 2017 was \$5.0 million and \$5.1 million, respectively. The aggregate net liability of our defined benefit plans as of fiscal year 2018 and fiscal year 2017 was \$4.2 million, respectively.

### **Issued Accounting Standards Not Yet Adopted**

Refer to Note 3 to the accompanying historical audited Combined Financial Statements included elsewhere in this Information Statement for a description of certain issued accounting standards that have not been adopted by us and may impact its results of operations in future reporting periods.

### **Critical Accounting Policies, Judgments and Estimates**

The preparation of financial statements in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, assumptions and judgments, including those related to revenue recognition; allowance for doubtful accounts and sales returns; accounting for deferred costs; accounting for internally developed software; the valuation of goodwill and intangible assets; accounting for business combinations; accounting for stock-based compensation; accounting for income taxes and related

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

valuation allowances; and loss contingencies. Our management bases its estimates on historical experience, market participant fair value considerations, projected future cash flows, and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

We believe the following critical accounting policies most significantly affect the portrayal of our financial condition and the results of our operations. These policies require our most difficult and subjective judgements.

***Revenue Recognition***

We primarily derive revenue from the following sources: (1) royalty-based software license arrangements, (2) connected services, and (3) professional services. Revenue is reported net of applicable sales and use tax, value-added tax and other transaction taxes imposed on the related transaction including mandatory government charges that are passed through to our customers. We account for a contract when both parties have approved and committed to the contract, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Our arrangements with customers may contain multiple products and services. We account for individual products and services separately if they are distinct—that is, if a product or service is separately identifiable from other items in the contract and if a customer can benefit from it on its own or with other resources that are readily available to the customer.

As of October 1, 2018, we adopted ASC 606 using the modified retrospective approach. For a reconciliation of our old accounting policy and ASC 606, please refer to our historical audited Combined Financial Statements and Unaudited Condensed Combined Financial Statements included elsewhere in this Information Statement. We currently recognize revenue after applying the following five steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract, including whether they are distinct within the context of the contract;
- determination of the transaction price, including the constraint on variable consideration;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, the performance obligations are satisfied.

We allocate the transaction price of the arrangement based on the relative estimated standalone selling price (“**SSP**”) of each distinct performance obligation. In determining SSP, we maximize observable inputs and consider a number of data points, including:

- the pricing of standalone sales (in the instances where available);
- the pricing established by management when setting prices for deliverables that are intended to be sold on a standalone basis;
- contractually stated prices for deliverables that are intended to be sold on a standalone basis; and
- other pricing factors, such as the geographical region in which the products are sold and expected discounts based on the customer size and type.

We only include estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. We reduce transaction prices for estimated returns and other allowances that represent variable consideration under ASC 606, which we estimate based on historical return experience and other relevant factors, and record a corresponding refund liability as a component of accrued expenses and other current liabilities. Other forms of contingent revenue or variable consideration are infrequent.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

Revenue is recognized when control of these services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

We assess the timing of the transfer of products or services to the customer as compared to the timing of payments to determine whether a significant financing component exists. In accordance with the practical expedient in ASC 606-10-32-18, we do not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to exist. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our services, not to receive or provide financing from or to customers. We do not consider set-up fees nor other upfront fees paid by our customers to represent a financing component.

*Performance Obligations*

*License*

Software and technology licenses sold with non-distinct professional services to customize and/or integrate the underlying software and technology are accounted for as a combined performance obligation. Revenue from the combined performance obligation is recognized over time based upon the progress towards completion of the project, which is measured based on the labor hours already incurred to date as compared to the total estimated labor hours. For income statement presentation purposes, we separate license revenue from professional services revenue based on their SSPs.

Revenue from distinct software and technology licenses, which do not require professional service to customize and/or integrate the software license, is recognized at the point in time when the software and technology is made available to the customer and control is transferred.

Revenue from software and technology licenses sold on a royalty basis, where the license of intellectual property is the predominant item to which the royalty relates, is recognized in the period the usage occurs in accordance with the practical expedient in ASC 606-10-55-65(A).

*Connected Services*

Connected services, which allow our customers to use the hosted software over the contract period without taking possession of the software, are provided on a usage basis as consumed or on a fixed fee subscription basis. Subscription basis revenue represents a single promise to stand-ready to provide access to our connected services. Our connected services contract terms generally range from one to five years.

As each day of providing services is substantially the same and the customer simultaneously receives and consumes the benefits as access is provided, we have determined that our connected services arrangements are a single performance obligation comprised of a series of distinct services. These services include variable consideration, typically a function of usage. We recognize revenue as each distinct service period is performed (i.e., recognized as incurred).

Our connected service arrangements generally include services to develop, customize, and stand-up applications for each customer. In determining whether these services are distinct, we consider dependence of the cloud service on the up-front development and stand-up, as well as availability of the services from other vendors. We have concluded that the up-front development, stand-up and customization services are not distinct performance obligations, and as such, revenue for these activities is recognized over the period during which the cloud-connected services are provided, and is included within connected services revenue.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

*Professional Services*

Revenue from distinct professional services, including training, is recognized over time based upon the progress towards completion of the project, which is measured based on the labor hours already incurred to date as compared to the total estimated labor hours.

*Significant Judgements*

Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Our license contracts often include professional services to customize and/or integrate the licenses into the customer's environment. Judgment is required to determine whether the license is considered distinct and accounted for separately, or not distinct and accounted for together with professional services.

Judgments are required to determine the SSP for each distinct performance obligation. When the SSP is directly observable, we estimate the SSP based upon the historical transaction prices, adjusted for geographic considerations, customer classes, and customer relationship profiles. In instances where the SSP is not directly observable, we determine the SSP using information that may include market conditions and other observable inputs. We may have more than one SSP for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, we may use information such as the size of the customer and geographic region in determining the SSP. Determining the SSP for performance obligations which we never sell separately also requires significant judgment. In estimating the SSP, we consider the likely price that would have resulted from established pricing practices had the deliverable been offered separately and the prices a customer would likely be willing to pay.

*Contract Acquisition Costs*

In conjunction with the adoption of ASC 606, we are required to capitalize certain contract acquisition costs. The capitalized costs primarily relate to paid commissions. In accordance with the practical expedient in ASC 606-10-10-4, we apply a portfolio approach to estimate contract acquisition costs for groups of customer contracts. We elect to apply the practical expedient in ASC 340-40-25-4 and will expense contract acquisition costs as incurred where the expected period of benefit is one year or less. Contract acquisition costs are deferred and amortized on a straight-line basis over the period of benefit, which we have estimated to be between one and five years. The period of benefit was determined based on an average customer contract term, expected contract renewals, changes in technology and our ability to retain customers, including canceled contracts. We assess the amortization term for all major transactions based on specific facts and circumstances. Contract acquisition costs are classified as current or noncurrent assets based on when the expense will be recognized. The current and noncurrent portions of contract acquisition costs are included in prepaid expenses and other current assets, respectively. As of March 31, 2019, contract acquisition costs were not material to the condensed combined financial statements.

*Capitalized Contract Costs*

We capitalize incremental costs incurred to fulfill our contracts that (i) relate directly to the contract, (ii) are expected to generate resources that will be used to satisfy our performance obligation under the contract, and (iii) are expected to be recovered through revenue generated under the contract. Our capitalized costs consist primarily of setup costs, such as costs to standup, customize and develop applications for each customer, which are incurred to satisfy our stand-ready obligation to provide access to our connected offerings. These contract costs are expensed to cost of revenue as we satisfy our stand-ready obligation over the contract term which we estimate to be between one and five years, on average. The contract term was determined based on an average customer contract term, expected contract renewals, changes in technology, and our ability to retain customers, including canceled contracts. We classify these costs as current or noncurrent based on the timing of when we

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

expect to recognize the expense. The current and noncurrent portions of capitalized contract fulfillment costs are presented as deferred costs. As of March 31, 2019, we had \$43.1 million of capitalized contract costs. We had amortization expense of \$5.5 million related to these costs during the six months ended March 31, 2019. There was no impairment related to contract fulfillment costs capitalized.

*Trade Accounts Receivable and Contract Balances*

We classify our right to consideration in exchange for deliverables as either a receivable or a contract asset. A receivable is a right to consideration that is unconditional (i.e., only the passage of time is required before payment is due). We present such receivables in accounts receivable, net in our condensed combined balance sheets at their net estimated realizable value. We maintain an allowance for doubtful accounts to provide for the estimated amount of receivables that may not be collected. The allowance is based upon an assessment of customer creditworthiness, historical payment experience, the age of outstanding receivables and other applicable factors.

Our contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. Contract assets include unbilled amounts from long-term contracts when revenue recognized exceeds the amount billed to the customer, and right to payment is not solely subject to the passage of time. Contract assets are included in prepaid expenses and other current assets. As of the second quarter of fiscal 2019, we had \$13.6 million of contract assets.

Our contract liabilities, or deferred revenue, consist of advance payments and billings in excess of revenues recognized. We classify deferred revenue as current or noncurrent based on when we expect to recognize the revenues. As of the second quarter of fiscal 2019, we had \$345.7 million of deferred revenue.

***Business Combinations***

We determine and allocate the purchase price of an acquired company to the tangible and intangible assets acquired and liabilities assumed as of the business combination date. Results of operations and cash flows of acquired companies are included in our operating results from the date of acquisition. The purchase price allocation process requires us to use significant estimates and assumptions as of the date of the business acquisition, including fair value estimates such as:

- estimated fair values of intangible assets;
- estimated fair values of legal performance commitments to customers, assumed from the acquiree under existing contractual obligations (classified as deferred revenue) at the date of acquisition;
- estimated income tax assets and liabilities assumed from the acquiree; and
- estimated fair value of pre-acquisition contingencies from the acquiree.

While we use our best estimates and assumptions to determine the fair values of assets acquired and liabilities assumed at the date of acquisition, our estimates and assumptions are inherently uncertain and subject refinement. As a result, within the measurement period, which is generally one year from the date of acquisition, we record adjustments to the assets acquired and liabilities assumed against goodwill in the period the amounts are determined. Adjustments identified subsequent to the measurement period are recorded within Acquisition-related costs, net.

Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Examples of critical estimates in valuing certain of the intangible assets we have acquired or may acquire in the future include but are not limited to:

- future expected cash flows from software license sales, support agreements, consulting contracts, connected services, other customer contracts and acquired developed technologies and patents;

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

- expected costs to develop in-process R&D projects into commercially viable products and the estimated cash flows from the projects when completed;
- the acquired company's brand and competitive position, as well as assumptions about the period during which the acquired brand will continue to be used in the combined company's product portfolio; and
- discount rates.

Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual results.

In connection with the purchase price allocations for our acquisitions, we estimate the fair market value of legal performance commitments to customers, which are classified as deferred revenue. The estimated fair market value of these obligations is determined and recorded as of the acquisition date.

We may identify certain pre-acquisition contingencies. If, during the purchase price allocation period, we are able to determine the fair values of a pre-acquisition contingencies, we will include that amount in the purchase price allocation. If we are unable to determine the fair value of a pre-acquisition contingency at the end of the measurement period, we will evaluate whether to include an amount in the purchase price allocation based on whether it is probable a liability had been incurred and whether an amount can be reasonably estimated. Subsequent to the end of the measurement period, any adjustment to amounts recorded for a pre-acquisition contingency will be included within acquisition-related cost, net in the period in which the adjustment is determined.

***Goodwill Impairment Analysis***

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill and intangible assets with indefinite lives are not amortized, but rather the carrying amounts of these assets are assessed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Goodwill is tested for impairment annually on July 1, the first day of the fourth quarter of the fiscal year. In fiscal year 2017, we elected to early adopt ASU 2017-04, "Simplifying the Test for Goodwill Impairment" ("[ASU 2017-04](#)"), for its annual goodwill impairment test. ASU 2017-04 removes Step 2 of the goodwill impairment test requiring a hypothetical purchase price allocation. Goodwill impairment, if any, is determined by comparing the reporting unit's fair value to its carrying value. An impairment loss is recognized in an amount equal to the excess of the reporting unit's carrying value over its fair value, up to the amount of goodwill allocated to the reporting unit. There was no goodwill impairment for the six months ended March 31, 2019.

For the purpose of testing goodwill for impairment, all goodwill acquired in a business combination is assigned to one or more reporting units. A reporting unit represents an operating segment or a component within an operating segment for which discrete financial information is available and is regularly reviewed by segment management for performance assessment and resource allocation. Components of similar economic characteristics are aggregated into one reporting unit for the purpose of goodwill impairment assessment. Reporting units are identified annually and re-assessed periodically for recent acquisitions or any changes in segment reporting structure.

Corporate assets and liabilities are allocated to each reporting unit based on the reporting unit's revenue, total operating expenses or operating income as a percentage of the consolidated amounts. Corporate debt and other financial liabilities that are not directly attributable to the reporting unit's operations and would not be transferred to hypothetical purchasers of the reporting units are excluded from a reporting unit's carrying amount.

The fair value of a reporting unit is generally determined using a combination of the income approach and the market approach. For the income approach, fair value is determined based on the present value of estimated

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

future after-tax cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future after-tax cash flows and estimate the long-term growth rates based on our most recent views of the long-term outlook for each reporting unit. Actual results may differ from those assumed in our forecasts. We derive our discount rates using a capital asset pricing model and analyzing published rates for industries relevant to our reporting units to estimate the weighted average cost of capital. We adjust the discount rates for the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. For the market approach, we use a valuation technique in which values are derived based on valuation multiples of comparable publicly traded companies. We assess each valuation methodology based upon the relevance and availability of the data at the time we perform the valuation and weight the methodologies appropriately.

***Long-Lived Assets with Definite Lives***

Our long-lived assets consist principally of technology, customer relationships, internally developed software, land, building, and equipment. Customer relationships are amortized over their estimated economic lives based on the pattern of economic benefits expected to be generated from the use of the asset. Other definite-lived assets are amortized over their estimated economic lives using the straight-line method. The remaining useful lives of long-lived assets are re-assessed periodically at the asset group level for any events and circumstances that may change the future cash flows expected to be generated from the long-lived asset or asset group.

Internally developed software consists of capitalized costs incurred during the application development stage, which include costs related design of the software configuration and interfaces, coding, installation and testing. Costs incurred during the preliminary project stage and post-implementation stage are expensed as incurred. Internally developed software is amortized over the estimated useful life, commencing on the date when the asset is ready for its intended use. Land, building and equipment are stated at cost and depreciated over their estimated useful lives. Leasehold improvements are depreciated over the shorter of the related lease term or the estimated useful life. Depreciation is computed using the straight-line method. Repair and maintenance costs are expensed as incurred. The cost and related accumulated depreciation of sold or retired assets are removed from the accounts and any gain or loss is included in the results of operations for the period.

Long-lived assets with definite lives are tested for impairment whenever events or changes in circumstances indicate the carrying value of a specific asset or asset group may not be recoverable. We assess the recoverability of long-lived assets with definite-lives at the asset group level. Asset groups are determined based upon the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. When the asset group is also a reporting unit, goodwill assigned to the reporting unit is also included in the carrying amount of the asset group. For the purpose of the recoverability test, we compare the total undiscounted future cash flows from the use and disposition of the assets with its net carrying amount. When the carrying value of the asset group exceeds the undiscounted future cash flows, the asset group is deemed to be impaired. The amount of the impairment loss represents the excess of the asset or asset group's carrying value over its estimated fair value, which is generally determined based upon the present value of estimated future pre-tax cash flows that a market participant would expect from use and disposition of the long-lived asset or asset group. There were no long-lived asset impairments for the six months ended March 31, 2019.

***Stock-Based Compensation***

We recognize stock-based compensation expense over the requisite service period, based on the grant date fair value of the awards and the number of the awards expected to be vested based upon service and performance conditions. The fair value of restricted stock units is determined based on the number of shares granted and the quoted price of our common stock, and the fair value of stock options is estimated on the date of grant using the Black-Scholes model. Determining the fair value of share-based awards at the grant date requires judgment, including estimating expected dividends, share price volatility, forfeiture rates and the number of performance-based restricted stock units expected to be granted. If actual results differ significantly from these estimates, the actual stock-based compensation expense may significantly differ from our estimates.



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

***Income Taxes***

Income taxes as presented herein attribute current and deferred income taxes of Nuance to the Cerence business' standalone financial statements in a manner that is systematic, rational, and consistent with the asset and liability method prescribed by ASC No. 740, "Income Taxes" ("**ASC 740**"). Accordingly, the Cerence business' income tax provision was prepared following the "Separate Return Method." The Separate Return Method applies ASC 740 to the standalone financial statements of each member of the consolidated group as if the group member were a separate taxpayer and a standalone enterprise. As a result, actual tax transactions included in the consolidated financial statements of Nuance may not be included in the combined financial statements of the Cerence business. Similarly, the tax treatment of certain items reflected in the combined financial statements of Cerence may not be reflected in the consolidated financial statements and tax returns of Nuance; therefore, such items as net operating losses, credit carryforwards and valuation allowances may exist in the standalone financial statements that may or may not exist in Nuance's consolidated financial statements.

The breadth of the Cerence business' operations and the global complexity of tax regulations require assessments of uncertainties and judgments in estimating taxes that the Cerence business would have paid if it had been a separate taxpayer. The final taxes that would have been paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, state and international tax audits in the normal course of business. The provision for income taxes is determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. This method also requires the recognition of future tax benefits relating to net operating loss carryforwards and tax credits, to the extent that realization of such benefits is more likely than not after consideration of all available evidence. The provision for income taxes represents income taxes paid by Nuance or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax basis of the Cerence business' assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. In assessing the need for a valuation allowance, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets. The weights assigned to the positive and negative evidence are commensurate with the extent to which the evidence may be objectively verified. If positive evidence regarding projected future taxable income, exclusive of reversing taxable temporary differences, existed, it would be difficult for it to outweigh objective negative evidence of recent financial reporting losses.

In general, the taxable income (loss) of the various Cerence business entities was included in Nuance's consolidated tax returns, where applicable in jurisdictions around the world. As such, separate income tax returns were not prepared for any Cerence business entities. Consequently, income taxes currently payable are deemed to have been remitted to Nuance, in cash, in the period the liability arose and income taxes currently receivable are deemed to have been received from Nuance in the period that a refund could have been recognized by the Cerence business had the Cerence business been a separate taxpayer.

***Loss Contingencies***

Cerence may be subject to legal proceedings, lawsuits and other claims relating to labor, service, intellectual property, and other matters that arise from time to time in the ordinary course of business. On a quarterly basis, we review the status of each significant matter and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. Significant judgments are required for the determination of probability and the range of the outcomes. Due to the inherent uncertainties, estimates are based only on the best information available at the time. Actual outcomes may differ from our estimates. As additional information becomes

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Such revisions may have a material impact on our results of operations and financial position. As of the second quarter of fiscal 2019, Cerence was not engaged in or subject to legal proceedings, lawsuits, or other claims that could give rise to loss contingencies.

**Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to market risk from changes in foreign currency exchange rates, interest rates and equity prices which could affect operating results, financial position and cash flows. We manage our exposure to these market risks through our regular operating and financing activities and, when appropriate, through the use of derivative financial instruments.

***Exchange Rate Sensitivity***

We are exposed to changes in foreign currency exchange rates. Any foreign currency transaction, defined as a transaction denominated in a currency other than the local functional currency, will be reported in the functional currency at the applicable exchange rate in effect at the time of the transaction. A change in the value of the functional currency compared to the foreign currency of the transaction will have either a positive or negative impact on our financial position and results of operations.

Assets and liabilities of our foreign entities are translated into U.S. dollars at exchange rates in effect at the balance sheet date and income and expense items are translated at average rates for the applicable period. Therefore, the change in the value of the U.S. dollar compared to foreign currencies will have either a positive or negative effect on our financial position and results of operations. Historically, our primary exposure has been related to transactions denominated in the Canadian dollar, Chinese yuan, Euro, British pound, Japanese yen, and Korean won. Based on the nature of the transactions for which our contracts are purchased, a hypothetical 10% change in exchange rates would not have a material impact on the financial results of the Cerence business.

We have the ability to enter into forward exchange contracts to hedge against foreign currency fluctuations when necessary. The Cerence business did not maintain any hedging instruments in any of the historical or interim periods presented in the accompanying combined financial statements.

***Interest Rate Sensitivity***

Historically, the Cerence business has not maintained financial instruments that would be exposed to interest rate risk. Since interest bearing financial instruments maintained at Nuance were not specifically identifiable to the Cerence business, interest rate risk has not impacted any of the historical or interim periods presented in the accompanying combined financial statements.

We anticipate that we will be exposed to interest rate risk as a result of our indebtedness related to senior secured credit facilities in connection with Spin-Off. We expect to be subject to interest rate risk because the borrowings under our senior secured credit facilities will be subject to interest rates based on LIBOR. Assuming a 1% increase in interest rates and our revolving credit facility is fully drawn, our interest expense on our senior secured credit facilities would increase by approximately \$ \_\_\_\_\_ per annum.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**MANAGEMENT**

The following table presents information concerning our executive officers and directors following the Spin-Off, including a five-year employment history.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Sanjay Dhawan	55	Chief Executive Officer and Director
Mark Gallenberger	55	Chief Financial Officer
Stefan Ortmanns	55	Executive Vice President
Leanne Fitzgerald	53	General Counsel

The following are brief biographies describing the backgrounds of the executive officers and directors of the Company.

**Sanjay Dhawan**

Mr. Dhawan will be appointed our Chief Executive Officer on [redacted]. From July 2019 until such appointment, Mr. Dhawan has served in the position of Advisor to the Automotive Division of Nuance. From 2015 to 2019, Mr. Dhawan served as President of the Connected Services Division and Chief Technology Officer of Harman Industries International. Prior to joining Harman, he served as President and Chief Executive Officer of Symphony Teleca Corporation since 2010. Mr. Dhawan holds a Master's degree in Electrical Engineering from Brunel University, England, and a Bachelor of Science degree in Electronics and Communications from REC Kurukshetra, India. With more than 30 years of technology leadership and extensive experience in the automotive industry, Mr. Dhawan brings a deep understanding of AI and machine learning applications, with particular focus on developing solutions at the intersection of devices, sensors, cloud solutions and data integration, all of which we believe makes him well qualified to serve as a member of our Board.

**Mark Gallenberger**

Mr. Gallenberger will be appointed our Chief Financial Officer on [redacted]. From July 2019 until such appointment, Mr. Gallenberger has served in the position of Finance Executive to the Automotive Division of Nuance. Prior to joining Nuance, he served as Senior Vice President, Chief Operating Officer, Chief Financial Officer and Treasurer of Xcerra Corporation from 2014 to 2018. Mr. Gallenberger previously served as Xcerra's Vice President, Chief Financial Officer and Treasurer from 2000 to 2014. Prior to joining Xcerra, Mr. Gallenberger was a Vice President with Cap Gemini, Ernst & Young's consulting practice. During his six years with Ernst & Young, Mr. Gallenberger established the Deals & Acquisitions Group, where he was involved in numerous domestic and international strategic acquisitions, joint ventures, alliances and equity investments. Prior to joining Ernst & Young, Mr. Gallenberger served in several technical and management positions within Digital Equipment Corporation's semiconductor products group. Mr. Gallenberger holds an M.B.A. degree from J.L. Kellogg School of Management, Northwestern University and a B.S. in electrical engineering degree from Rochester Institute of Technology.

**Stefan Ortmanns**

Mr. Ortmanns will be appointed our Executive Vice President on [redacted]. Mr. Ortmanns joined Nuance in 2003 and has served as its Executive Vice President and General Manager of the Automotive Division since [redacted].

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

March 2018. As GM of the Automotive Division, Mr. Ortmanns has been responsible for hybrid, conversational AI-powered solutions for the digital car and automotive related services that are used by almost all of the world's leading automotive manufacturers. He previously held other positions at Nuance including SVP of Engineering and Professional Services for the former Mobile Division. Mr. Ortmanns started working in the speech industry in 1993. Before he joined Nuance, he worked at Philips Speech Processing, Bell Labs, Lucent Technologies, and the University of Technology Aachen. He holds degrees in mechanical engineering, computer science and a Ph.D. in computer science.

**Leanne Fitzgerald**

Ms. Fitzgerald will be appointed our General Counsel and Secretary on [redacted]. Ms. Fitzgerald joined Nuance in 2008 and has served as its Vice President, Associate General Counsel, Corporate, Securities and Compliance and Assistant Secretary since 2018. Previously, Ms. Fitzgerald served as Vice President, Associate General Counsel and Assistant Secretary since 2014, and Associate General Counsel Intellectual Property since 2008. Prior to joining Nuance, she served in a variety of positions with increasing responsibility in the legal department at EMC Corporation from 1994 to 2008, culminating as Associate General Counsel. Ms. Fitzgerald holds a B.S. in engineering from the University of Massachusetts at Amherst and a J.D. from the University of New Hampshire School of Law, the Franklin Pierce Law Center.

**Our Board of Directors Following the Spin-Off and Director Independence**

Immediately following the Spin-Off, we expect that our Board will be comprised of seven directors. A majority of our directors will meet the independence requirements set forth in the Nasdaq rules at the time of the Spin-Off.

**Committees of the Board**

Effective upon the completion of the Spin-Off, our Board will have the following committees, each of which will operate under a written charter that will be posted on our website prior to the Spin-Off.

***Audit Committee***

The Audit Committee will be established in accordance with Section 3(a)(58)(A) and Rule 10A-3 under the Exchange Act. The responsibilities of our Audit Committee will be more fully described in our Audit Committee charter, and we anticipate that they will include, among other duties:

- reviewing the engagement of our independent registered public accounting firm;
- reviewing our annual financial statements;
- considering matters relating to our accounting policy and internal controls;
- reviewing whether non-audit services provided by the independent registered public accounting firm affect the accountants' independence; and
- reviewing the scope of our annual audits.

The Audit Committee will have at least three members and will consist entirely of independent directors, each of whom will meet the independence requirements set forth in the Nasdaq rules and Rule 10A-3 under the

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

Exchange Act. Each member of the Audit Committee will be financially literate, and at least one member of the Audit Committee will have accounting and related financial management expertise and satisfy the criteria to be an “audit committee financial expert” under the rules and regulations of the SEC, as those qualifications are interpreted by our Board in its business judgment. The initial members of the Audit Committee will be determined prior to the Spin-Off.

***Compensation Committee***

The responsibilities of our Compensation Committee will be more fully described in our Compensation Committee charter, and we anticipate that they will include, among other duties:

- overseeing compensation plans and benefits programs applicable to our executive officers;
- approving the compensation of our executive officers; and
- overseeing the administration of our cash and equity-based incentive compensation plans that are stockholder approved and/or where participants include executive officers and directors.

Pursuant to the phase-in provisions of the Nasdaq rules and Rule 10C-1 under the Exchange Act, as of the date of listing on Nasdaq, the Compensation Committee will consist of at least one independent director; within ninety days of the date of effectiveness of the registration statement, a majority of the Compensation Committee will consist of independent directors; and within one year of the date of effectiveness of the registration statement, the Compensation Committee will consist solely of independent directors. The members of our Compensation Committee will be “non-employee directors” (within the meaning of Rule 16b-3 under the Exchange Act). The initial members of our Compensation Committee will be determined prior to the Spin-Off.

***Nominating and Governance Committee***

The responsibilities of our Nominating and Governance Committee will be more fully described in our Nominating and Governance Committee charter, and we anticipate that they will include, among other duties:

- overseeing our corporate governance practices;
- considering and reporting to our Board on matters relating to the identification, selection and qualification of candidates to serve as directors;
- recommending to our Board on an annual basis the candidates to be nominated by our Board for election as directors at our annual meeting of stockholders; and
- overseeing our Board’s annual self-evaluation.

Pursuant to the phase-in provisions of the Nasdaq rules, as of the date of listing on Nasdaq, the Nominating and Governance Committee will consist of at least one independent director; within ninety days of the date of effectiveness of the registration statement, a majority of the Nominating and Governance Committee will consist of independent directors; and within one year of the date of effectiveness of the registration statement, the Nominating and Governance Committee will consist solely of independent directors. The initial members of the Nominating and Governance Committee will be determined prior to the Spin-Off.

***Code of Business Conduct and Ethics***

Prior to the completion of the Spin-Off, we will adopt a written code of business ethics that is designed to deter wrongdoing and to promote, among other things:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- the avoidance of conflicts of interest, including disclosure to an appropriate person or persons identified in the code of any transaction or relationship that reasonably could be expected to give rise to such a conflict;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in other public communications we make;
- compliance with applicable governmental laws, rules and regulations;

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

- adherence to all policies, including but not limited to Foreign Corrupt Trade Practices and insider trading policies;
- the prompt internal reporting to an appropriate person or persons identified in the code of violations of the code; and
- accountability for adherence to the code.

**Director Nomination Process**

Our initial Board will be selected through a process involving both Nuance and us. The initial directors who will serve after the Spin-Off will begin their terms at the time of the Distribution, with the exception of one independent director who will begin his or her term prior to the date on which “when-issued” trading of our common stock commences and will serve on our Audit Committee, Compensation Committee and Nominating and Governance Committee.

**Communications with Members of the Board of Directors**

Although we do not expect to have a formal policy regarding communications with our Board, we expect to provide instructions so that stockholders who are interested in communicating with our Board will be able to do so by writing to us at Cerence Inc., Attention: Corporate Secretary, 15 Wayside Road, Burlington, MA 01803. Stockholders who would like their submission directed to a particular member of our Board would be able to specify.

**Director Compensation**

We expect to adopt a compensation program for our non-employee directors effective upon the completion of the Spin-Off that consists of a combination of annual cash retainer fees and equity-based compensation. Directors who are also employees of SpinCo will not receive any additional compensation for their service as a director.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**EXECUTIVE AND DIRECTOR COMPENSATION**

We are currently part of Nuance and not an independent company and our Compensation Committee has not yet been formed. The historical compensation shown below was determined by Nuance. Prior to the Distribution, we will continue to be a part of Nuance, and therefore, compensation of our executives will be determined based on the design and objectives of the Nuance executive compensation programs. Future compensation levels of our executives will be determined based on the compensation policies, programs and procedures to be established by the Compensation Committee that our Board will form in connection with the Distribution. Accordingly, the amounts and forms of compensation reported below are not necessarily indicative of the compensation that our Named Executive Officers will receive following the Distribution, which could be higher or lower than the amounts shown below. All references in the following tables to equity awards are to equity awards granted by Nuance in respect of Nuance common stock.

The “Named Executive Officers” for purposes of the disclosure set forth below are Sanjay Dhawan, who will serve as our Chief Executive Officer following the Distribution, and the expected next two highest paid executive officers, Mark Gallenberger, who will serve as our Chief Financial Officer following the Distribution, and Stefan Ortmanns, who will serve as our Executive Vice President following the Distribution. The information set forth below reflects compensation paid to or earned by Mr. Ortmanns, the only Named Executive Officer that was also designated as an officer of Nuance in fiscal year 2018. Because neither of Messrs. Dhawan or Gallenberger were employed by Nuance during the 2018 fiscal year, the compensation tables set forth below do not include information with respect to their historic compensation.

### Summary Compensation Table

The Summary Compensation Table shows the compensation paid to or earned by the Cerence Named Executive Officer listed below for 2018 under Nuance’s compensation programs and plans. Following the separation, Named Executive Officers will receive compensation and benefits under our compensation programs and plans.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Stock Awards (\$)</u>	<u>Non-Equity Incentive Plan Compensation (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
Stefan Ortmanns Executive Vice President and General Manager Automotive Division	2018	\$315,944(1)	—	\$1,645,918(2)	\$ 136,603(3)	\$ 21,049(1)	\$2,119,514

- (1) This amount reflects the compensation paid to Mr. Ortmanns by Nuance, in respect of his role as Executive Vice President and General Manager Automotive Division prior to the Spin-Off. Mr. Ortmanns’ compensation was originally denominated in euros and the amount above uses an exchange ratio of 1.165097.
- (2) This amount represents the grant date fair value calculated in accordance with FASB ASC Topic 718 with respect to the grant of restricted stock units and performance stock units. Assumptions used in calculating these amounts are described in Note 3 to our Audited Combined Financial Statements, included elsewhere in this Information Statement.
- (3) This amount represents Mr. Ortmanns’ fiscal year 2018 bonus, which was granted pursuant to Nuance’s Bonus Program. The value reflected in the table was converted into, and paid in the form of, 8,543 shares of Nuance common stock.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**SpinCo's Anticipated Executive Compensation Programs**

***Offer Letters with our Named Executive Officers***

*CEO Offer Letter.* On February 14, 2019, Nuance entered into an offer letter with Sanjay Dhawan providing for his appointment as Chief Executive Officer of SpinCo, in connection with the completion of the Spin-Off. The letter provides Mr. Dhawan with an annual base salary of \$600,000 and an initial cash incentive target opportunity equal to 100% of his annual base salary, prorated with respect to fiscal year 2019, and up to 150% of his annual cash base salary for subsequent years beyond 2019. In connection with the Spin-Off, Mr. Dhawan is also eligible to receive an initial grant of restricted stock units ("**RSUs**") and performance-based RSUs ("**PSUs**"), having an aggregate grant date fair value of \$3,000,000, divided equally between the RSUs and PSUs. The RSUs will be scheduled to vest as to one third of the RSUs on each of the first three anniversaries of the grant date, subject to Mr. Dhawan's continued service with SpinCo through each vesting date. The PSUs will be eligible to vest at up to 200% of target, with the vesting period and other terms to be determined by the Board. Mr. Dhawan will also be entitled to receive a one-time make-whole grant of a number of RSUs ("**Make-Whole RSUs**") having a grant date fair value of \$5,000,000, which will vest on the same schedule as the initial RSUs.

*CFO Offer Letter.* On June 12, 2019, Nuance entered into an offer letter with Mark Gallenberger providing for his appointment as Chief Financial Officer of SpinCo, in connection with the completion of the Spin-Off. The letter provides Mr. Gallenberger with an annual base salary of \$400,000 and a cash incentive target opportunity equal to 75% of his annual base salary, prorated for any partial year. In connection with the Spin-Off, Mr. Gallenberger is also eligible to receive an initial grant of RSUs and PSUs, having an aggregate grant date fair value of \$1,200,000, divided equally between the RSUs and PSUs. The RSUs will be scheduled to vest as to one-third of the RSUs on each of the first three anniversaries of the grant date, subject to Mr. Gallenberger's continued service with SpinCo through each vesting date. The PSUs will be eligible to vest at up to 200% of target, with the vesting period and other terms to be determined by our Board.

***Change of Control and Severance Agreements with our Named Executive Officers***

*CEO Change of Control and Severance Agreement.* Pursuant to the Change of Control and Severance Agreement between Mr. Dhawan and SpinCo, upon a termination of Mr. Dhawan's employment by SpinCo without "cause", Mr. Dhawan will be entitled to a lump sum cash payment equal to the sum of (i) 24 months of base salary, (ii) 100% of his target annual bonus for the fiscal year in which such termination of employment occurs, and (iii) a prorated target annual bonus for the fiscal year in which such termination occurs. In addition, Mr. Dhawan would be entitled to 18 months of COBRA premiums and accelerated vesting of the initial RSUs and the Make-Whole RSUs, as well as any other Company equity awards that would otherwise vest solely on the basis of his continued employment and that would have vested within the 12 months immediately following the date of termination of employment.

In the case of a termination without "cause" or a resignation for "good reason" within 12 months following a change of control of SpinCo, Mr. Dhawan is entitled to a lump sum cash payment equal to the sum of (i) 30 months of base salary, (ii) 200% of his target annual bonus for the fiscal year in which such termination of employment occurs, and (iii) a prorated target annual bonus for the fiscal year in which such termination occurs. In addition, Mr. Dhawan would be entitled to 18 months of COBRA premiums and accelerated vesting of all Company equity awards that have been previously awarded to Mr. Dhawan that vest on the basis of his continued employment, including the initial RSUs and the Make-Whole RSUs, as well as all of the initial PSUs then outstanding and eligible to vest based on his continued employment.

Upon a change of control, whether or not Mr. Dhawan is terminated, all of the initial PSUs shall be deemed earned based on actual performance as measured through such change of control, and such initial PSUs shall thereafter be subject to time-based vesting based on Mr. Dhawan's continued employment for the remainder of the original performance period.



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

The receipt of any severance payments or benefits is subject to Mr. Dhawan’s execution and non-revocation of a separation agreement and release of claims as well as continued compliance with the terms of any agreements concerning inventions, confidentiality, or restrictive covenants.

*CFO Change of Control and Severance Agreement.* Pursuant to the Change of Control and Severance Agreement between Mr. Gallenberger and SpinCo, upon a termination of Mr. Gallenberger’s employment by SpinCo without “cause”, Mr. Gallenberger will be entitled to a lump sum cash payment equal to the sum of (i) 12 months of base salary and (ii) a prorated target annual bonus for the fiscal year in which such termination occurs. In addition, Mr. Gallenberger would be entitled to 12 months of COBRA premiums and accelerated vesting of a prorated portion of any then-outstanding and unvested Company equity awards that would otherwise vest solely on the basis of his continued employment and that would have vested on the next scheduled vesting date.

In the case of a termination without “cause” or a resignation for “good reason” within 12 months following a change of control of SpinCo, Mr. Gallenberger is entitled to a lump sum cash payment equal to the sum of (i) 12 months of base salary and (ii) 100% of his target annual bonus for the fiscal year in which such termination of employment occurs. In addition, Mr. Gallenberger would be entitled to 12 months of COBRA premiums and accelerated vesting of all Company equity awards that have been previously awarded to Mr. Gallenberger that vest on the basis of his continued employment.

Upon a change of control, whether or not Mr. Gallenberger is terminated, all of the initial PSUs shall be deemed earned based on actual performance as measured through such change of control, and such initial PSUs shall thereafter be subject to time-based vesting based on Mr. Gallenberger’s continued employment for the remainder of the original performance period.

The receipt of any severance payments or benefits is subject to Mr. Gallenberger’s execution and non-revocation of a separation agreement and release of claims as well as continued compliance with the terms of any agreements concerning inventions, confidentiality, or restrictive covenants.

**Fiscal 2018 Outstanding Equity Awards At Fiscal Year-End Table**

The following table sets forth all outstanding equity awards held by the Cerence Named Executive Officer listed below as of September 30, 2018. The equity awards were all in the form of Nuance RSUs and PSUs. For purposes of valuing the outstanding awards, the amounts below are based on a per-share price of \$17.32 for the Nuance common stock, which was the closing market price of the Nuance common stock as reported on the Nasdaq on September 28, 2018, the last business day of the fiscal year.

<b>Name</b>	<b>Grant Date</b>	<b>Number of Shares or Units of Stock That Have Not Vested (#)</b>	<b>Market Value of Shares or Units of Stock That Have Not Vested (\$)</b>	<b>Equity Incentive Plan Awards: Number of Unearned Shares, or Units or Other Rights That Have Not Vested (#) (1)</b>	<b>Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)</b>
Stefan Ortmanns	12/1/2015	—	—	8,500(5)	\$ 147,220
	12/22/2016	10,750(2)	\$ 186,190	18,250(6)	\$ 316,090
	1/16/2018	21,500(3)	\$ 372,380	10,750(7)	\$ 186,190
	3/28/2018	17,750(4)	\$ 307,430	7,500(8)	\$ 129,900

(1) This table does not include PSUs that were authorized in fiscal year 2017 and fiscal year 2018 but for which performance targets were not established until after fiscal year 2018. On November 6, 2018, Nuance’s compensation committee aligned these PSUs to one-year and two-year TSR metrics with a payout scale of 0% -150% based on achievement of the c’s stock performance against the S&P Software & Services Select Industry Index.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

- (2) These RSUs vest on September 30, 2019.
- (3) These RSUs vest in equal installments on September 30, 2019 and September 30, 2020.
- (4) 12,000 RSUs vest on September 30, 2019 and 5,750 RSUs vest on September 30, 2020.
- (5) Represents 8,500 PSUs that will vest only upon the achievement of certain pre-established performance objectives, 3,447 of which vested in November 2018.
- (6) Represents 18,250 PSUs that will vest only upon the achievement of certain pre-established performance objectives, 7,400 of which vested in November 2018.
- (7) Represents 10,750 PSUs that will vest only upon the achievement of certain pre-established performance objectives, 4,359 of which vested in November 2018.
- (8) Represents 7,500 PSUs that will vest only upon the achievement of certain pre-established performance objectives, 3,041 of which vested in November 2018.

**Equity Plan**

Prior to the Spin-Off, we expect our Board to adopt, and Nuance, as our sole stockholder, to approve, the Equity Plan for the benefit of certain of our current and future employees and other service providers. The following summary describes what we anticipate to be the material terms of the Equity Plan.

When approved by our Board and Nuance, as our sole stockholder, the full text of the Equity Plan will be included as an exhibit to a current report on Form 8-K filed with the SEC, and the following discussion is qualified in its entirety by reference to such text.

***Purpose of the Equity Plan***

The purpose of the Equity Plan would be to aid Cerence in recruiting and retaining highly qualified employees and other service providers who are capable of assuring the future success of Cerence. We expect that awards of stock-based compensation and opportunities for stock ownership in Cerence will provide incentives to our employees and other service providers to exert their best efforts for the success of our business and thereby align their interests with those of our stockholders.

***Shares Available for Awards***

If the Equity Plan is approved by our Board and Nuance, as our sole stockholder, it is expected that the maximum aggregate number of shares of our common stock that may be issued under all stock-based awards granted under the Equity Plan would be . In addition, it is expected that the Equity Plan will contain a limit on the number of shares of common stock available for grant in the form of incentive stock options.

Under the Equity Plan, it is expected that Cerence will have the flexibility to grant different types of equity compensation awards, including stock options, stock appreciation rights, restricted stock and unrestricted, RSUs and other awards based, in whole or in part, on the value of Cerence equity. The grant, vesting, exercise and settlement of awards granted under the Equity Plan may be subject to the satisfaction of time- or performance-based conditions.

In the event of a stock dividend, stock split or combination of shares (including a reverse stock split), recapitalization or other change in our capital structure that constitutes an equity restructuring within the meaning of FASB ASC 718, our Compensation Committee shall make adjustments that it deems equitable or appropriate, in its sole discretion, including adjustments to the share limits described above, the number and type of shares subject to outstanding awards, and/or the purchase or exercise price of outstanding awards. In the case of any unusual or nonrecurring event (including events described in the preceding sentence) affecting Cerence or changes in applicable laws, regulations or accounting principles, our Compensation Committee may make adjustments to outstanding awards in order to prevent dilution or enlargement of the benefits intended to be provided under the Equity Plan.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

***Eligibility***

It is expected that employees, directors and certain other service providers of Cerence or its subsidiaries would be eligible to receive awards under the Equity Plan.

***Administration***

It is expected that our Compensation Committee would have the authority to administer the Equity Plan, including the authority to select the persons who receive awards, determine the number of shares subject to the awards and establish the terms and conditions of the awards, consistent with the terms of the Equity Plan. Subject to the expected provisions of the Equity Plan, our Compensation Committee may specify the circumstances under which the exercisability or vesting of awards may be accelerated or whether awards or amounts payable under awards may be deferred. Our Compensation Committee may waive or amend the terms of an award, consistent with the terms of the Equity Plan, but may not reprice a stock option or stock appreciation right, whether through amendment, cancellation and replacement, or exchange for cash or any other awards. Our Compensation Committee would have the authority to interpret the Equity Plan and establish rules for the administration of the Equity Plan. It is expected that the Equity Plan will provide that our Compensation Committee may delegate its powers and duties under the Equity Plan to one or more directors or other individuals as it determines.

The Board may also exercise the powers of our Compensation Committee with respect to the Equity Plan and awards granted thereunder at any time.

***Director Compensation***

Upon completion of the separation and combination, we will compensate our independent directors with an annual cash retainer of \$100,000, plus an annual equity grant equal to \$125,000, as well as reimbursement for travel or other expenses incurred in connection with their service. The chairs of the Audit Committee and the Compensation Committee will each receive an additional annual retainer of \$15,000 and \$12,500, respectively.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

As of the date of this Information Statement, Nuance beneficially owns all of the outstanding shares of our common stock. After the Sale Transaction and the Spin-Off, subject to obtaining a private letter ruling from the IRS, Nuance may retain no more than approximately 18.5% of our common stock. For a description of certain voting arrangements relating to the shares of our common stock retained by Nuance, see “Certain Relationships and Related Party Transactions—Relationship with Nuance Following the Separation.”

The following table provides information regarding the anticipated beneficial ownership of our common stock at the time of the Distribution by:

- each of our stockholders whom we believe (based on the assumptions described below) will beneficially own more than 5% of our outstanding common stock;
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

Except as otherwise noted below, we based the share amounts on each person’s beneficial ownership of Nuance common stock on \_\_\_\_\_, 2019, giving effect to a Distribution ratio of one share of our common stock for every \_\_\_\_\_ shares of Nuance common stock.

Except as otherwise noted in the footnotes below, each person or entity identified in the table has sole voting and investment power with respect to the securities beneficially owned.

Immediately following the Spin-Off, we estimate that \_\_\_\_\_ shares of our common stock will be issued and outstanding, based on the approximately \_\_\_\_\_ shares of Nuance common stock outstanding on \_\_\_\_\_, 2019. The actual number of shares of our common stock that will be outstanding following the completion of the Spin-Off will be determined on \_\_\_\_\_, 2019.

<u>Name and Address of Beneficial Owner</u>	<u>Shares of Cerence Common Stock Beneficially Owned</u>	
	<u>Number</u>	<u>Percent</u>
<b><i>Name of Beneficial Owner</i></b>		
<i>Directors and Named Executive Officers</i>		
Sanjay Dhawan		
Mark Gallenberger		
Stefan Ortmanns		
Directors, nominees and executive officers as a group (10 persons)		
<i>5% Stockholders</i>		
Nuance Communications, Inc.		
Vanguard Group, Inc. (1)		
ClearBridge Investments, LLC (2)		
Ameriprise Financial, Inc. (3)		
Victory Capital Management Inc. (4)		

- (1) This information regarding the beneficial ownership of Vanguard Group, Inc. is based on a Schedule 13G/A filed by such stockholder on February 11, 2019 reporting beneficial ownership of 26,183,574 shares of Nuance common stock. The address of this stockholder is 100 Vanguard Blvd., Malvern, PA 19355.
- (2) This information regarding the beneficial ownership of ClearBridge Investments, LLC is based on a Schedule 13G/A filed by such stockholder on February 14, 2019 reporting beneficial ownership of 23,787,982 shares of Nuance common stock. The address of this stockholder is 620 8<sup>th</sup> Avenue, New York, NY 10018.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

- (3) This information regarding the beneficial ownership of Ameriprise Financial, Inc. is based on a Schedule 13G/A filed by such stockholder on February 14, 2019 reporting beneficial ownership of 18,379,915 shares of Nuance common stock. The address of this stockholder is 145 Ameriprise Financial Center, Minneapolis, MN 55474.
- (4) This information regarding the beneficial ownership of Victory Capital Management Inc. is based on a Schedule 13G filed by such stockholder on February 1, 2019 reporting beneficial ownership of 15,755,601 shares of Nuance common stock. The address of this stockholder is 4900 Tiedman Rd., 4th Floor, Brooklyn, OH 44144.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

**Relationship with Nuance Following the Separation**

Prior to the completion of the Sale Transaction and the Spin-Off, we are a wholly-owned subsidiary of Nuance, and have been part of Nuance's consolidated business operations. Following the Spin-Off, subject to obtaining a private letter ruling from the IRS, Nuance may continue to hold no more than approximately 18.5% of our outstanding common stock. Nuance will grant us a proxy to vote the shares of our common stock that Nuance retains immediately after the Spin-Off in proportion to the votes cast by our other stockholders. This proxy, however, will be automatically revoked as to a particular share upon any sale or transfer of such share from Nuance to a person other than Nuance, and neither the agreement setting forth this arrangement nor the proxy will limit or prohibit any such sale or transfer.

**Agreements with Nuance**

In order to govern the ongoing relationships between us and Nuance after the Spin-Off and to facilitate an orderly transition, we and Nuance intend to enter into agreements providing for various services and rights following the Spin-Off, and under which we and Nuance will agree to indemnify each other against certain liabilities arising from our respective businesses. The following summarizes the terms of the material agreements we expect to enter into with Nuance.

***Separation and Distribution Agreement***

We intend to enter into a Separation and Distribution Agreement with Nuance before the Distribution. The Separation and Distribution Agreement will set forth our agreements with Nuance regarding the principal actions to be taken in connection with the Spin-Off. It will also set forth other agreements that govern aspects of our relationship with Nuance following the Spin-Off.

*Transfer of Assets and Assumption of Liabilities*

The Separation and Distribution Agreement will identify certain transfers of assets and assumptions of liabilities that are necessary in advance of our separation from Nuance so that we and Nuance retain the assets of, and the liabilities associated with, our respective businesses. The Separation and Distribution Agreement generally provides that the assets comprising our business will consist of those primarily related to our current business and operations (except for intellectual property assets, which are allocated as further described in "—Agreements Governing Intellectual Property"). The liabilities we will assume in connection with the Spin-Off will generally consist of those related to the past and future operations of our business, including our locations used in our current operations. The Separation and Distribution Agreement will also provide for the settlement or extinguishment of certain liabilities and other obligations between us and Nuance.

*Reorganization Transactions*

The Separation and Distribution Agreement will describe certain actions related to our separation from Nuance that will occur prior to the Distribution. As part of the Reorganization Transactions, the following transactions will occur: (i) pursuant to a series of internal transfers to certain foreign subsidiaries that will be held under a Netherlands holding company, the non-U.S. assets and operations relating to the Business will be separated from the other non-U.S. assets and operations of Nuance, and the Netherlands holding company will in turn be distributed to Nuance in an internal spin-off, (ii) the U.S. assets and operations of the Business will be contributed to a new U.S. holding company, (iii) employees relating to the Business that are currently employed by Nuance subsidiaries that will not become subsidiaries of Cerence will become employees of the appropriate Cerence subsidiaries, (iv) both of the new holding companies will be contributed to Cerence, and (v) on the Distribution Date prior to the Distribution, Cerence will incur indebtedness and distribute the proceeds to Nuance.

*Intercompany Arrangements*

All agreements, arrangements, commitments and understandings, including most intercompany accounts payable or accounts receivable, between us, on the one hand, and Nuance, on the other hand, will terminate and/

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

or be repaid effective as of the Distribution Date or shortly thereafter, except specified agreements and arrangements that are intended to survive the Distribution.

*Credit Support*

We will agree to use reasonable best efforts to arrange, prior to the Distribution, for the replacement of all guarantees, covenants, indemnities, surety bonds, letters of credit or similar assurances of credit support, other than certain specified credit support instruments, currently provided by or through Nuance or any of its subsidiaries for the benefit of us or any of our subsidiaries.

*Representations and Warranties*

In general, neither we nor Nuance will make any representations or warranties regarding any assets or liabilities transferred or assumed, any consents or approvals that may be required in connection with these transfers or assumptions, the value or freedom from any lien or other security interest of any assets transferred, the absence of any defenses relating to any claim of either party or the legal sufficiency of any conveyance documents. Except as expressly set forth in the Separation and Distribution Agreement, all assets will be transferred on an “as-is,” “where-is” basis.

*Further Assurances*

The parties will use reasonable best efforts to effect any transfers contemplated by the Separation and Distribution Agreement that have not been consummated prior to the Distribution as promptly as practicable following the Distribution Date. In addition, the parties will use reasonable best efforts to effect any transfer or re-transfer of any asset or liability that was improperly transferred or retained as promptly as practicable following the Distribution.

*The Distribution*

The Separation and Distribution Agreement will govern Nuance’s and our respective rights and obligations regarding the proposed Distribution. Prior to the Distribution, Nuance will deliver at least 80.1% of the issued and outstanding shares of our common stock to the distribution agent. Following the Distribution Date, the distribution agent will electronically deliver at least 80.1% of the shares of our common stock to Nuance stockholders based on the distribution ratio. The Nuance Board may, in its sole and absolute discretion, determine the Record Date, the Distribution Date and the terms of the Spin-Off. In addition, Nuance may, at any time until the Distribution, decide to abandon the Distribution or modify or change the terms of the Distribution.

*Conditions*

The Separation and Distribution Agreement will also provide that several conditions must be satisfied or, to the extent permitted by law, waived by Nuance, in its sole and absolute discretion, before the Distribution can occur. For further information about these conditions, see “The Spin-Off—Conditions to the Spin-Off.”

*Exchange of Information*

We and Nuance will agree to provide each other with information reasonably necessary to comply with reporting, disclosure, filing or other requirements of any national securities exchange or governmental authority, for use in judicial, regulatory, administrative and other proceedings and to satisfy audit, accounting, litigation and other similar requests. We and Nuance will also agree to use reasonable best efforts to retain such information in accordance with our respective record retention policies as in effect on the date of the Separation and Distribution Agreement. Each party will also agree to use its reasonable best efforts to assist the other with its financial reporting and audit obligations.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

*Termination*

The Nuance Board, in its sole and absolute discretion, may terminate the Separation and Distribution Agreement at any time prior to the Distribution.

*Release of Claims*

We and Nuance will each agree to release the other and its affiliates, successors and assigns, and all persons that prior to the Distribution have been the other's stockholders, directors, officers, members, agents and employees, and their respective heirs, executors, administrators, successors and assigns, from any claims against any of them that arise out of or relate to events, circumstances or actions occurring or failing to occur or any conditions existing at or prior to the time of the Distribution. These releases will be subject to exceptions set forth in the Separation and Distribution Agreement.

*Indemnification*

We and Nuance will each agree to indemnify the other and each of the other's current, former and future directors, officers and employees, and each of the heirs, administrators, executors, successors and assigns of any of them, against certain liabilities incurred in connection with the Spin-Off and our and Nuance's respective businesses. The amount of either Nuance's or our indemnification obligations will be reduced by any insurance proceeds the party being indemnified receives. The Separation and Distribution Agreement will also specify procedures regarding claims subject to indemnification.

***Registration Rights Agreement***

If a private letter ruling from the IRS is obtained and Nuance retains no more than approximately 18.5% of our total shares outstanding following the Distribution, we will enter into a registration rights agreement with Nuance to provide Nuance with registration rights relating to such shares of our common stock held by Nuance following the Distribution (the "**Registration Rights Agreement**"). Nuance and its permitted transferees may require us to register under the Securities Act, all or any portion of these shares, a so-called "demand request." The demand registration rights will be subject to certain limitations as to minimum value and frequency.

Nuance and its permitted transferees will also have "piggyback" registration rights, such that Nuance and its permitted transferees may include their respective shares in any future registrations of our equity securities, whether or not that registration relates to a primary offering by us or a secondary offering by or on behalf of any of our stockholders. The demand registration rights and piggyback registration rights will be each subject to market cut-back exceptions.

The Registration Rights Agreement will set forth customary registration procedures, including an agreement by us to make our management reasonably available to participate in road show presentations in connection with any underwritten offerings. We will also agree to indemnify Nuance and its permitted transferees with respect to liabilities resulting from untrue statements or omissions in any registration statement used in any such registration, other than untrue statements or omissions resulting from information furnished to us for use in a registration statement by Nuance or any permitted transferee.

The rights of Nuance and its permitted transferees under the Registration Rights Agreement will remain in effect with respect to the shares covered by the agreement until those shares:

- have been sold pursuant to an effective registration statement under the Securities Act;
- have been sold to the public pursuant to Rule 144 under the Securities Act;
- have been transferred in a transaction where subsequent public distribution of the shares would not require registration under the Securities Act; or
- are no longer outstanding.



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

In addition, the registration rights under the agreement will cease to apply to a holder when such holder holds less than a certain threshold of the then outstanding common shares and such shares are eligible for sale without restriction pursuant to Rule 144 under the Securities Act.

***Transition Services Agreement***

We intend to enter into a Transition Services Agreement pursuant to which Nuance will provide us, and we will provide Nuance, with certain specified services for a limited time to help ensure an orderly transition following the Distribution. For a limited time after the Spin-Off, we may request that additional services in the same functional categories as the specified services be provided by Nuance to us so long as such additional services were provided historically by Nuance to our business. The services are generally intended to be provided for a period no longer than twelve months following the Distribution, with a possibility to extend the term of each service up to an additional twelve months. Each party may terminate the agreement in its entirety in the event of a material breach of the agreement by the other party that is not cured within a specified time period. Each recipient party may also terminate the services on an individual basis upon prior written notice to the party providing the service.

The service recipient is required to pay to the service provider a fee equal to the cost of service specified for each service, which is billed on a monthly basis.

We have agreed to indemnify and hold Nuance harmless from any damages to the extent arising out of Nuance's provision of the services unless such damages are the result of Nuance's gross negligence, willful misconduct, breach of the agreement or violation of law in providing services. Additionally, Nuance's liability is generally subject to a cap in the amount of fees actually received by Nuance from us in connection with the provision of the services. We also generally indemnify Nuance for all liabilities to the extent arising out of Nuance's provision of the services unless such liabilities are the result of Nuance's gross negligence, willful misconduct, breach of the agreement or violation of law in providing services, in which case, Nuance indemnifies us for such liabilities. These indemnification and liability terms are customary for agreements of this type.

Given the short-term nature of the Transition Services Agreement, we are in the process of increasing our internal capabilities to eliminate reliance on Nuance for the transition services it will provide us as quickly as possible following the Spin-Off.

***Tax Matters Agreement***

We intend to enter into a Tax Matters Agreement with Nuance that will govern the respective rights, responsibilities and obligations of Nuance and us after the Distribution with respect to all tax matters (including tax liabilities, tax attributes, tax returns and tax contests).

The Tax Matters Agreement will generally provide that we will be responsible and will indemnify Nuance for all taxes, including income taxes, sales taxes, VAT and payroll taxes, relating to the Business for all periods following the Distribution; and Nuance will be responsible and will indemnify us for all taxes relating to the Business for all periods preceding the Distribution. In addition, the Tax Matters Agreement will address the allocation of liability for taxes that are incurred as a result of restructuring activities undertaken to effectuate the Spin-Off. Nuance will have the right to control any audit or contest relating to any taxes with respect to all periods prior to the Distribution, but we will have the right to review and comment on Nuance's conduct of any such audit or contest, to the extent that we could be liable for taxes under the Tax Matters Agreement as a result of such audit or contest.

In addition, the Tax Matters Agreement will provide that we will be required to indemnify Nuance for any taxes (and reasonable expenses) resulting from the failure of the Spin-Off and related internal transactions to qualify for their intended tax treatment under U.S. federal, state and local income tax law, as well as foreign tax

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

law, where such taxes result from (a) breaches of covenants and representations we make and agree to in connection with the Spin-Off, (b) the application of certain provisions of U.S. federal income tax law to these transactions or (c) any other action or omission (other than actions expressly required or permitted by the Separation and Distribution Agreement, the Tax Matters Agreement or other ancillary agreements) we take after the Distribution that gives rise to these taxes. Nuance will have the exclusive right to control the conduct of any audit or contest relating to these taxes, but we will have the right to review and comment on Nuance's conduct of any such audit or contest, to the extent that we could be liable for taxes under the Tax Matters Agreement as a result of such audit or contest.

The Tax Matters Agreement will impose certain restrictions on us and our subsidiaries (including restrictions on share issuances, redemptions or repurchases, business combinations, sales of assets and similar transactions) that will be designed to address compliance with Section 355 and related provisions of the Code and are intended to preserve the tax-free nature of the Spin-Off. Under the Tax Matters Agreement, these restrictions will apply for two years following the Distribution, unless we or Nuance obtain a private letter ruling from the IRS or an opinion of counsel, in each case acceptable to Nuance in its reasonable discretion, that the restricted action would not impact the non-recognition treatment of the Spin-Off, or unless Nuance otherwise gives its consent for us to take a restricted action. Even if we do obtain such a private letter ruling or opinion, or Nuance does otherwise consent to our taking an otherwise restricted action, we will remain liable to indemnify Nuance in the event such restricted action gives rise to an otherwise indemnifiable liability. These restrictions may limit our ability to pursue strategic transactions or engage in new businesses or other transactions that may maximize the value of our business, and might discourage or delay a strategic transaction that our stockholders may consider favorable.

***Employee Matters Agreement***

We intend to enter into an Employee Matters Agreement with Nuance that will address employment and employee compensation and benefits matters. The Employee Matters Agreement will address the allocation and treatment of assets and liabilities relating to employees and compensation and benefit plans and programs in which our employees participated prior to the Spin-Off. Except as specifically provided in the Employee Matters Agreement, we will generally be responsible for all employment and employee compensation and benefits-related liabilities relating to our employees, former employees and other service providers. In particular, we will assume certain assets and liabilities with respect to our current and former employees under certain of Nuance's U.S. and non-U.S. defined benefit pension plans (with assets and liabilities allocated based on formulas specified in the Employee Matters Agreement for each pension plan). Generally, except as may be provided in the Transition Services Agreement, each of our employees will cease active participation in Nuance compensation and benefit plans as of the Spin-Off. The Employee Matters Agreement will also provide that we will establish certain compensation and benefit plans for the benefit of our employees following the Spin-Off, including a 401(k) savings plan, which will accept direct rollovers of account balances from the Nuance 401(k) savings plan for any of our employees who elect to do so. Generally, following the Spin-Off, we will assume and be responsible for any annual bonus payments, including with respect to the year in which the Spin-Off occurs, and any other cash-based incentive or retention awards to our current and former employees. Nuance long-term incentive compensation awards, including stock options and restricted stock units, held by SpinCo employees will be treated as described in "Executive and Director Compensation—Equity Plan." The Employee Matters Agreement incorporates the indemnification provisions contained in the Separation and Distribution Agreement and described above. In addition, the Employee Matters Agreement provides that we will indemnify Nuance for certain employee-related liabilities associated with the Transition Services Agreement.

***Agreements Governing Intellectual Property***

***Separation and Distribution Agreement***

The Separation and Distribution Agreement will provide for (i) us to own certain specified patents, a collection of software and other technology assets, and all other intellectual property rights exclusively related to the Business, and the liabilities relating to, arising out of or resulting therefrom and (ii) Nuance to retain any of

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

its other intellectual property rights related to the Business and the liabilities relating to, arising out of or resulting therefrom. The selection of intellectual property rights to be allocated to us in the agreement was generally determined to provide us with intellectual property rights with respect to technologies exclusively used by Nuance's automotive business, and those intellectual property rights for which the development, enhancement and maintenance has historically been conducted by Nuance's automotive business. Any technologies that are not allocated to us will be retained by Nuance, including certain patents, software and other technology assets related to Nuance's healthcare and enterprise businesses.

*Intellectual Property Agreement*

We intend to enter into an Intellectual Property Agreement with Nuance, pursuant to which we will grant to Nuance, and Nuance will grant to us, perpetual, non-exclusive, royalty-free licenses to certain patents and technology, as well as certain other intellectual property that have historically been shared between us and Nuance. The intellectual property licensed to us under the Intellectual Property Agreement includes patents, software and technologies that have generally been more significant to the business of Nuance, but will be used in our business following the Spin-Off, and are technologies in the general areas of automatic speech recognition and natural language understanding.

Following the Spin-Off, patent and technology licenses will generally be limited to the respective licensee's defined field of use, and after the fifth anniversary of the Spin-Off, the technology licenses will extend to all fields. The field of use for intellectual property licensed from Nuance to SpinCo is generally for the automotive industry and certain ancillary fields and the field of use for intellectual property licensed from SpinCo to Nuance is generally for industries other than the automotive industry. In addition, for a period of five years, we will agree not to assert any of our patents against Nuance with respect to products or services within Nuance's defined field of use, and Nuance will agree not to assert any of its patents against us with respect to products or services within our defined field of use. The Intellectual Property Agreement, together with the Transition Services Agreement, will also provide arrangements for each of us and Nuance to utilize certain data used by both us and Nuance. In addition, we will agree not to challenge Nuance's rights in its existing intellectual property rights or act to impair such intellectual property rights, and Nuance will agree not to challenge our rights in our existing intellectual property rights or act to impair such intellectual property rights. The license to us will generally be transferable with any sale or transfer of an entity or line of business of ours that utilizes Nuance's intellectual property, and the license to Nuance will generally be transferable with any sale or transfer of an entity or line of business of Nuance that utilizes our intellectual property.

The Intellectual Property Agreement will also contain certain provisions relating to the recordation of the transfers of intellectual property rights set forth in the Separation and Distribution Agreement.

*Transitional Trademark License Agreement*

We intend to enter into a Transitional Trademark License Agreement with Nuance, pursuant to which Nuance will grant us a non-exclusive, royalty free license to continue using certain of Nuance's trademarks, trade names and service marks with respect to the "Nuance" and "Dragon" brands in connection with the sale, marketing and other commercialization of our products and services. The term of the license will generally not exceed six months. The Transitional Trademark License Agreement will also provide that we will use commercially reasonable efforts to cease using the licensed trademarks as soon as reasonably practicable. The license to us will generally be transferable with any sale or transfer of an entity or line of business of ours that utilizes Nuance's trademarks.

*Other Arrangements*

Prior to the Spin-Off, we have had various other arrangements with Nuance, including arrangements whereby Nuance has provided us with finance, human resources, legal, privacy, information technology, general

---

## [Table of Contents](#)

insurance, security and other corporate functions as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Basis of Presentation.” As described in more detail in “—Separation and Distribution Agreement” above, these arrangements, other than those contemplated pursuant to the Transition Services Agreement, will generally be terminated in connection with the Spin-Off. We do not consider these arrangements with Nuance to be material.

In addition, we intend to enter into certain other arm’s-length arrangements regarding access to certain software and technology.

### **Policy and Procedures Governing Related Party Transactions**

Prior to the completion of the Spin-Off, our Board will adopt a written policy regarding the review, approval and ratification of transactions with related persons. We anticipate that this policy will provide that our Nominating and Governance Committee review each of SpinCo’s transactions involving an amount exceeding \$120,000 and in which any “related person” had, has or will have a direct or indirect material interest. In general, “related persons” are our directors, director nominees, executive officers and stockholders beneficially owning more than 5% of our outstanding common stock and immediate family members or certain affiliated entities of any of the foregoing persons. We expect that our Nominating and Governance Committee will approve or ratify only those transactions that are fair and reasonable to SpinCo and in our and our stockholders’ best interests.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**DESCRIPTION OF OUR CAPITAL STOCK**

**General**

Prior to the Distribution, Nuance, as our sole stockholder, will approve and adopt our Amended and Restated Certificate of Incorporation, and our Board will approve and adopt our Amended and Restated By-Laws. The following summarizes information concerning our capital stock, including material provisions of our Amended and Restated Certificate of Incorporation, our Amended and Restated By-Laws and certain provisions of Delaware law. You are encouraged to read the forms of our Amended and Restated Certificate of Incorporation and our Amended and Restated By-Laws, which are filed as exhibits to our Registration Statement on Form 10, of which this Information Statement is a part, for greater detail with respect to these provisions.

**Distribution of Securities**

During the past three years, we have not sold any securities, including sales of reacquired securities, new issues, securities issued in exchange for property, services or other securities, and new securities resulting from the modification of outstanding securities that were not registered under the Securities Act.

**Authorized Capital Stock**

Immediately following the Spin-Off, our authorized capital stock will consist of \_\_\_\_\_ shares of common stock, par value \$0.01 per share, and \_\_\_\_\_ shares of preferred stock, par value \$0.01 per share.

**Common Stock**

***Shares Outstanding***

Immediately following the Spin-Off, we estimate that approximately \_\_\_\_\_ shares of our common stock will be issued and outstanding, based on \_\_\_\_\_ shares of Nuance common stock outstanding as of \_\_\_\_\_, 2019. The actual number of shares of our common stock outstanding immediately following the Spin-Off will depend on the actual number of shares of Nuance common stock outstanding on the Record Date, and will reflect any issuance of new shares or exercise of outstanding options pursuant to Nuance's equity plans and any repurchases of Nuance shares by Nuance pursuant to its common stock repurchase program, in each case on or prior to the Record Date.

***Dividends***

Holders of shares of our common stock will be entitled to receive dividends when, as and if declared by our Board at its discretion out of funds legally available for that purpose, subject to the preferential rights of any preferred stock that may be outstanding. The timing, declaration, amount and payment of future dividends will depend on our financial condition, earnings, capital requirements and debt service obligations, as well as legal requirements, regulatory constraints, industry practice and other factors that our Board deems relevant. Additionally, the terms of the indebtedness we intend to incur in connection with the Spin-Off will limit our ability to pay cash dividends. Our Board will make all decisions regarding our payment of dividends from time to time in accordance with applicable law. See "Dividend Policy."

***Voting Rights***

The holders of our common stock will be entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders.

***Other Rights***

Subject to the preferential liquidation rights of any preferred stock that may be outstanding, upon our liquidation, dissolution or winding-up, the holders of our common stock will be entitled to share ratably in our assets legally available for distribution to our stockholders.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

***Fully Paid***

The issued and outstanding shares of our common stock are fully paid and non-assessable. Any additional shares of common stock that we may issue in the future will also be fully paid and non-assessable.

The holders of our common stock will not have preemptive rights or preferential rights to subscribe for shares of our capital stock.

***Preferred Stock***

Our Amended and Restated Certificate of Incorporation will authorize our Board to designate and issue from time to time one or more series of preferred stock without stockholder approval. Our Board may fix and determine the preferences, limitations and relative rights of each series of preferred stock. There are no present plans to issue any shares of preferred stock.

**Certain Provisions of Delaware Law, Our Amended and Restated Certificate of Incorporation and Amended and Restated By-Laws**

***Amended and Restated Certificate of Incorporation and Amended and Restated By-Laws***

Certain provisions in our proposed Amended and Restated Certificate of Incorporation and our proposed Amended and Restated By-Laws summarized below may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests, including attempts that might result in a premium being paid over the market price for the shares held by stockholders. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our Board and in the policies formulated by our Board and to discourage certain types of transactions that may involve an actual or threatened change of control.

- ***Classified Board.*** Our Amended and Restated Certificate of Incorporation will provide that, until the annual stockholder meeting in the year that is three years after the Spin-Off, our Board will be divided into three classes, with each class consisting, as nearly as may be possible, of one-third of the total number of directors. The directors designated as Class I directors will have terms expiring at the first annual meeting of stockholders following the Distribution, which we expect to hold in 2020. The directors designated as Class II directors will have terms expiring at the following year's annual meeting, which we expect to hold in 2021, and the directors designated as Class III directors will have terms expiring at the following year's annual meeting, which we expect to hold in 2022. Commencing with the first annual meeting following the Distribution, directors elected to succeed those directors whose terms then expire will be elected for a term of office to expire at the 2023 annual meeting. Beginning at the 2023 annual meeting, all of our directors will stand for election each year for annual terms, and our Board will therefore no longer be divided into three classes. Before our Board is declassified, it would take at least two elections of directors for any individual or group to gain control of our Board. Accordingly, while the classified board is in effect, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to control us.
- ***Removal.*** Our Amended and Restated Certificate of Incorporation will provide that (i) prior to our Board being declassified as discussed above, our stockholders may remove directors only for cause and (ii) after our Board has been fully declassified, our stockholders may remove directors with or without cause. Removal will require the affirmative vote of holders of shares representing at least a majority of the voting power of the then-outstanding shares of all classes and series of our capital stock entitled generally to vote on the election of our directors.
- ***Blank Check Preferred Stock.*** Our Amended and Restated Certificate of Incorporation will authorize our Board to designate and issue, without any further vote or action by the stockholders, up to \_\_\_\_\_ shares of preferred stock from time to time in one or more series and, with respect to each

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

such series, to fix the number of shares constituting the series and the designation of the series, the voting powers (if any) of the shares of the series, and the preferences and relative, participating, optional and other rights, if any, and any qualifications, limitations or restrictions, of the shares of such series. The ability to issue such preferred stock could discourage potential acquisition proposals and could delay or prevent a change in control.

- *No Stockholder Action by Written Consent.* Our Amended and Restated Certificate of Incorporation will expressly exclude the right of our stockholders to act by written consent. Stockholder action must take place at an annual meeting or at a special meeting of our stockholders.
- *Special Stockholder Meetings.* Our Amended and Restated Certificate of Incorporation and our Amended and Restated By-Laws will provide that a special meeting of our stockholders may only be called by our Board, the Chairman of our Board or our Chief Executive Officer, or at the request of holders of not less than 20% of the outstanding shares of the common stock of SpinCo.
- *Requirements for Advance Notification of Stockholder Nominations and Proposals.* Under our Amended and Restated By-Laws, stockholders of record will be able to nominate persons for election to our Board or bring other business constituting a proper matter for stockholder action only by providing proper notice to our secretary. In the case of annual meetings, proper written notice must be given, generally between 90 and 120 days prior to the first anniversary of the prior year's annual meeting as first specified in the notice of meeting (without regard to any postponements or adjournments of such meeting after such notice was first sent). In the case of special meetings, proper notice must be given no earlier than the 90th day prior to the relevant meeting and no later than the later of the 60th day prior to such meeting or the 10th day following the public announcement of the meeting. Such notice must include, among other information, certain information with respect to each stockholder nominating persons for election to the Board (including, the name and address, the number of shares directly or indirectly held by such stockholder, a description of any agreement with respect to the business to be brought before the annual meeting, a description of any derivative instruments based on or linked to the value of or return on our securities as of the date of the notice, a description of any proxy, contract or other relationship pursuant to which such stockholder has a right to vote any shares of our stock and any profit-sharing or performance-related fees that such stockholder is entitled to, based on any increase or decrease in the value of our securities, as of the date of such notice). Such notice must also include a representation that such stockholder is a holder of record of our common stock as of the date of the notice, each stockholder nominee's written consent to being named as a nominee and to serving as a director if elected, a completed questionnaire and representation that such person has not and will not give any commitment as to how such person will act or vote if elected as a director or becomes a party to any agreement with respect to any compensation, reimbursement or indemnification in connection with service as a director, and that such person will comply with all policies applicable to directors, a description of all compensation and other monetary agreements during the past three years and a representation as to whether such stockholder intends to solicit proxies.
- *Cumulative Voting.* The DGCL provides that stockholders are denied the right to cumulate votes in the election of directors unless the company's certificate of incorporation provides otherwise. Our Amended and Restated Certificate of Incorporation will not provide for cumulative voting.
- *Amendments to Certificate of Incorporation and By-Laws.* The DGCL provides that the affirmative vote of holders of a majority of a company's voting stock then outstanding is required to amend the company's certificate of incorporation unless the company's certificate of incorporation provides a higher threshold, and our Amended and Restated Certificate of Incorporation will not provide for a higher threshold. Our Amended and Restated Certificate of Incorporation will provide that our Amended and Restated By-Laws may be amended by a majority of our Board or by the affirmative vote of holders of at least a majority of our voting stock entitled to vote in the election of directors.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

***Delaware Takeover Statute***

We are subject to Section 203 of the DGCL, which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that such stockholder became an interested stockholder.

***Limitation on Liability of Directors and Indemnification of Directors and Officers***

Delaware law authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties as directors, and our Amended and Restated Certificate of Incorporation will include such an exculpation provision. Our Amended and Restated By-Laws and Amended and Restated Certificate of Incorporation will include provisions that indemnify, to the fullest extent allowable under the DGCL, the personal liability of directors or officers for monetary damages for actions taken as a director, officer or agent of SpinCo, or for serving at SpinCo's request as a director, officer or agent at another corporation or enterprise, as the case may be. Our Amended and Restated By-Laws and Amended and Restated Certificate of Incorporation will also provide that we must indemnify and advance reasonable expenses to our directors and officers, subject to our receipt of an undertaking from the indemnified party as may be required under the DGCL. Our Amended and Restated By-Laws will expressly authorize us to carry directors' and officers' insurance to protect SpinCo, its directors, officers and employees for some liabilities.

The limitation of liability and indemnification provisions that will be included in our Amended and Restated By-Laws and Amended and Restated Certificate of Incorporation may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against our directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. However, these provisions will not limit or eliminate our rights, or those of any stockholder, to seek non-monetary relief such as injunction or rescission in the event of a breach of a director's duty of care. The provisions will not alter the liability of directors under the federal securities laws. In addition, your investment may be adversely affected to the extent that, in a class action or direct suit, we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. There is currently no pending material litigation or proceeding against any of our directors, officers or employees for which indemnification is sought.

***Exclusive Forum***

Our Amended and Restated Certificate of Incorporation will provide, in all cases to the fullest extent permitted by law, that unless we consent in writing to the selection of an alternative forum, the Court of Chancery located within the State of Delaware will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of SpinCo, any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee or stockholder of SpinCo to SpinCo or SpinCo's stockholders, any action asserting a claim arising pursuant to the DGCL or as to which the DGCL confers jurisdiction on the Court of Chancery located in the State of Delaware, any action asserting a claim governed by the internal affairs doctrine or any other action asserting an "internal corporate claim" as that term is defined in Section 115 of the DGCL. However, if the Court of Chancery within the State of Delaware does not have jurisdiction, the action may be brought in any other state or federal court located within the State of Delaware. Further, this exclusive forum provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or the Securities Act, except that it may apply to such suits if brought derivatively on behalf of SpinCo. There is, however, uncertainty as to whether a court would enforce such provision in connection with suits to enforce a duty or liability created by the Exchange Act or the Securities Act if brought derivatively on behalf of SpinCo, and our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

***Transfer Agent and Registrar***

The transfer agent and registrar for our common stock will be .



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**Listing**

We intend to apply to list our common stock on the Nasdaq Global Select Market, under the ticker symbol “CRNC.” The listing is subject to approval of our application.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**WHERE YOU CAN FIND MORE INFORMATION**

We have filed a Registration Statement on Form 10 with the SEC with respect to the shares of our common stock that Nuance's stockholders will receive in the Distribution as contemplated by this Information Statement. This Information Statement is a part of, and does not contain all the information set forth in, the Registration Statement and the other exhibits and schedules to the Registration Statement. For further information with respect to us and our common stock, please refer to the Registration Statement, including its other exhibits and schedules. Statements we make in this Information Statement relating to any contract or other document are not necessarily complete, and you should refer to the exhibits attached to the Registration Statement for copies of the actual contract or document. You may review a copy of the Registration Statement, including its exhibits and schedules, on the Internet website maintained by the SEC at [www.sec.gov](http://www.sec.gov). Information contained on any website we refer to in this Information Statement does not and will not constitute a part of this Information Statement or the Registration Statement on Form 10 of which this Information Statement is a part.

As a result of the Spin-Off, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with the Exchange Act, we will file periodic reports, proxy statements and other information with the SEC.

You may request a copy of any of our filings with the SEC at no cost by writing us at the following address:

Investor Relations  
Cerence Inc.  
15 Wayside Road  
Burlington, MA 01803

We intend to furnish holders of our common stock with annual reports containing financial statements prepared in accordance with GAAP and audited and reported on by an independent registered public accounting firm.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**INDEX TO COMBINED FINANCIAL STATEMENTS**

**Audited Combined Financial Statements**

<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-2
<a href="#">Combined Statements of Operations for the years ended September 30, 2018 and 2017</a>	F-4
<a href="#">Combined Statements of Comprehensive Income for the years ended September 30, 2018 and 2017</a>	F-5
<a href="#">Combined Balance Sheets as of September 30, 2018 and 2017</a>	F-6
<a href="#">Combined Statements of Changes in Parent Company Equity for the years ended September 30, 2018 and 2017</a>	F-7
<a href="#">Combined Statements of Cash Flows for the years ended September 30, 2018 and 2017</a>	F-8
<a href="#">Notes to the Combined Financial Statements</a>	F-9

**Unaudited Condensed Combined Financial Statements**

<a href="#">Condensed Combined Statements of Operations for the six months ended March 31, 2019 and 2018 (unaudited)</a>	F-34
<a href="#">Condensed Combined Statements of Comprehensive Loss for the six months ended March 31, 2019 and 2018 (unaudited)</a>	F-35
<a href="#">Condensed Combined Balance Sheets as of March 31, 2019 (unaudited) and September 30, 2018</a>	F-36
<a href="#">Condensed Combined Statement of Changes in Parent Company Equity for the six months ended March 31, 2019 and 2018 (unaudited)</a>	F-37
<a href="#">Condensed Combined Statements of Cash Flows for the six months ended March 31, 2019 and 2018 (unaudited)</a>	F-38
<a href="#">Notes to Condensed Combined Financial Statements (unaudited)</a>	F-39

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders  
Nuance Communications, Inc.  
Burlington, Massachusetts

**Opinion on the Combined Financial Statements**

We have audited the accompanying combined balance sheets of the Cerence business (“Cerence”) of Nuance Communications, Inc. (the “Company”) as of September 30, 2018 and 2017, the related combined statements of operations, comprehensive income, changes in parent company equity, and cash flows for each of the two years in the period ended September 30, 2018, and the related notes (collectively referred to as the “combined financial statements”). In our opinion, the combined financial statements present fairly, in all material respects, the financial position of Cerence at September 30, 2018 and 2017, and the results of their operations and their cash flows for each of the two years in the period ended September 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These combined financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Cerence’s combined financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement, whether due to error or fraud. Cerence is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Cerence’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the combined financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Emphasis of Matter**

As discussed in Note 2, the Cerence business is not a stand-alone entity. The combined financial statements of the Cerence business reflect the assets, liabilities, revenues and expenses directly attributable to the Cerence business, as well as allocations deemed reasonable by management, to present the financial position, results of operations, changes in parent company equity, and cash flows of the Cerence business on a stand-alone basis and do not necessarily reflect the financial position, results of operations, changes in parent company equity, and cash flows of the Cerence business in the future or what they would have been had the Cerence business been a separate, stand-alone entity during the years presented.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

As discussed in Notes 2 and 16, the Cerence business is dependent upon its Parent for substantially all of its operations. It is also dependent on its Parent for financial support.

/s/ BDO USA, LLP

We have served as Cerence's auditor since 2017.

Boston, Massachusetts

May 20, 2019

**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**  
(A Business of Nuance Communications, Inc.)  
**COMBINED STATEMENTS OF OPERATIONS**  
(Dollars in thousands)

	<b>Year Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Revenues:</b>		
License	\$171,075	\$148,803
Connected services	60,227	45,696
Professional services	45,451	49,645
Other	231	585
Total revenues	<u>276,984</u>	<u>244,729</u>
<b>Cost of revenues:</b>		
License	1,156	773
Connected services	32,919	25,292
Professional services	41,123	35,571
Amortization of intangible assets	7,766	6,898
Total cost of revenues	<u>82,964</u>	<u>68,534</u>
Gross profit	<u>194,020</u>	<u>176,195</u>
Operating expenses:		
Research and development	80,957	56,755
Sales and marketing	30,553	29,909
General and administrative	19,873	17,485
Amortization of intangible assets	8,840	5,763
Restructuring and other costs, net	12,863	1,865
Acquisition-related costs	4,082	733
Total operating expenses	<u>157,168</u>	<u>112,510</u>
Income from operations	36,852	63,685
Other income (expense), net	(54)	(483)
Income before income taxes	36,798	63,202
Provision for income taxes	30,917	15,926
Net income	<u>\$ 5,881</u>	<u>\$ 47,276</u>

Refer to accompanying Notes to the Combined Financial Statements.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**  
(A Business of Nuance Communications, Inc.)  
COMBINED STATEMENTS OF COMPREHENSIVE INCOME  
(Dollars in thousands)

	<u>Year Ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Net income	\$ 5,881	\$47,276
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(1,906)	8,020
Pension adjustments	562	460
Total other comprehensive (loss) income	(1,344)	8,480
Comprehensive income	<u>\$ 4,537</u>	<u>\$55,756</u>

Refer to accompanying Notes to the Combined Financial Statements.

**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**  
(A Business of Nuance Communications, Inc.)  
**COMBINED BALANCE SHEETS**  
(Dollars in thousands)

	September 30, 2018	September 30, 2017
<b>ASSETS</b>		
Current Assets:		
Accounts receivable, net	\$ 72,084	\$ 74,019
Deferred costs	6,793	5,319
Prepaid expenses and other current assets	4,090	1,469
Total current assets	<u>82,967</u>	<u>80,807</u>
Property and equipment, net	13,406	13,305
Deferred costs	44,238	48,282
Goodwill	1,119,946	1,075,443
Intangible assets, net	84,812	50,668
Deferred tax assets	51,053	67,000
Other assets	1,126	247
Total assets	<u>\$ 1,397,548</u>	<u>\$ 1,335,752</u>
<b>LIABILITIES AND PARENT COMPANY EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 6,510	\$ 5,525
Deferred revenue	84,862	66,747
Accrued expenses and other current liabilities	30,434	22,134
Total current liabilities	<u>121,806</u>	<u>94,406</u>
Deferred revenue, net of current portion	263,787	233,435
Other liabilities	18,636	10,732
Total liabilities	<u>404,229</u>	<u>338,573</u>
Commitments and contingencies (Note 14)		
Parent company equity:		
Net parent investment	1,017,276	1,019,792
Accumulated other comprehensive loss	(23,957)	(22,613)
Total parent company equity	<u>993,319</u>	<u>997,179</u>
Total liabilities and parent company equity	<u>\$ 1,397,548</u>	<u>\$ 1,335,752</u>

Refer to accompanying Notes to the Combined Financial Statements.



**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

**COMBINED STATEMENTS OF CHANGES IN PARENT COMPANY EQUITY**  
(Dollars in thousands)

	<b>Net Parent Investment</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Total</b>
Balance at October 1, 2016	\$1,042,483	\$ (31,093)	\$1,011,390
Net income	47,276	—	47,276
Other comprehensive income	—	8,480	8,480
Net transfer to Parent	(69,967)	—	(69,967)
Balance at September 30, 2017	1,019,792	(22,613)	997,179
Accumulated adjustment due to the adoption of ASU 2016-16	(1,510)	—	(1,510)
Net income	5,881	—	5,881
Other comprehensive loss	—	(1,344)	(1,344)
Net transfer to Parent	(6,887)	—	(6,887)
Balance at September 30, 2018	<u>\$1,017,276</u>	<u>\$ (23,957)</u>	<u>\$ 993,319</u>

Refer to accompanying Notes to the Combined Financial Statements.

**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**  
(A Business of Nuance Communications Inc.)  
**COMBINED STATEMENTS OF CASH FLOWS**  
(Dollars in thousands)

	<b>Year Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 5,881	\$ 47,276
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	25,765	19,669
Stock-based compensation	22,043	19,794
Deferred tax expense (benefit)	12,473	(17,718)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	8,472	(17,937)
Prepaid expenses and other assets	(2,960)	(308)
Deferred costs	(12,528)	(10,477)
Accounts payable	(6,291)	(1,025)
Accrued expenses and other liabilities	12,946	2,485
Deferred revenue	49,458	55,025
Net cash provided by operating activities	<u>115,259</u>	<u>96,784</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(6,510)	(4,714)
Payments for business acquisitions, net of cash acquired	<u>(79,802)</u>	<u>—</u>
Net cash used in investing activities	<u>(86,312)</u>	<u>(4,714)</u>
<b>Cash flows from financing activities:</b>		
Net advancement from Parent	<u>(28,947)</u>	<u>(92,070)</u>
Cash used in financing activities	<u>(28,947)</u>	<u>(92,070)</u>
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of year	—	—
Cash and cash equivalents at end of year	<u>\$ —</u>	<u>\$ —</u>

Refer to accompanying Notes to Combined Financial Statements.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**1. Organization and Presentation**

The accompanying combined financial statements present the combined assets, liabilities, revenues and expenses related to Cerence (“we” or “Cerence”), a business of Nuance Communications, Inc. (“Nuance” or “the Parent”), a leading provider of voice recognition and natural language understanding solutions for businesses and consumers around the world. The Cerence business operates through indirect, wholly-owned subsidiaries of Nuance and not as a standalone company. Cerence operates only in the Automotive segment.

Cerence is primarily engaged in providing automotive manufacturers and their suppliers branded and personalized virtual assistants and connected car services built on our voice recognition and natural language understanding technologies. Demand for our embedded and cloud-based automotive solutions is driven by the growth in personalized automotive virtual assistants, connected services for automobiles, and by auto manufacturers’ desire to create a branded and personalized experience, capable of integrating and intelligently managing customers’ personal smart phone and home device preferences and technologies.

**2. Basis of Presentation**

Standalone financial statements have not been historically prepared for the Cerence business. The accompanying combined financial statements have been prepared from the Parent’s historical accounting records and are presented on a “carve out” basis to include the historical financial position, results of operations and cash flows applicable to the Cerence business. As a direct ownership relationship did not exist among all the various business units comprising the Cerence business, Nuance’s investment in the Cerence business is shown in lieu of stockholder’s equity in the combined financial statements.

The Combined Statements of Operations include all revenues and costs directly attributable to Cerence as well as an allocation of expenses related to functions and services performed by centralized Parent organizations. These corporate expenses have been allocated to the Cerence business based on direct usage or benefit, where identifiable, with the remainder allocated on a pro rata basis of revenues, headcount, number of transactions or other measures as determined appropriate. The Combined Statements of Cash Flows present these corporate expenses that are cash in nature as cash flows from operating activities, as this is the nature of these costs at the Parent. Non-cash expenses allocated from the Parent include corporate depreciation and amortization and stock based compensation included as add-back adjustments to reconcile net income to net cash provided by operations. As described in Note 3(j) and Note 17, current and deferred income taxes and related tax expense have been determined based on the standalone results of the Cerence business by applying Accounting Standards Codification No. 740, *Income Taxes* (“ASC 740”), to the Cerence business’ operations in each country as if it were a separate taxpayer (i.e. following the Separate Return Methodology).

Cerence is dependent upon technologies which are owned by various entities within the Parent structure. While these combined financial statements use various methods to allocate the cost of these technologies to the Cerence business, this does not purport to reflect the cost of an arm’s length license arrangement.

The combined financial statements include the allocation of certain assets and liabilities that have historically been held at the Nuance corporate level or by shared entities but which are specifically identifiable or allocable to the Cerence business. These shared assets and liabilities have been allocated to the Cerence business on the basis of direct usage when identifiable, or allocated on a pro-rata basis of revenue, headcount or other systematic measures that reflect utilization of the services provided to or benefits received by Cerence. The Parent uses a centralized approach to cash management and financing its operations. Accordingly, none of the cash, cash equivalents, marketable securities, foreign currency hedges or debt and related interest expense has been

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

allocated to the Cerence business in the combined financial statements. The Parent's short and long-term debt has not been pushed down to the Cerence business' combined financial statements because the Cerence business is not the legal obligor of the debt and the Parent's borrowings were not directly attributable to the Cerence business.

Nuance maintains various stock-based compensation plans at a corporate level. Cerence employees participate in those programs and a portion of the cost of those plans is included in the Cerence business' Combined Statements of Operations. However, the stock-based compensation expense has been included within the net parent investment. Refer to Note 13 for further description of the accounting for stock-based compensation.

Transactions between the Parent and the Cerence business are considered to be effectively settled in the combined financial statements at the time the transaction is recorded. The total net effect of the settlement of these intercompany transactions is reflected in the Combined Statements of Cash Flows as a financing activity and in the Combined Balance Sheets as net parent investment. Refer to Note 3(n) for further description.

All of the allocations and estimates in the combined financial statements are based on assumptions that management believes are reasonable. However, the combined financial statements included herein may not be indicative of the financial position, results of operations and cash flows of the Cerence business in the future or if the Cerence business had been a separate, standalone entity during the periods presented.

**3. Summary of Significant Accounting Policies**

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

***(a) Principles of Combination***

These combined financial statements present the financial position, statement of operations, Parent company equity and cash flows of the Cerence business. All significant balances and transactions between entities in the Cerence business have been eliminated for these combined financial statements. All significant balances between Parent (excluding the Cerence business) and the Cerence business are included in Parent company equity in the Combined Balance Sheets.

***(b) Use of Estimates***

The combined financial statements are prepared in accordance with GAAP, which requires management to make estimates and assumptions. These estimates, judgments and assumptions can affect the reported amounts in the financial statements and the footnotes thereto. Actual results could differ materially from these estimates. On an ongoing basis, we evaluate our estimates, assumptions and judgments. Significant estimates inherent to the preparation of financial statements include: revenue recognition; the allowances for doubtful accounts; accounting for deferred costs; accounting for internally developed software; the valuation of goodwill and intangible assets; accounting for business combinations; accounting for stock-based compensation; accounting for income taxes and related valuation allowances; and loss contingencies. We base our estimates on historical experience, market participant fair value considerations, projected future cash flows, and various other factors that are believed to be reasonable under the circumstances. Actual amounts could differ significantly from these estimates.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

***(c) Revenue Recognition***

Cerence derives revenue from the following sources: (1) software license agreements, primarily royalty arrangements, (2) connected services, and (3) professional services. Generally, we recognize revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the fee is fixed or determinable and (iv) collectability is probable. The revenue recognition policies for these revenue streams are discussed below.

The sale and/or license of software products and technology is deemed to have occurred when a customer either has taken possession of or has access to take immediate possession of the software or technology. In select situations, we sell or license intellectual property in conjunction with, or in place of, embedding our intellectual property in software. We also have non-software arrangements including connected services where the customer does not take possession of the software at the outset of the arrangement either because they have no contractual right to do so or because significant penalties preclude them from doing so.

Revenue from royalties on sales of our software products by original equipment manufacturers (“OEMs”), where no services are included, is recognized in the period earned so long as we have been notified by the OEM that such royalties are due, and provided that all other revenue recognition criteria are met.

For our software and technology-related multiple element arrangements, where customers purchase both software or technology related products and software or technology related services, we use vendor-specific objective evidence (“VSOE”) of fair value for software and software-related services to separate the elements and account for them separately. VSOE exists when a company can support what the fair value of its software and/or software-related services is based on evidence of the prices charged when the same elements are sold separately. VSOE of fair value is required, generally, in order to separate the accounting for various elements in a software and related services arrangement. We have established VSOE of fair value for the majority of our professional services.

When we provide professional services considered essential to the functionality of the software or technology, we recognize revenue from the professional services as well as any related software or technology licenses on a percentage-of-completion basis whereby the arrangement consideration is recognized as the services are performed, as measured by an observable input. In these circumstances, we separate license revenue from professional service revenue for the Combined Statement of Operations by allocating VSOE of fair value of the professional services as professional services and connected services revenue and the residual portion as license revenue. We generally determine the percentage-of-completion by comparing the labor hours incurred to-date to the estimated total labor hours required to complete the project. We generally consider labor hours to be the most reliable, available measure of progress on these projects. Adjustments to estimates to complete are made in the periods in which facts resulting in a change become known. When the estimate indicates that a loss will be incurred, such loss is recorded in the period identified. Significant judgments and estimates are involved in determining the percent complete of each contract. Different assumptions could yield materially different results.

We offer some of our products via a Software-as-a-Service (“SaaS”) model also known as a hosted model. In this type of arrangement, we are compensated in two ways: (1) fees for up-front set-up of the service environment and (2) fees charged for hosted service subscriptions. Our up-front set-up fees are nonrefundable. We recognize the up-front set-up fees ratably over the longer of the contract lives, or the expected lives of the customer relationships. The on-demand service subscription fees are recognized ratably over our estimate of useful life of devices on which the connected service is provided.

We enter into multiple-element arrangements that may include a combination of our various software or technology related and non-software related products and services offerings including software or

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

technology licenses, professional services and our connected services. In such arrangements, we allocate total arrangement consideration to software or technology-related elements and any non-software element separately based on the selling price hierarchy group following the guidance in ASC No. 985, *Software*, and our policies. We determine the selling price for each deliverable using VSOE of selling price, if it exists, or Third Party Evidence (“TPE”) of selling price. Typically, we are unable to determine TPE of selling price. Therefore, when neither VSOE nor TPE of selling price exist for a deliverable, we use our Estimate of Selling Price (“ESP”) for the purposes of allocating the arrangement consideration. We determine ESP for a product or service by considering multiple factors including, but not limited to, major project groupings, market conditions, competitive landscape, price list and discounting practices. Revenue allocated to each element is then recognized when the basic revenue recognition criteria are met for each element.

We record reimbursements received for out-of-pocket expenses as revenue, with offsetting costs recorded as cost of revenue. Out-of-pocket expenses generally include, but are not limited to, expenses related to transportation, lodging and meals. We record shipping and handling costs billed to customers as revenue with offsetting costs recorded as cost of revenue.

**(d) Business Combinations**

We determine and allocate the purchase price of an acquired company to the tangible and intangible assets acquired and liabilities assumed as of the date of acquisition. Results of operations and cash flows of acquired companies are included in our operating results from the date of acquisition. The purchase price allocation process requires us to use significant estimates and assumptions, which include:

- estimated fair values of intangible assets;
- estimated fair values of legal performance commitments to customers, assumed from the acquiree under existing contractual obligations (classified as deferred revenue);
- estimated income tax assets and liabilities assumed from the acquiree; and
- estimated fair value of pre-acquisition contingencies from the acquiree.

The fair value of any contingent consideration is established at the acquisition date and included in the total purchase price. The contingent consideration is then adjusted to fair value, with any measurement-period adjustment recorded against goodwill. Adjustments identified subsequent to the measurement period are recorded within acquisition-related costs. While we use our best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business combination date, our estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the measurement period, which is generally one year from the acquisition date, any adjustment to the assets acquired and liabilities assumed is recorded against goodwill in the period in which the amount is determined. Any adjustment identified subsequent to the measurement period is included in operating results in the period in which the amount is determined.

**(e) Goodwill**

Goodwill represents the excess of the purchase price in a business combination over the fair value of net assets acquired. Goodwill and intangible assets with indefinite lives are not amortized, but rather the carrying amounts of these assets are assessed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Goodwill is tested for impairment annually on July 1, the first day of the fourth quarter of the fiscal year. In the year ended September 30, 2017, we elected to early adopt ASU 2017-04, “*Simplifying the Test for Goodwill*”

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

*Impairment*” for its annual goodwill impairment test. ASU 2017-04 removes Step 2 of the goodwill impairment test requiring a hypothetical purchase price allocation. Goodwill impairment, if any, is determined by comparing the reporting unit’s fair value to its carrying value. An impairment loss is recognized in an amount equal to the excess of the reporting unit’s carrying value over its fair value, up to the amount of goodwill allocated to the reporting unit. There is no goodwill impairment for the years ended September 30, 2018 and 2017.

For the purpose of testing goodwill for impairment, all goodwill acquired in a business combination is assigned to one or more reporting units. A reporting unit represents an operating segment or a component within an operating segment for which discrete financial information is available and is regularly reviewed by segment management for performance assessment and resource allocation. Components of similar economic characteristics are aggregated into one reporting unit for the purpose of goodwill impairment assessment. Reporting units are identified annually and re-assessed periodically for recent acquisitions or any changes in segment reporting structure. The Cerence business has a single reporting unit.

Corporate assets and liabilities are allocated to the reporting unit based on the reporting unit’s revenue, total operating expenses or operating income as a percentage of the consolidated amounts. Corporate debt and other financial liabilities that are not directly attributable to the reporting unit’s operations and would not be transferred to hypothetical purchasers of the reporting units are excluded from a reporting unit’s carrying amount.

Goodwill has been allocated to Cerence based upon its relative fair value as of March 31, 2018, when Cerence became a reporting unit of Nuance. The fair value of a reporting unit is generally determined using a combination of the income approach and the market approach. For the income approach, fair value is determined based on the present value of estimated future after-tax cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future after-tax cash flows and estimate the long-term growth rates based on our most recent views of the long-term outlook for each reporting unit. Actual results may differ from those assumed in our forecasts. We derive our discount rates using a capital asset pricing model and analyzing published rates for industries relevant to our reporting units to estimate the weighted average cost of capital. We adjust the discount rates for the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. For the market approach, we use a valuation technique in which values are derived based on valuation multiples of comparable publicly traded companies. We assess each valuation methodology based upon the relevance and availability of the data at the time we perform the valuation and weight the methodologies appropriately.

***(f) Long-Lived Assets with Definite Lives***

Our long-lived assets consist principally of technology and patents, customer relationships, internally developed software, property and equipment. Customer relationships are amortized over their estimated economic lives based on the pattern of economic benefits expected to be generated from the use of the asset. Other definite-lived assets are amortized over their estimated economic lives using the straight-line method. The remaining useful lives of long-lived assets are re-assessed periodically for any events and circumstances that may change the future cash flows expected to be generated from the long-lived asset or asset group.

Internally developed software consists of capitalized costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation and testing. Costs incurred during the preliminary project stage, along with post-implementation stages of internally developed software, are expensed as incurred. Internally developed software costs that have been capitalized are typically amortized over the estimated useful life, commencing with the date when an asset is ready for its intended use. Equipment is stated at cost and depreciated over the estimated useful life.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

Leasehold improvements are depreciated over the shorter of the related lease term or the estimated useful life. Depreciation is computed using the straight-line method. Repair and maintenance costs are expensed as incurred. The cost and related accumulated depreciation of sold or retired assets are removed from the accounts and any gain or loss is included in the results of operations for the period.

Long-lived assets with definite lives are tested for impairment whenever events or changes in circumstances indicate the carrying value of a specific asset or asset group may not be recoverable. We assess the recoverability of long-lived assets with definite-lives at the asset group level. Asset groups are determined based upon the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. When the asset group is also a reporting unit, goodwill assigned to the reporting unit is also included in the carrying amount of the asset group. For the purpose of the recoverability test, we compare the total undiscounted future cash flows from the use and disposition of the assets with its net carrying amount. When the carrying value of the asset group exceeds the undiscounted future cash flows, the asset group is deemed to be impaired. The amount of the impairment loss represents the excess of the asset or asset group's carrying value over its estimated fair value, which is generally determined based upon the present value of estimated future pre-tax cash flows that a market participant would expect from use and disposition of the long-lived asset or asset group. During the years ended September 30, 2018 and 2017, there was no indication that the carrying value of our assets or asset groups may not be recoverable.

**(g) Accounts Receivable Allowances**

We record allowances for doubtful accounts for the estimated probable losses on uncollected accounts receivable. The allowance is based upon the credit worthiness of our customers, our historical experience, the age of the receivable, and current market and economic conditions. Receivables are written off against these allowances in the period they are determined to be uncollectible. For the years ended September 30, 2018 and 2017, the activity related to the allowance for doubtful accounts was as follows (dollars in thousands):

	<b>Allowance for Doubtful Accounts</b>
Balance at October 1, 2016	\$ 564
Bad debt provisions	427
Write-offs, net of recoveries	(159)
Balance at September 30, 2017	832
Bad debt provisions	366
Write-offs, net of recoveries	(244)
Balance at September 30, 2018	\$ 954

**(h) Research and Development**

Research and development ("R&D") costs related to software that is or will be sold or licensed externally to third-parties, or for which a substantive plan exists to sell or license such software in the future, incurred subsequent to the establishment of technological feasibility, but prior to the general release of the product, are capitalized and amortized to cost of revenue over the estimated useful life of the related products. The Cerence business has determined that technological feasibility is reached shortly before the general release of the software products. Costs incurred after technological feasibility is established have not been material. R&D costs are otherwise expensed as incurred.



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

**(i) Acquisition-related Costs**

Acquisition-related costs include those costs incurred by the Cerence business related to potential and realized acquisitions. These costs consist of (i) transition and integration costs, including retention payments, transitional employee costs and earn-out payments, and other costs related to integration activities and (ii) professional service fees, including financial advisory, legal, accounting, and other outside services incurred in connection with acquisition activities and disputes.

The components of acquisition-related costs are as follows (dollars in thousands):

	Year Ended September 30,	
	2018	2017
Transition and integration costs	\$1,616	\$—
Professional service fees	2,466	733
Total	<u>\$4,082</u>	<u>\$733</u>

**(j) Income Taxes**

Income taxes as presented herein attribute current and deferred income taxes of the Parent to the Cerence business' standalone financial statements in a manner that is systematic, rational, and consistent with the asset and liability method prescribed by ASC 740, *Income Taxes*. Accordingly, the Cerence business' income tax provision was prepared following the "Separate Return Method." The Separate Return Method applies ASC 740 to the standalone financial statements of each member of the consolidated group as if the group member were a separate taxpayer and a standalone enterprise. As a result, actual tax transactions included in the consolidated financial statements of the Parent may not be included in the combined financial statements of the Cerence business. Similarly, the tax treatment of certain items reflected in the combined financial statements of the Cerence business may not be reflected in the consolidated financial statements and tax returns of the Parent; therefore, such items as net operating losses, credit carryforwards and valuation allowances may exist in the standalone financial statements that may or may not exist in the Parent's consolidated financial statements.

The breadth of the Cerence business' operations and the global complexity of tax regulations require assessments of uncertainties and judgments in estimating taxes that the Cerence business would have paid if it had been a separate taxpayer. The final taxes that would have been paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, state and international tax audits in the normal course of business. The provision for income taxes is determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. This method also requires the recognition of future tax benefits relating to net operating loss carryforwards and tax credits, to the extent that realization of such benefits is more likely than not after consideration of all available evidence. The provision for income taxes represents income taxes paid by the parent or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax basis of the Cerence business' assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. In assessing the need for a valuation allowance, we consider both positive and

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

negative evidence related to the likelihood of realization of the deferred tax assets. The weights assigned to the positive and negative evidences are commensurate with the extent to which the evidence may be objectively verified. If positive evidence regarding projected future taxable income, exclusive of reversing taxable temporary differences, existed, it would be difficult for it to outweigh objective negative evidence of recent financial reporting losses.

In general, the taxable income (loss) of the various Cerence business entities was included in the Parent's consolidated tax returns, where applicable in jurisdictions around the world. As such, separate income tax returns were not prepared for any Cerence business entities. Consequently, income taxes currently payable are deemed to have been remitted to the Parent, in cash, in the period the liability arose and income taxes currently receivable are deemed to have been received from the Parent in the period that a refund could have been recognized by the Cerence business had the Cerence business been a separate taxpayer.

**(k) Accumulated Other Comprehensive Loss**

The components of accumulated other comprehensive loss, reflected in the Combined Statements of Changes in Parent Company Equity, consists of the following (dollars in thousands):

	September 30, 2018	September 30, 2017
Foreign currency translation adjustments	\$ (22,349)	\$ (20,443)
Net unrealized losses on post-retirement benefits	(1,608)	(2,170)
Accumulated other comprehensive loss	<u>\$ (23,957)</u>	<u>\$ (22,613)</u>

No income tax provisions or benefits are recorded for foreign currency translation adjustments as the undistributed earnings in our foreign subsidiaries are expected to be indefinitely reinvested.

**(l) Concentration of Risk**

Financial instruments that potentially subject us to significant concentrations of credit risk primarily consist of trade accounts receivable. We perform ongoing credit evaluations of our customers' financial condition and limit the amount of credit extended when deemed appropriate. Three customers accounted for 15.3%, 12.4%, and 8.6% of our accounts receivable, net at September 30, 2018 and for 26.3%, 19.0%, and 7.2% of our accounts receivable, net at September 30, 2017. Three customers accounted for 18.4%, 8.2%, and 6.7% of our revenues for the year ended September 30, 2018, 16.6%, 15.4%, and 8.1% of our revenues for the year ended September 30, 2017.

**(m) Foreign Currency Translation**

The functional currency of a foreign subsidiary is generally the local currency. We translate the financial statements of foreign subsidiaries to U.S. dollars using month-end exchange rates for assets and liabilities, and average rates for the reporting period for revenues, costs, and expenses. We record translation gains and losses in accumulated other comprehensive loss as a component of parent company equity. We record net foreign exchange transaction gains and losses resulting from the conversion of the transaction currency to the functional currency within other income (expense), net. Foreign currency transaction losses for the years ended September 30, 2018 and 2017 were \$54 and \$483, respectively.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

**(n) Net Parent Investment**

In the Combined Balance Sheets, net parent investment represents the Parent's historical investment in the Cerence business, accumulated net earnings after taxes and the net effect of transactions with, and allocations from, the Parent.

Earnings per share data has not been presented in the accompanying combined financial statements because the Cerence business does not operate as a separate legal entity with its own capital structure.

**(o) Stock-Based Compensation**

The Parent maintains certain stock compensation plans for the benefit of certain of its officers, directors and employees, including grants of employee stock options, purchases under employee stock purchase plans and restricted awards. These combined financial statements include certain expenses of the Parent that were allocated to the Cerence business for stock-based compensation. The stock-based compensation expense is recognized over the requisite service period, based on the grant date fair value of the awards and the number of the awards expected to be vested based on service and performance conditions, net of forfeitures. The Cerence business' Combined Balance Sheets do not include any Parent outstanding equity related to these stock-based compensation programs. Effective the fourth quarter of fiscal year 2017, as a result of the early adoption of ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"), as more fully discussed below, we record any tax effect related to stock-based awards through the Combined Statements of Operations. Excess tax benefits are recognized as deferred tax assets upon settlement and are subject to regular review for valuation allowance.

**(p) Recently Adopted Accounting Standards**

*Revenue Recognition*

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers: Topic 606*" ("ASU 2014-09"), under which revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under previous guidance ASC Topic 605, "*Revenue Recognition*" ("ASC 605"), including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 permits two methods of adoption: (i) retrospective to each prior reporting period presented; or (ii) retrospective with the cumulative effect of initially applying the guidance recognized at the date of initial application. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of the new revenue standard for periods beginning after December 15, 2016 to December 15, 2017, with early adoption permitted but not earlier than the original effective date. ASU 2014-09 became effective for us beginning on October 1, 2018 and we adopted ASU 2014-09 using the cumulative catch-up transition method, with a cumulative adjustment to net parent investment as opposed to retrospectively adjusting prior periods.

The most significant impact of the adoption of ASU 2014-19 relates to our accounting for arrangements that include term-based software licenses bundled with other performance obligations including (i) maintenance and support and (ii) professional services. Under ASC 605 GAAP, the revenue attributable to these software licenses is recognized ratably over the term of the arrangement because vendor specific objective evidence ("VSOE") does not exist for the undelivered maintenance and support element as it is not sold separately.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

Under ASU 2014-09, the requirement to have VSOE for undelivered elements to enable the separation of revenue for the delivered software licenses is eliminated. Accordingly, under the new standard we are required to recognize term-based software revenue as control is transferred and based upon the amount proportionally allocated to the term-based software license from the contract transaction price.

*Other Accounting Pronouncements*

In October 2016, the FASB issued ASU 2016-16, “*Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*” (“ASU 2016-16”), which requires income tax consequences of inter-company transfers of assets other than inventory to be recognized when the transfer occurs. ASU 2016-16 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. We early adopted the guidance during the first quarter of the year ended September 30, 2018. As a result, deferred charges of \$1,510 arising from inter-company transfers in prior years were recognized and recorded against the beginning balance of net parent investment in the first quarter of the year ended September 30, 2018. The adoption of the guidance did not have a material impact on our combined financial statements for any period presented.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”), which provides guidance on the classification of certain specific cash flow issues including debt prepayment or extinguishment costs, settlement of certain debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of certain insurance claims and distributions received from equity method investees. The standard requires the use of a retrospective approach for all periods presented, but may be applied prospectively if retrospective application would be impractical. ASU 2016-15 became effective for us in the first quarter of fiscal year 2019 and did not have a material impact on our condensed combined financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”). ASU 2016-01 amends the guidance on the classification and measurement of financial instruments. Although ASU 2016-01 retains many current requirements, it significantly revises accounting related to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. ASU 2016-01 also amends certain disclosure requirements associated with the fair value of financial instruments and became effective for us in the first quarter of fiscal year 2019. Based on the composition of our investment portfolio, the adoption of ASU 2016-01 did not have a material impact on our condensed combined financial statements.

***(q) Issued Accounting Standards Not Yet Adopted***

From time to time, new accounting pronouncements are issued by the FASB and are adopted by us as of the specified effective dates. Unless otherwise discussed, such pronouncements did not have or will not have a significant impact on our combined financial position, results of operations or cash flows, or do not apply to our operations.

*Leases*

In February 2016, the FASB issued ASU No. 2016-02, “*Leases*” (“ASU 2016-02”), which became effective for fiscal years beginning after December 15, 2018 and interim periods therein, with early adoption permitted. The guidance requires lessees to recognize on the balance sheet a right-of-use asset, representing its right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

than 12 months. The accounting applied by the lessor is largely unchanged from that applied under the existing lease standard. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases. The guidance requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. We are currently evaluating the impact of the guidance on our combined financial statements and related processes and internal controls. We expect the implementation to result in the recognition of right-of-use assets and lease liabilities for most of our operating lease commitments.

In August 2018, the FASB issued ASU 2018-15, “*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*”, which is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. The guidance requires that implementation costs related to a hosting arrangement that is a service contract be capitalized and amortized over the term of the hosting arrangement, starting when the module or component of the hosting arrangement is ready for its intended use. The guidance will be applied retrospectively to each period presented. We do not expect the implementation to have a material impact on our combined financial statements.

*Other Accounting Pronouncements*

In January 2018, the FASB issued ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (“AOCI”), which is effective for fiscal years beginning after December 15, 2018 and interim periods therein, with early adoption permitted. The guidance gives entities the option to reclassify to retained earnings the tax effects resulting from the Tax Cuts and Jobs Act (“TCJA”) related to items in AOCI. The new guidance may be applied retrospectively to each period in which the effect of the Act is recognized in the period of adoption. We do not expect the implementation to have a material impact on our combined financial statements.

**4. Business Acquisitions**

As part of our business strategy, we have acquired, and may acquire in the future, certain businesses and technologies primarily to expand our products and service offerings.

On April 2, 2018, we completed the acquisition of Voicebox Technologies (“Voicebox”). Voicebox is a provider of conversational artificial intelligence, including voice recognition, natural language understanding, and artificial intelligence services. We expect this acquisition to expand our current automotive solutions with a range of new predictive intelligence, embedded natural language, and hybrid virtual assistant capabilities. We expect to be able to provide an end-to-end automotive intelligence platform that merges automated speech recognition, natural language understanding, and information management to increase customer satisfaction, strengthen customer loyalty and improve business results. The aggregate consideration for this transaction was \$94,325 which included \$79,802 in cash, net of \$6,655 cash acquired, a \$12,923 write-off of deferred revenues related to the Cerence business’ pre-existing relationship with Voicebox, and a \$1,600 deferred acquisition payment which will be paid in cash upon the conclusion of an indemnity period in the year ended September 30, 2019. Acquisition costs related to Voicebox were \$4,082. For further detail, refer to Note 3(i). The results of operations of Voicebox are included within these combined financial statements beginning on the date of acquisition.

**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**  
(A Business of Nuance Communications, Inc.)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

A summary of the preliminary allocation of the purchase consideration for the acquisition of Voicebox is as follows (dollars in thousands):

	<u>Voicebox</u>
<b>Purchase consideration:</b>	
Cash	\$ 79,802
Settlement of pre-existing relationship	12,923
Deferred acquisition payment	1,600
Total purchase consideration	<u>\$ 94,325</u>
<b>Allocation of purchase consideration:</b>	
Accounts receivable	\$ 6,545
Prepaid expenses and other current assets	620
Property and equipment	4,008
Goodwill	46,918
Intangible assets	49,600
Deferred tax asset	124
Other assets	9
Total assets acquired	<u>107,824</u>
Current liabilities	(7,332)
Other liabilities	(6,167)
Total liabilities assumed	<u>(13,499)</u>
Net assets acquired	<u>\$ 94,325</u>

Goodwill from the Voicebox acquisition is not tax deductible. The following are the identifiable intangible assets acquired and their respective weighted average useful lives, as determined based on preliminary valuations (dollars in thousands):

	<u>Voicebox</u>	
	<u>Amount</u>	<u>Weighted Average Life (Years)</u>
Core and completed technology	\$12,700	4.0
Customer relationships	36,900	5.0
Total	<u>\$49,600</u>	

The results of Voicebox for the post-acquisition period from April 2, 2018 to September 30, 2018 are as follows:

Total revenue	\$ 5,631
Net loss	\$(9,238)

The following unaudited pro forma information has been prepared as if the acquisition of Voicebox had occurred on October 1, 2016:

	<u>Year ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Total revenue	\$285,119	\$ 258,051
Net (loss) income	\$ (3,965)	\$ 19,704

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

**5. Goodwill and Intangible Assets**

**(a) Goodwill**

The changes in the carrying amount of goodwill for the years ended September 30, 2018 and 2017 were as follows (dollars in thousands):

	<b>Total</b>
Balance as of October 1, 2016	\$1,067,527
Effect of foreign currency translation	7,916
Balance as of September 30, 2017	\$1,075,443
Acquisitions	46,918
Effect of foreign currency translation	(2,415)
Balance as of September 30, 2018	\$1,119,946

**(b) Intangible Assets, Net**

The following tables summarizes the gross carrying amounts and accumulated amortization of intangible assets by major class (dollars in thousands):

	September 30, 2018			Weighted Average Remaining Life (Years)
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Customer relationships	\$ 99,797	\$ (40,699)	\$59,098	4.9
Technology and patents	47,900	(22,186)	25,714	3.3
Total	\$147,697	\$ (62,885)	\$84,812	

	September 30, 2017			Weighted Average Remaining Life (Years)
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Customer relationships	\$ 62,897	\$ (31,859)	\$31,038	6.4
Technology and patents	38,427	(18,797)	19,630	4.0
Total	\$101,324	\$ (50,656)	\$50,668	

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

Amortization expense for acquired technology and patents is included in the cost of revenues in the accompanying Combined Statement of Operations and amounted to \$6,616 and \$5,029 for the years ended 2018 and 2017, respectively. Additionally, amortization expense for intangible assets of the Parent utilized by the Cerence business amounted to \$1,150 and \$1,869 in the years ended September 30, 2018 and 2017, respectively, and is included in the cost of revenues as shown in Note 16. Amortization expense for customer relationships is included in operating expenses and amounted to \$8,840 and \$5,763 in the years ended September 30, 2018 and 2017, respectively. Estimated amortization for each of the five succeeding years and thereafter as of September 30, 2018, is as follows (dollars in thousands):

<u>Year Ending September 30,</u>	<u>Cost of Revenues</u>	<u>Operating Expenses</u>	<u>Total</u>
2019	\$ 8,203	\$ 12,530	\$20,733
2020	7,837	12,530	20,367
2021	7,104	12,530	19,634
2022	2,570	11,572	14,142
2023	—	5,962	5,962
Thereafter	—	3,974	3,974
<b>Total</b>	<b>\$25,714</b>	<b>\$ 59,098</b>	<b>\$84,812</b>

**6. Accounts Receivable, Net**

Accounts receivable, net consisted of the following (dollars in thousands):

	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Trade accounts receivable	\$ 72,913	\$ 74,661
Unbilled accounts receivable under long-term contracts	125	190
Gross accounts receivable	73,038	74,851
Less: allowance for doubtful accounts	(954)	(832)
<b>Total</b>	<b>\$ 72,084</b>	<b>\$ 74,019</b>

**7. Property and Equipment, Net**

Property and equipment, net consisted of the following (dollars in thousands):

	<u>Useful Life (In years)</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Machinery and equipment	3-5	\$ 7,519	\$ 5,698
Computers, software and equipment	3-5	21,620	16,653
Leasehold improvements	2-15	5,226	5,606
Furniture and fixtures	5-7	1,167	795
Subtotal		35,532	28,752
Less: accumulated depreciation		(22,126)	(15,447)
<b>Total</b>		<b>\$ 13,406</b>	<b>\$ 13,305</b>

As of September 30, 2018 and 2017, the net book value of capitalized internal-use software costs was \$15,477 and \$11,449, respectively, which are included within computers, software and equipment. Depreciation expense



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

for the years ended September 30, 2018 and 2017 was \$7,692 and \$4,952, respectively, which included amortization expense of \$4,185 and \$2,950, respectively, for internally developed software costs.

### 8. Deferred Revenue

Deferred maintenance revenue consists of prepaid fees received for post-contract customer support for our products, including telephone support and the right to receive unspecified upgrades/enhancements on a when-and-if-available basis.

Unearned revenue includes fees for upfront setup of the service environment; fees charged for on-demand service; certain software arrangements for which we do not have fair value of post-contract customer support, resulting in ratable revenue recognition for the entire arrangement on a straight-line basis and fees in excess of estimated earnings on percentage-of completion service contracts.

Deferred revenue consisted of the following (dollars in thousands):

	September 30, 2018	September 30, 2017
<b>Current Liabilities:</b>		
Deferred maintenance revenue	\$ 61	\$ 57
Unearned revenue	84,801	66,690
Total	<u>\$ 84,862</u>	<u>\$ 66,747</u>
<b>Non-current Liabilities:</b>		
Unearned revenue	263,787	233,435
Total	<u>\$ 263,787</u>	<u>\$ 233,435</u>

### 9. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (dollars in thousands):

	September 30, 2018	September 30, 2017
Compensation	\$ 25,262	\$ 17,785
Cost of revenue related liabilities	1,427	1,524
Sales and other taxes payable	1,472	811
Professional fees	768	745
Facilities related liabilities	486	306
Other	1,019	963
Total	<u>\$ 30,434</u>	<u>\$ 22,134</u>

### 10. Asset Retirement Obligations

Asset retirement obligations consist primarily of costs related to restoring long-lived assets to their original condition. Asset retirement obligations may include disposal costs, maintenance of buildings, and costs to remove leasehold improvements. The balance of the asset retirement obligations for the periods presented are classified as noncurrent liabilities and included in other liabilities in the Combined Balance Sheets. The balance

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

of asset retirement obligations at September 30, 2018 and 2017 were \$1,155 and \$784, respectively. Activity related to asset retirement obligations was as follows (dollars in thousands):

	September 30, 2018	September 30, 2017
Balance at the beginning of period	\$ 784	\$ 414
Additions	398	401
Remeasurement/translation	(8)	17
Settlements/payments	(19)	(48)
Balance at the end of the period	<u>\$ 1,155</u>	<u>\$ 784</u>

**11. Restructuring and Other Costs, Net**

Restructuring and other costs, net include restructuring expenses as well as other charges that are unusual in nature, are the result of unplanned events, and arise outside of the ordinary course of our business such as employee severance costs, costs for consolidating duplicate facilities, and separation costs directly attributable to the Cerence business becoming a stand-alone public company.

Restructuring and other costs related to personnel and facilities are included in accrued expenses and other current liabilities in the Combined Balance Sheets. Separation costs are included in accounts payable. The following table sets forth the year ended September 30, 2018 and 2017 accrual activity relating to restructuring charges (dollars in thousands):

	Personnel	Facilities	Separation	Total
Balance at October 1, 2016	\$ 145	\$ 302	\$ —	\$ 447
Restructuring and other costs, net	1,842	23	—	1,865
Cash payments	(1,879)	(211)	—	(2,090)
Balance at September 30, 2017	108	114	—	222
Restructuring and other costs, net	4,130	20	8,713	12,863
Cash payments	(1,969)	(128)	(7,936)	(10,033)
Balance at September 30, 2018	<u>\$ 2,269</u>	<u>\$ 6</u>	<u>\$ 777</u>	<u>\$ 3,052</u>

**Fiscal 2018**

For the year ended September 30, 2018, we recorded restructuring charges of \$12,863, which included a \$4,130 severance charge related to the elimination of personnel across multiple functions, \$20 primarily resulting from the restructuring of facilities that will no longer be utilized, and \$8,713 related to professional services fees incurred to establish the Cerence business as a stand-alone public company. We expect the remaining outstanding restructuring and other costs of \$3,052 to be substantially paid by the end of the first quarter of the year ended September 30, 2019.

**Fiscal 2017**

For the year ended September 30, 2017, we recorded restructuring charges of \$1,865, which included a \$1,842 severance charge related to the elimination of personnel across multiple functions and \$23 primarily resulting from the restructuring of facilities that will no longer be utilized. These actions were part of our initiatives to reduce costs and optimize processes.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

### 12. Supplemental Cash Flow Information

Income taxes settled through Parent company net investment were as follows (dollars in thousands):

	<u>Year Ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Income taxes settled through net parent investment	\$ 18,444	\$ 33,644

### 13. Stock-Based Compensation

The Parent maintains a number of stock-based compensation programs at the corporate level in which the Cerence business' employees participate. All awards granted under the programs relate to the Parent's common stock. Accordingly, the amounts presented are not necessarily indicative of future performance and do not necessarily reflect the results that the Cerence business would have experienced as an independent, publicly-traded company for the periods presented. The stock-based compensation expense recorded by the Cerence business, in the years presented, includes the expense associated with the employees historically attributable to the Cerence business' operations and the expense associated with the allocation of stock compensation expense for corporate employees.

The following table presents stock-based compensation expense included in the Cerence business' Combined Statements of Operations related to the Parent's stock-based compensation programs which are described in more detail further below (dollars in thousands):

	<u>Year Ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Cost of licensing	\$ 12	\$ 1
Cost of connected services	495	1,740
Cost of professional services	1,569	447
Research and development	11,112	7,762
Sales and marketing	3,985	5,001
General and administrative	4,870	4,843
Total	<u>\$ 22,043</u>	<u>\$ 19,794</u>

### *Restricted Awards*

The Parent is authorized to issue equity incentive awards in the form of Restricted Awards, including Restricted Units and Restricted Stock. Unvested Restricted Awards may not be sold, transferred or assigned. The fair value of the Restricted Awards is measured based upon the market price of the underlying common stock as of the date of grant, reduced by the purchase price of \$0.001 per share of the awards. The Restricted Awards generally are subject to vesting over a period of two to four years, and may have opportunities for acceleration for achievement of defined goals. Nuance also issued certain Restricted Awards with vesting solely dependent on the achievement of specified performance targets. The fair value of the Restricted Awards is amortized to expense over the awards' applicable requisite service periods using the straight-line method. In the event that the employee's employment terminates, or in the case of awards with only performance goals, if those goals are not met, any unvested shares are forfeited and revert to the Parent.

**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**  
(A Business of Nuance Communications, Inc.)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

#### 14. Commitments and Contingencies

##### *Operating Leases*

The Parent has various operating leases for office space around the world and has assumed facility lease obligations in connection with past acquisitions identified to the Cerence business. Among these assumed obligations are lease payments related to office locations that were vacated by certain of the acquired companies prior to the acquisition date. Additionally, certain of our lease obligations have been included in various restructuring charges. Refer to Note 11 for more detail.

The Parent's operating lease and other contractual obligations range from \$3,225 to \$5,501 annually over the next 5 years. The following table outlines gross future minimum payments under all non-cancelable operating leases that are specific to the Cerence business as of September 30, 2018 (dollars in thousands):

Year Ending September 30,	Operating Leases
2019	\$ 5,501
2020	4,973
2021	4,046
2022	3,318
2023	3,225
Thereafter	3,481
Total	<u>\$ 24,544</u>

Total rent expense was approximately \$3,041 and \$2,874 for the years ended September 30, 2018 and 2017, respectively.

##### *Litigation and Other Claims*

Like many companies in the software industry, Nuance has been notified of claims that it may be infringing on, or contributing to the infringement of, the intellectual property rights of others. These claims have been referred to counsel, and they are in various stages of evaluation and negotiation. If it appears necessary or desirable, we may seek licenses for these intellectual property rights. There is no assurance that licenses will be offered by all claimants, that the terms of any offered licenses will be acceptable to us or that in all cases the dispute will be resolved without litigation, which may be time consuming and expensive, and may result in injunctive relief or the payment of damages by us. We do not believe that the resolution of any such claim or litigation will have a material adverse effect on the Cerence business' financial position and results of operations. However, resolution of any such claim or litigation could require significant management time and adversely impact our operating results, financial position and cash flows.

We include indemnification provisions in the contracts we enter into with customers and business partners. Generally, these provisions require us to defend claims arising out of our products' infringement of third-party intellectual property rights, breach of contractual obligations and/or unlawful or otherwise culpable conduct. The indemnity obligations generally cover damages, costs and attorneys' fees arising out of such claims. In most, but not all cases, our total liability under such provisions is limited to either the value of the contract or a specified, agreed upon amount. In some cases our total liability under such provisions is unlimited. In many, but not all cases, the term of the indemnity provision is perpetual. While the maximum potential amount of future payments we could be required to make under all the indemnification provisions is unlimited, we believe the estimated fair value of these provisions is minimal due to the low frequency with which these provisions have been triggered.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

**15. Pension and Other Post-Retirement Benefits**

Nuance offers various long-term benefits to its eligible employees, including employees of the Cerence business. As Nuance provides these benefits to eligible employees and retirees of the Cerence business, the costs, assets and liabilities of participating employees of the Cerence business in these plans are reflected in these combined financial statements.

***Defined Contribution Plans***

Nuance has established a retirement savings plan under Section 401(k) of the Internal Revenue Code (the “401(k) Plan”). The 401(k) Plan covers substantially all of Nuance’s U.S. employees who meet minimum age and service requirements, and allows participants to defer a portion of their annual compensation on a pre-tax basis. Effective July 1, 2003, Nuance’s match of employees’ contributions was established. Nuance matches 50% of employee contributions up to 4% of eligible salary. Employer’s contributions vest one-third annually over a three-year period. Cerence was allocated charges for contributions to these 401(k) defined contribution plans of \$709 and \$673 for the years ended September 30, 2018 and 2017, respectively.

***Defined Benefit Pension Plans***

Nuance sponsors certain defined benefit pension plans that are offered primarily by their foreign subsidiaries. Many of these plans were assumed through acquisitions or are required by local regulatory requirements. Nuance may deposit funds for these plans with insurance companies, third party trustees or into government-managed accounts consistent with local regulatory requirements, as applicable.

Cerence sponsors certain aforementioned defined benefit plans. The total defined benefit plan pension expenses incurred by Cerence for these plans were \$418 and \$403 for the years ended 2018 and 2017, respectively. Cerence’s aggregate projected benefit obligation and aggregate net liability for Cerence’s defined benefit plans as of September 30, 2018 was \$5,048 and \$4,245, and as of September 30, 2017 was \$5,107 and \$4,193, respectively.

Total expense related to the participation in defined benefit pension plans sponsored by Nuance was not material to the Cerence business’ Combined Statements of Operations in 2018 and 2017.

**16. Relationship with Parent and Related Entities**

Historically, the Cerence business has been managed and operated in the normal course of business consistent with other affiliates of the Parent. Accordingly, certain shared costs have been allocated to the Cerence business and reflected as expenses in the standalone combined financial statements. Management considers the allocation methodologies used to be reasonable and appropriate reflections of the historical Parent expenses attributable to the Cerence business for purposes of the standalone financial statements. However, the expenses reflected in the combined financial statements may not be indicative of the actual expenses that would have been incurred during the periods presented if the Cerence business historically operated as a separate, standalone entity. In addition, the expenses reflected in the combined financial statements may not be indicative of related expenses that will be incurred in the future by the Cerence business.

**(a) General Corporate Overhead Allocation**

The Parent provides facilities, information services and certain corporate and administrative services to the Cerence business. Expenses relating to these services have been allocated to the Cerence business and are

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

reflected in the combined financial statements. Where direct assignment is not possible or practical, these costs were allocated on a pro rata basis of revenues, headcount or other measures. The following table summarizes the components of general allocated corporate expenses for the years ended September 30, 2018 and 2017 (dollars in thousands):

	<b>Year Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
Facility	\$ 6,125	\$ 5,789
Depreciation	1,467	2,057
Amortization	1,150	1,869
Facility and other usage charges	8,742	9,715
Information services	7,947	6,609
Corporate and administrative services	18,414	16,326
Total	<u>\$ 35,103</u>	<u>\$ 32,650</u>

**(b) Cash Management and Financing**

The Cerence business participates in the Parent's centralized cash management and financing programs. Disbursements are made through centralized accounts payable systems, which are operated by the Parent.

Cash receipts are transferred to centralized accounts which are also maintained by the Parent. As cash is disbursed and received by the Parent, it is accounted for by the Cerence business through the net parent investment.

Historically, the Cerence business has received funding from the Parent for the Cerence business' operating and investing cash needs. Parent's third-party debt and the related interest expense have not been allocated to the Cerence business for any of the years presented as the Cerence business is not the legal obligor of the debt and the Parent's borrowings were not directly attributable to the Cerence business.

**(c) Intercompany Receivables/Payables**

All significant intercompany transactions between the Cerence business and the Parent and its non-Cerence businesses have been included in these combined financial statements and are considered to be effectively settled for cash at the time the transaction is recorded. The total net effect of the settlement of these intercompany transactions have been accounted for through parent company net investment in the Combined Balance Sheets and is reflected in the Combined Statements of Cash Flows as a financing activity.

The following table summarizes the components of the net transfers to Parent for the years ended September 30, 2018 and 2017 (dollars in thousands):

	<b>Year Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
Net advancement from Parent	\$ (28,947)	\$ (92,070)
Stock-based compensation	22,043	19,794
Accrued bonus	(2,859)	283
Corporate depreciation and amortization	2,617	3,926
Fixed asset reclasses from the Parent	259	(1,900)
Net transfer to Parent	<u>\$ (6,887)</u>	<u>\$ (69,967)</u>

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

### 17. Income Taxes

Although the Cerence business was historically included in consolidated income tax returns of the Parent, the Cerence business' income taxes are computed and reported herein under the "separate return method." Use of the separate return method may result in differences when the sum of the amounts allocated to standalone tax provisions are compared with amounts presented in the combined financial statements. In that event, the related deferred tax assets and liabilities could be significantly different from those presented herein. Certain tax attributes, e.g., net operating loss carryforwards, which were actually reflected in the Parent's consolidated financial statements may or may not exist at the standalone Cerence business level.

Furthermore, the combined financial statements do not reflect any amounts due to the Parent for income tax related matters as it is assumed that all such amounts due to the Parent were settled on September 30 of each year.

#### *Recent Tax Legislation*

On December 22, 2017, the TCJA was signed into law. The TCJA significantly revises the U.S. corporate income tax by, among other things, lowering corporate income tax rates, implementing a hybrid territorial tax system and imposing a one-time repatriation tax on foreign cash and earnings.

As a result of the TCJA, we remeasured certain deferred tax assets and liabilities at the lower rates and recorded approximately \$23,115 of benefit for the year ended September 30, 2018.

#### *Provision for Income Taxes*

The components of income before income taxes are as follows (dollars in thousands):

	<u>Year Ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Domestic	\$ 16,371	\$ 38,095
Foreign	20,427	25,107
Income before income taxes	<u>\$ 36,798</u>	<u>\$ 63,202</u>

Income before income taxes, as shown above, is based on the location of the entity to which such earnings are attributable.

**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

The components of the provision for income taxes were (dollars in thousands):

	Year Ended September 30,	
	2018	2017
Current:		
Federal	\$ 11,413	\$ 26,191
State	2,500	3,695
Foreign	4,531	3,758
Total current	18,444	33,644
Deferred:		
Federal	14,393	(14,846)
State	(1,284)	(1,884)
Foreign	(636)	(988)
Total deferred	12,473	(17,718)
Provision for income taxes	<u>\$ 30,917</u>	<u>\$ 15,926</u>
Effective income tax rate	84.0%	25.2%

The provision for income taxes differed from the amount computed by applying the federal statutory rate to our income before income taxes as follows (dollars in thousands):

	Year Ended September 30,	
	2018	2017
Federal tax provision at statutory rate	\$ 9,026	\$ 22,121
State tax, net of federal benefit	917	1,177
Foreign tax rate and other foreign related tax items	(104)	(5,312)
Uncertain tax positions	(95)	840
Stock-based compensation	—	1,288
Non-deductible expenditures	514	56
U.S. and Canadian R&D credits	(1,313)	(1,974)
Domestic Production Activities Deduction	(1,143)	(2,270)
TCJA impact	23,115	—
Provision for income taxes	<u>\$ 30,917</u>	<u>\$ 15,926</u>

The effective income tax rate is based upon the income for the year, the composition of the income in different countries, changes relating to valuation allowances for certain countries if and as necessary, and adjustments, if any, for the potential tax consequences, benefits or resolutions of audits or other tax contingencies. Historically, our aggregate income tax rate in foreign jurisdictions is lower than our income tax rate in the U.S.; however, in the year ended September 30, 2018 the U.S. federal rate was higher. Our effective tax rate may be adversely affected by earnings being lower than anticipated in countries where we have lower statutory tax rates and higher than anticipated in countries where we have higher statutory tax rates.

The effective income tax rate in the year ended September 30, 2018 differs from the U.S. federal statutory rate of 24.5% primarily due to the net tax expense resulting from the TCJA remeasurement of deferred tax assets and liabilities at the lower enacted rate, our R&D credits and the domestic production activities deduction.



**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

The effective income tax rate the year ended September 30, 2017 differs from the U.S. federal statutory rate of 35% primarily due to our earnings in foreign jurisdictions that are subject to significantly lower tax rates, our R&D credits and the domestic production activities deduction.

As of September 30, 2018, we have not provided taxes on undistributed earnings of our foreign subsidiaries, which may be subject to foreign withholding taxes upon repatriation, as we consider these earnings indefinitely reinvested. Our indefinite reinvestment determination is based on the future operational and capital requirements of our domestic and foreign operations. We expect our international cash and cash equivalents and marketable securities will continue to be used for our foreign operations and therefore do not anticipate repatriating these funds. As of September 30, 2018, it is not practical to calculate the unrecognized deferred tax liability on these earnings due to the complexities of the utilization of foreign tax credits and other tax assets.

Deferred tax assets (liabilities) consist of the following as of September 30, 2018 and 2017 (dollars in thousands):

	September 30, 2018	September 30, 2017
Deferred tax assets:		
Net operating loss carryforwards	\$ 4,969	\$ —
Federal credit carryforwards	8,791	3,148
Accrued expenses and other reserves	2,422	1,694
Difference in timing of revenue related items	47,662	61,777
Acquired intangibles	—	1,298
Pension obligations	1,267	1,231
Total deferred tax assets	65,111	69,148
Valuation allowance for deferred tax assets	(2,420)	—
Deferred tax assets	62,691	69,148
Deferred tax liabilities:		
Depreciation	(1,539)	(2,148)
Acquired intangibles	(10,099)	—
Total deferred tax liabilities	(11,638)	(2,148)
Net deferred tax assets	<u>\$ 51,053</u>	<u>\$ 67,000</u>

Deferred tax assets are reduced by a valuation allowance if, based on the weight of available positive and negative evidence, it is more likely than not that some portion or all the deferred tax assets will not be realized. During the fiscal year 2018, a valuation allowance was established through purchase accounting for the foreign tax credits that were acquired. In the judgement of management, these are not more likely than not to be realized as a result of the TCJA.

If we are subsequently able to utilize all or portion of the deferred tax assets for which a valuation allowance has been established, then we may be required to recognize these deferred tax assets through the reduction of the valuation allowance which could result in a material benefit to our results of operations in the period in which the benefit is determined.

The Voicebox acquisition during the fiscal year 2018 resulted in the acquisition of tax attributes including net operating loss and tax credit carryforwards. The net operating loss and credit carryforwards are subject to an annual limitation due to the ownership change limitation provided by the Internal Revenue Code of 1986.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

At September 30, 2018 and 2017, we had U.S. federal net operating loss carryforwards of \$22,498, and \$0, respectively. At September 30, 2018 and 2017, we had foreign net operating loss carryforwards of \$856, and \$0, respectively. These carryforwards will expire at various dates beginning in 2036 and extending up to an unlimited period.

At September 30, 2018 and 2017, we have federal research and development carryforwards and foreign tax credit carryforwards of \$8,791, and \$3,148, respectively.

#### **Uncertain Tax Positions**

Upon audit, taxing authorities may challenge all or part of an uncertain income tax position. While the Cerence business has no history of tax audits on a standalone basis, the Parent is routinely audited by state and foreign taxing authorities. Accordingly, Nuance (and the Cerence business) regularly assesses the outcome of potential examinations in each of the taxing jurisdictions when determining the adequacy of the amount of unrecognized tax benefit recorded. We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit which is more likely than not to be realized upon ultimate settlement. We recognize interest and penalties related to unrecognized tax positions in our provision for income taxes line of our Combined Statements of Operations.

The aggregate changes in the balance of our gross unrecognized tax benefits were as follows (dollars in thousands):

	September 30, 2018	September 30, 2017
Balance at the beginning of the year	\$ 5,833	\$ 4,992
Increases related to tax positions taken from prior periods	103	1,133
Decreases related to tax positions taken from prior periods	(198)	(77)
Decreases for tax settlements and lapse in statutes	—	(215)
Balance at the end of the year	<u>\$ 5,738</u>	<u>\$ 5,833</u>

As of September 30, 2018, \$5,738 of the unrecognized tax benefits, if recognized, would impact our effective tax rate. We do not expect a significant change in the amount of unrecognized tax benefits within the next 12 months. We recorded \$847 and \$793 of interest and penalties related to uncertain tax positions as of September 30, 2018 and 2017, respectively.

We are subject to U.S. federal income tax, various state and local taxes and international income taxes in numerous jurisdictions. The years ended September 30, 2018 and 2017 remain open for all purposes of examination by the IRS and other taxing authorities in material jurisdictions.

#### **18. Subsequent Events**

On November 19, 2018, the Parent announced their intent to spin off the Cerence business into an independent publicly-traded company through a pro rata distribution to the Parent's common stock holders. Completion of the proposed spin-off is subject to certain conditions, including final approval by the Parent's Board of Directors. The Parent is targeting to complete the separation of the Cerence business by the beginning of fiscal year 2020.

**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

**19. Quarterly Data (Unaudited)**

The following information has been derived from unaudited condensed combined financial statements that, in the opinion of management, include all recurring adjustments necessary for a fair statement of such information (dollars in thousands).

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Fiscal Year</u>
<b>2018</b>					
Total revenues	\$ 61,955	\$ 67,496	\$ 72,177	\$ 75,356	\$276,984
Gross profit	\$ 42,455	\$ 48,022	\$ 50,429	\$ 53,114	\$194,020
Net (loss) income	\$ (18,740)	\$ 9,463	\$ 6,533	\$ 8,625	\$ 5,881
	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Fiscal Year</u>
<b>2017</b>					
Total revenues	\$ 53,451	\$ 64,496	\$ 61,929	\$ 64,853	\$244,729
Gross profit	\$ 37,747	\$ 47,731	\$ 45,565	\$ 45,152	\$176,195
Net income	\$ 8,538	\$ 15,015	\$ 12,647	\$ 11,076	\$ 47,276

**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**  
(A Business of Nuance Communications, Inc.)  
**CONDENSED COMBINED STATEMENTS OF OPERATIONS**  
(Dollars in thousands)

	Six Months Ended March 31,	
	2019 (ASC 606)	2018 (ASC 605)
(Unaudited)		
<b>Revenues:</b>		
License	\$ 83,326	\$ 78,019
Connected services	36,114	28,440
Professional services	23,232	22,928
Other	116	64
Total revenues	<u>142,788</u>	<u>129,451</u>
<b>Cost of revenues:</b>		
License	907	446
Connected services	20,360	14,294
Professional services	23,189	20,964
Amortization of intangible assets	4,196	3,270
Total cost of revenues	<u>48,652</u>	<u>38,974</u>
Gross profit	<u>94,136</u>	<u>90,477</u>
Operating expenses:		
Research and development	46,369	36,099
Sales and marketing	19,244	14,515
General and administrative	11,409	10,116
Amortization of intangible assets	6,264	2,575
Restructuring and other costs, net	7,456	8,177
Acquisition-related costs	417	1,324
Total operating expenses	<u>91,159</u>	<u>72,806</u>
Income from operations	2,977	17,671
Other income (expense), net	252	(364)
Income before income taxes	3,229	17,307
Provision for income taxes	519	26,584
Net income (loss)	<u>\$ 2,710</u>	<u>\$ (9,277)</u>

Refer to accompanying Notes to Condensed Combined Financial Statements.

**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**  
(A Business of Nuance Communications, Inc.)  
CONDENSED COMBINED STATEMENTS OF COMPREHENSIVE LOSS  
(Dollars in thousands)

	Six Months Ended March 31,	
	2019	2018
	(Unaudited)	
Net income (loss)	\$ 2,710	\$(9,277)
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(3,179)	6,081
Pension adjustments	366	641
Total other comprehensive (loss) income	<u>(2,813)</u>	<u>6,722</u>
Comprehensive loss	<u>\$ (103)</u>	<u>\$(2,555)</u>

Refer to accompanying Notes to Condensed Combined Financial Statements.

**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**  
(A Business of Nuance Communications, Inc.)  
**CONDENSED COMBINED BALANCE SHEETS**  
(Dollars in thousands)

	March 31, 2019 (ASC 606) (Unaudited)	September 30, 2018 (ASC 605)
<b>ASSETS</b>		
Current assets:		
Accounts receivable, net	\$ 59,268	\$ 72,084
Deferred costs	4,795	6,793
Prepaid expenses and other current assets	17,468	4,090
Total current assets	<u>81,531</u>	<u>82,967</u>
Property and equipment, net	11,244	13,406
Deferred costs	38,334	44,238
Goodwill	1,120,216	1,119,946
Intangible assets, net	74,445	84,812
Deferred tax asset	51,637	51,053
Other assets	924	1,126
Total assets	<u>\$1,378,331</u>	<u>\$ 1,397,548</u>
<b>LIABILITIES AND PARENT COMPANY EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 7,321	\$ 6,510
Deferred revenue	77,463	84,862
Accrued expenses and other current liabilities	24,950	30,434
Total current liabilities	<u>109,734</u>	<u>121,806</u>
Deferred revenue, net of current portion	268,260	263,787
Other liabilities	17,151	18,636
Total liabilities	<u>395,145</u>	<u>404,229</u>
Commitments and contingencies (Note 12)		
Parent company equity:		
Net parent investment	1,009,956	1,017,276
Accumulated other comprehensive loss	(26,770)	(23,957)
Total parent company equity	<u>983,186</u>	<u>993,319</u>
Total liabilities and parent company equity	<u>\$1,378,331</u>	<u>\$ 1,397,548</u>

Refer to accompanying Notes to Condensed Combined Financial Statements.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

**CONDENSED COMBINED STATEMENT OF CHANGES IN PARENT COMPANY EQUITY**  
(Dollars in thousands)

**For the six months ended March 31, 2019**

	<u>Net Parent Investment</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
Balance as of September 30, 2018 (As reported, ASC 605)	\$ 1,017,276	\$ (23,957)	\$993,319
Accumulated adjustment related to the adoption of ASC 606	6,974	—	6,974
Net income	2,710	—	2,710
Other comprehensive loss	—	(2,813)	(2,813)
Other	3,762	—	3,762
Net transfer to Parent	(20,766)	—	(20,766)
Balance as of March 31, 2019	<u>\$ 1,009,956</u>	<u>\$ (26,770)</u>	<u>\$983,186</u>

**For the six months ended March 31, 2018**

	<u>Net Parent Investment</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
Balance as of October 1, 2017	\$ 1,019,792	\$ (22,613)	\$997,179
Accumulated adjustment related to the adoption of ASU 2016-16	(1,510)	—	(1,510)
Net loss	(9,277)	—	(9,277)
Other comprehensive income	—	6,722	6,722
Net transfer to Parent	(30,679)	—	(30,679)
Balance as of March 31, 2018	<u>\$ 978,326</u>	<u>\$ (15,891)</u>	<u>\$962,435</u>

Refer to accompanying Notes to Condensed Combined Financial Statements

**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**  
(A Business of Nuance Communications Inc.)  
**CONDENSED COMBINED STATEMENTS OF CASH FLOWS**  
(Dollars in thousands)

	Six Months Ended March 31,	
	2019 (ASC 606)	2018 (ASC 605)
	(Unaudited)	
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 2,710	\$ (9,277)
Adjustments to reconcile net income (loss) to net cash provided by operations:		
Depreciation and amortization	14,574	10,181
Stock-based compensation	13,367	10,594
Deferred tax benefit	(2,898)	(17,876)
Changes in operating assets and liabilities		
Accounts receivable	5,584	5,054
Prepaid expenses and other assets	(6,848)	(905)
Deferred costs	2,020	(7,175)
Accounts payable	849	2,134
Accrued expenses and other liabilities	830	38,270
Deferred revenue	12,062	17,831
Net cash provided by operating activities	<u>42,520</u>	<u>48,831</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	<u>(2,472)</u>	<u>(3,287)</u>
Cash used in investing activities	<u>(2,472)</u>	<u>(3,287)</u>
<b>Cash flows from financing activities:</b>		
Net advancement to Parent	<u>(40,048)</u>	<u>(45,544)</u>
Cash used in financing activities	<u>(40,048)</u>	<u>(45,544)</u>
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of year	—	—
Cash and cash equivalents at end of year	<u>\$ —</u>	<u>\$ —</u>

Refer to accompanying Notes to Condensed Combined Financial Statements.



**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS

**1. Organization and Presentation**

The accompanying unaudited condensed combined financial statements present the combined assets, liabilities, revenues and expenses related to the Cerence business (“we” or “Cerence”), a business of Nuance Communications, Inc. (“Nuance” or “the Parent”), a leading provider of voice recognition and natural language understanding solutions for businesses and consumers around the world. The Cerence business operates through indirect, wholly-owned subsidiaries of Nuance and not as a standalone company. Cerence operates only in the Automotive segment.

Cerence is primarily engaged in providing automotive manufacturers and their suppliers branded and personalized virtual assistants and connected car services built on our voice recognition and natural language understanding technologies. Demand for our embedded and cloud-based automotive solutions is driven by the growth in personalized automotive virtual assistants, connected services for automobiles, and by auto manufacturers’ desire to create a branded and personalized experience, capable of integrating and intelligently managing customers’ personal smart phone and home device preferences and technologies.

**2. Basis of Presentation**

Standalone financial statements have not been historically prepared for the Cerence business. The accompanying condensed combined financial statements have been prepared from the Parent’s historical accounting records and are presented on a “carve out” basis to include the historical financial position, results of operations and cash flows applicable to the Cerence business. As a direct ownership relationship did not exist among all the various business units comprising the Cerence business, parent company equity in the Cerence business is shown in lieu of stockholder’s equity in the condensed combined financial statements.

The Condensed Combined Statements of Operations include all revenues and costs directly attributable to Cerence as well as an allocation of expenses related to functions and services performed by centralized Parent organizations. These corporate expenses have been allocated to the Cerence business based on direct usage or benefit, where identifiable, with the remainder allocated on a pro rata basis of revenues, headcount, number of transactions or other measures as determined appropriate. The Condensed Combined Statements of Cash Flows present these corporate expenses that are cash in nature as cash flows from operating activities, as this is the nature of these costs at the Parent. Non-cash expenses allocated from the Parent include corporate depreciation and amortization and stock-based compensation included as add back adjustments to reconcile net income (loss) to net cash provided by operations. As described in Note 10, current and deferred income taxes and related tax expense have been determined based on the standalone results of the Cerence business by applying ASC No. 740, *Income Taxes* (“ASC 740”), to the Cerence business’ operations in each country as if it were a separate taxpayer (i.e. following the Separate Return Methodology).

Cerence is dependent upon technologies which are owned by various entities within the Parent structure. While these condensed combined financial statements use various methods to allocate the cost of these technologies to the Cerence business, this does not purport to reflect the cost of an arm’s length license arrangement.

The condensed combined financial statements include the allocation of certain assets and liabilities that have historically been held at the Nuance corporate level or by shared entities but which are specifically identifiable or allocable to the Cerence business. These shared assets and liabilities have been allocated to the Cerence business on the basis of direct usage when identifiable, or allocated on a pro-rata basis of revenue, headcount or other systematic measures that reflect utilization of the services provided to or benefits received by Cerence. The Parent uses a centralized approach to cash management and financing its operations. Accordingly, none of the

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS—(Continued)

cash, cash equivalents, marketable securities, debt, foreign currency hedges or related interest expense has been allocated to Cerence in the condensed combined financial statements. The Parent's short and long-term debt has not been pushed down to the Cerence business condensed combined financial statements because the Cerence business is not the legal obligor of the debt and the Parent's borrowings were not directly attributable to the Cerence business.

Nuance maintains various stock-based compensation plans at a corporate level. Cerence employees participate in those programs and a portion of the cost of those plans is included in the Cerence business' Condensed Combined Statements of Operations. Refer to Note 9 for further description of the accounting for stock-based compensation.

Transactions between the Parent and the Cerence business are considered to be effectively settled in the condensed combined financial statements at the time the transaction is recorded. The total net effect of the settlement of these intercompany transactions is reflected in the Condensed Combined Statements of Cash Flows as a financing activity and in the Condensed Combined Balance Sheets as net parent investment.

All of the allocations and estimates in the condensed combined financial statements are based on assumptions that management believes are reasonable. However, the condensed combined financial statements included herein may not be indicative of the financial position, results of operations and cash flows of the Cerence business in the future or if Cerence had been a separate, standalone entity during the periods presented.

**3. Summary of Significant Accounting Policies**

**(a) Recently Adopted Accounting Standards**

*Revenue Recognition*

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers: Topic 606" ("ASU 2014-09") ("ASC 606"), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. We adopted ASC 606 on October 1, 2018 using the modified retrospective approach, with a cumulative adjustment to net parent investment as opposed to retrospectively adjusting prior periods.

Results for reporting periods beginning after October 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting policies ASC 605. For contracts that were modified before the effective date, the Cerence business aggregated the effect of all contract modifications prior to identifying performance obligations and allocating transaction price in accordance with the practical expedient ASC 606-10-65-1-(f)-4.

Upon adoption of ASC 606 on October 1, 2018, we recorded an increase to net parent investment of \$6,974 as a result of the transition. The impact of the adoption primarily relates to the cumulative effect of 1) \$13,397 decrease in deferred revenue from the recognition of professional services revenue based upon the progress towards completion of the project as control of the service deliverables is transferred to our customers rather than upon completion or acceptance, upfront recognition of term licenses and the general requirement to allocate the transaction price on a relative stand-alone selling price, 2) \$6,470 increase in contract assets and \$6,039 decrease in accounts receivable from the reclassification of unbilled accounts receivable to contract assets, 3) \$4,933 decrease in deferred costs due to the change from the completed contract method to the percentage of completion method, and 4) \$1,921 decrease in deferred tax assets related to the above items.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS—(Continued)

The following tables summarize the impact of adopting ASC 606 on the Condensed Combined Statement of Operations for the six months ended March 31, 2019 and the Condensed Combined Balance Sheet as of March 31, 2019 (dollars in thousands):

	For the Six Months Ended March 31, 2019		
	As reported, ASC 606	Effect of Implementation (Unaudited)	As adjusted, ASC 605
<b>Revenues:</b>			
License	\$ 83,326	\$ (222)	\$ 83,104
Connected services	36,114	369	36,483
Professional services	23,232	2,252	25,484
Other	116	(48)	68
Total Revenues	<u>\$ 142,788</u>	<u>\$ 2,351</u>	<u>\$ 145,139</u>
<b>Cost of Revenues:</b>			
License	\$ 907	\$ 1	\$ 908
Connected services	20,360	(650)	19,710
Professional services	23,189	(735)	22,454
Amortization of intangible assets	4,196	—	4,196
Total cost of revenues	<u>\$ 48,652</u>	<u>\$ (1,384)</u>	<u>\$ 47,268</u>
Sales and marketing	\$ 19,244	\$ 34	\$ 19,278
Other income (expense), net	252	48	300
Provision for income taxes	\$ 519	\$ 489	\$ 1,008
	As of March 31, 2019		
	As reported, ASC 606	Effect of Implementation	As adjusted, ASC 605
<b>Assets:</b>			
Accounts receivable, net	\$ 59,268	\$ 10,358	\$ 69,626
Deferred costs, current	\$ 4,795	\$ 6,813	\$ 11,608
Prepaid expenses and other current assets	\$ 17,468	\$ (13,609)	\$ 3,859
Deferred costs, noncurrent	\$ 38,334	\$ 2,203	\$ 40,537
<b>Liabilities:</b>			
Deferred revenue	\$ 77,463	\$ 11,976	\$ 89,439
Deferred revenue, net of current portion	\$ 268,260	\$ (2,182)	\$ 266,078
<b>Parent company equity:</b>			
Net parent investment	\$1,009,956	\$ (3,714)	\$1,006,242

*Statements of Cash Flows*

In August 2016, the FASB issued ASU No. 2016-15, “*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*” (“ASU 2016-15”), which is effective for fiscal years beginning after December 15, 2017 and the interim periods therein. We adopted this guidance on October 1, 2018 and applied it retrospectively. The adoption did not have an impact on our Condensed Combined Statements of Cash Flows.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS—(Continued)

*Financial Instruments*

In January 2016, the FASB issued ASU No. 2016-01, “*Recognition and Measurement of Financial Assets and Financial Liabilities*” (“ASU 2016-01”). ASU 2016-01 amends the guidance on the classification and measurement of financial instruments. We adopted ASU 2016-01 as of January 1, 2018 using the modified retrospective method. The adoption did not have an impact on our condensed combined financial statements.

**(b) Issued Accounting Standards Not Yet Adopted**

*Leases*

In February 2016, the FASB issued ASU No. 2016-02, “*Leases*” (“ASU 2016-02”). ASU 2016-02 requires lessees to recognize on the balance sheet a right-of-use asset, representing its right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases. The standard requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. ASU 2016-02 is effective for us in the first quarter of fiscal year 2020, and early application is permitted. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases* and ASU No. 2018-11, *Leases Topic 842 Target improvements*, which provides an additional (and optional) transition method whereby the new lease standard is applied at the adoption date and recognized as an adjustment to parent company equity. We are currently evaluating the impact of our pending adoption of ASU 2016-02 on our condensed combined financial statements, and we currently expect that most of our operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon our adoption of ASU 2016-02, which will increase our total assets and total liabilities that we report relative to such amounts prior to adoption.

*Other Accounting Pronouncements*

In August 2018, the FASB issued ASU No. 2018-15, “*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*”, which is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. The guidance requires that implementation costs related to a hosting arrangement that is a service contract be capitalized and amortized over the term of the hosting arrangement, starting when the module or component of the hosting arrangement is ready for its intended use. The guidance will be applied retrospectively to each period presented. We do not expect the implementation to have a material impact on our condensed combined financial statements.

In January 2018, the FASB issued ASU No. 2018-02, “*Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (“AOCI”)*”, which is effective for fiscal years beginning after December 15, 2018 and interim periods therein, with early adoption permitted. The guidance gives entities the option to reclassify to parent company equity the tax effects resulting from the TCJA related to items in AOCl. The new guidance may be applied retrospectively to each period in which the effect of TCJA is recognized in the period of adoption. We do not expect the implementation to have a material impact on our condensed combined financial statements.

**4. Revenue Recognition**

We primarily derive revenue from the following sources: (1) software license arrangements, primarily royalty arrangements, (2) connected services, and (3) professional services. Revenue is reported net of applicable sales

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS—(Continued)

and use tax, value-added tax and other transaction taxes imposed on the related transaction including mandatory government charges that are passed through to our customers. We account for a contract when both parties have approved and committed to the contract, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Our arrangements with customers may contain multiple products and services. We account for individual products and services separately if they are distinct—that is, if a product or service is separately identifiable from other items in the contract and if a customer can benefit from it on its own or with other resources that are readily available to the customer.

We currently recognize revenue after applying the following five steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract, including whether they are distinct within the context of the contract;
- determination of the transaction price, including the constraint on variable consideration;
- allocation of the transaction price to the performance obligations in the contract;
- recognition of revenue when, or as, performance obligations are satisfied.

We allocate the transaction price of the arrangement based on the relative estimated standalone selling price (“SSP”) of each distinct performance obligation. In determining SSP, we maximize observable inputs and consider a number of data points, including:

- the pricing of standalone sales (in the instances where available);
- the pricing established by management when setting prices for deliverables that are intended to be sold on a standalone basis;
- contractually stated prices for deliverables that are intended to be sold on a standalone basis; and
- other pricing factors, such as the geographical region in which the products are sold and expected discounts based on the customer size and type.

We only include estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. We reduce transaction prices for estimated returns and other allowances that represent variable consideration under ASC 606, which we estimate based on historical return experience and other relevant factors, and record a corresponding refund liability as a component of accrued expenses and other current liabilities. Other forms of contingent revenue or variable consideration are infrequent.

Revenue is recognized when control of these services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

We assess the timing of the transfer of products or services to the customer as compared to the timing of payments to determine whether a significant financing component exists. In accordance with the practical expedient in ASC 606-10-32-18, we do not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS—(Continued)

exist. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our services, not to receive or provide financing from or to customers. We do not consider set-up fees nor other upfront fees paid by our customers to represent a financing component.

Reimbursements for out-of-pocket costs generally include, but are not limited to, costs related to transportation, lodging and meals. Revenue from reimbursed of out-of-pocket costs is accounted for as variable consideration.

**(a) Performance Obligations**

Licenses

Software and technology licenses sold with non-distinct professional services to customize and/or integrate the underlying software and technology are accounted for as a combined performance obligation. Revenue from the combined performance obligation is recognized over time based upon the progress towards completion of the project, which is measured based on the labor hours already incurred to date as compared to the total estimated labor hours. For income statement presentation purposes, we separate license revenue from professional services revenue based on their SSPs.

Revenue from distinct software and technology licenses, which do not require professional service to customize and/or integrate the software license, is recognized at the point in time when the software and technology is made available to the customer and control is transferred.

Revenue from software and technology licenses sold on a royalty basis, where the license of intellectual property is the predominant item to which the royalty relates, is recognized in the period the usage occurs in accordance with the practical expedient in ASC 606-10-55-65(A).

Connected Services

Connected services, which allow our customers to use the hosted software over the contract period without taking possession of the software, are provided on a usage basis as consumed or on a fixed fee subscription basis. Subscription basis revenue represents a single promise to stand-ready to provide access to our connected services. Our connected services contract terms generally range from one to five years.

As each day of providing services is substantially the same and the customer simultaneously receives and consumes the benefits as access is provided, we have determined that our connected services arrangements are a single performance obligation comprised of a series of distinct services. These services include variable consideration, typically a function of usage. We recognize revenue as each distinct service period is performed (i.e., recognized as incurred).

Our connected service arrangements generally include services to develop, customize, and stand-up applications for each customer. In determining whether these services are distinct, the Company considers dependence of the Cloud service on the up-front development and stand-up, as well as availability of the services from other vendors. The Company has concluded that the up-front development, stand-up and customization services are not distinct performance obligations, and as such, revenue for these activities is recognized over the period during which the cloud-connected services are provided, and is included within connected services revenue.

Professional Services

Revenue from distinct professional services, including training, is recognized over time based upon the progress towards completion of the project, which is measured based on the labor hours already incurred to date as compared to the total estimated labor hours.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS—(Continued)

***(b) Significant Judgments***

Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Our license contracts often include professional services to customize and/or integrate the licenses into the customer's environment. Judgment is required to determine whether the license is considered distinct and accounted for separately, or not distinct and accounted for together with professional services.

Judgments are required to determine the SSP for each distinct performance obligation. When the SSP is directly observable, we estimate the SSP based upon the historical transaction prices, adjusted for geographic considerations, customer classes, and customer relationship profiles. In instances where the SSP is not directly observable, we determine the SSP using information that may include market conditions and other observable inputs. We may have more than one SSP for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, we may use information such as the size of the customer and geographic region in determining the SSP. Determining the SSP for performance obligations which we never sell separately also requires significant judgment. In estimating the SSP, we consider the likely price that would have resulted from established pricing practices had the deliverable been offered separately and the prices a customer would likely be willing to pay.

***(c) Contract Acquisition Costs***

In conjunction with the adoption of ASC 606, we are required to capitalize certain contract acquisition costs. The capitalized costs primarily relate to paid commissions. In accordance with the practical expedient in ASC 606-10-10-4, we apply a portfolio approach to estimate contract acquisition costs for groups of customer contracts. We elect to apply the practical expedient in ASC 340-40-25-4 and will expense contract acquisition costs as incurred where the expected period of benefit is one year or less. Contract acquisition costs are deferred and amortized on a straight-line basis over the period of benefit, which we have estimated to be, on average, between one and five years. The period of benefit was determined based on an average customer contract term, expected contract renewals, changes in technology and our ability to retain customers, including canceled contracts. We assess the amortization term for all major transactions based on specific facts and circumstances. Contract acquisition costs are classified as current or noncurrent assets based on when the expense will be recognized. The current and noncurrent portions of contract acquisition costs are included in prepaid expenses and other current assets, and in other assets, respectively. As of March 31, 2019, contract acquisition costs were not material to the condensed combined financial statements.

***(d) Capitalized Contract Costs***

We capitalize incremental costs incurred to fulfill our contracts that (i) relate directly to the contract, (ii) are expected to generate resources that will be used to satisfy our performance obligation under the contract, and (iii) are expected to be recovered through revenue generated under the contract. Our capitalized costs consist primarily of setup costs, such as costs to standup, customize and develop applications for each customer, which are incurred to satisfy our stand-ready obligation to provide access to our connected offerings. These contract costs are expensed to cost of revenue as we satisfy our stand-ready obligation over the contract term which we estimate to be between one and five years, on average. The contract term was determined based on an average customer contract term, expected contract renewals, changes in technology, and our ability to retain customers, including canceled contracts. We classify these costs as current or noncurrent based on the timing of when we expect to recognize the expense. The current and noncurrent portions of capitalized contract fulfillment costs are presented as deferred costs. As of March 31, 2019, we had \$43,129 of capitalized contract costs. We had

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS—(Continued)

amortization expense of \$5,471 related to these costs during six months ended March 31, 2019. There was no impairment related to contract costs capitalized.

**(e) Trade Accounts Receivable and Contract Balances**

We classify our right to consideration in exchange for deliverables as either a receivable or a contract asset. A receivable is a right to consideration that is unconditional (i.e. only the passage of time is required before payment is due). We present such receivables in accounts receivable, net at their net estimated realizable value. We maintain an allowance for doubtful accounts to provide for the estimated amount of receivables that may not be collected. The allowance is based upon an assessment of customer creditworthiness, historical payment experience, the age of outstanding receivables and other applicable factors.

Our contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period.

Contract assets include unbilled amounts from long-term contracts when revenue recognized exceeds the amount billed to the customer, and right to payment is not solely subject to the passage of time. Contract assets are included in prepaid expenses and other current assets. As of March 31, 2019, we had \$13,609 of current contract assets. The table below shows significant changes in contract assets (dollars in thousands):

	<b>Contract assets</b>
Balance as of October 1, 2018	\$ 6,470
Revenues recognized but not billed	12,385
Amounts reclassified to accounts receivable, net	(5,246)
Balance as of March 31, 2019	\$ 13,609

Our contract liabilities, which we present as deferred revenue, consist of advance payments and billings in excess of revenues recognized. We classify deferred revenue as current or noncurrent based on when we expect to recognize the revenues. As of March 31, 2019, we had \$345,723 of deferred revenue. The table below shows significant changes in deferred revenue (dollars in thousands):

	<b>Deferred revenue</b>
Balance as of October 1, 2018	\$ 335,252
Amounts billed but not recognized	35,993
Revenue recognized	(25,522)
Balance as of March 31, 2019	\$ 345,723

**(f) Remaining Performance Obligations**

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at March 31, 2019:

	<b>Within One Year</b>	<b>Two to Five Years</b>	<b>Greater than Five Years</b>	<b>Total</b>
Total revenue	\$ 125,400	\$ 190,787	\$ 63,169	\$ 379,356



**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS—(Continued)

The table above includes fixed backlogs and does not include variable backlogs derived from continent usage- based activities, such as royalties and usage-based connected services.

### 5. Acquisition-Related Costs

Acquisition-related costs include those costs incurred by the Cerence business related to potential and realized acquisitions. These costs consist of (i) transition and integration costs, including retention payments, transitional employee costs and earn-out payments, and other costs related to integration activities and (ii) professional service fees, including financial advisory, legal, accounting, and other outside services incurred in connection with acquisition activities and disputes.

The components of acquisition-related costs are as follows (dollars in thousands):

	Six Months Ended March 31,	
	2019	2018
Transition and integration costs	\$ 281	\$ 2
Professional service fees	136	1,322
Total	<u>\$ 417</u>	<u>\$ 1,324</u>

### 6. Goodwill and Intangible Assets

#### (a) Goodwill

The changes in the carrying amount of goodwill for the six months ended March 31, 2019 are as follows (dollars in thousands):

	<u>Goodwill</u>
Balance as of September 30, 2018	\$ 1,119,946
Purchase accounting adjustments	3,407
Effect of foreign currency translation	(3,137)
Balance as of March 31, 2019	<u>\$ 1,120,216</u>

#### (b) Intangible Assets, Net

The changes in the carrying amount of intangible assets for the six months ended March 31, 2019 are as follows (dollars in thousands):

	<u>Intangible Assets</u>
Balance as of September 30, 2018	\$ 84,812
Amortization	(10,367)
Balance as of March 31, 2019	<u>\$ 74,445</u>

The accumulated amortization of intangible assets as of March 31, 2019 was \$73,252.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS—(Continued)

**7. Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities consisted of the following (dollars in thousands):

	March 31, 2019	September 30, 2018
Compensation	\$ 16,818	\$ 25,262
Consulting and professional fees	1,731	768
Cost of revenue related liabilities	1,223	1,427
Facility-related liabilities	1,511	486
Sales and other taxes payable	407	1,472
Other	3,260	1,019
<b>Total</b>	<b>\$ 24,950</b>	<b>\$ 30,434</b>

**8. Restructuring and Other Costs, Net**

Restructuring and other costs, net include restructuring expenses as well as other charges that are unusual in nature, are the result of unplanned events, and arise outside of the ordinary course of our business such as employee severance costs, costs for consolidating duplicate facilities, and separation costs directly attributable to the Cerence business becoming a stand-alone public company. The following table sets forth accrual activity relating to restructuring reserves for the six months ended March 31, 2019 (dollars in thousands):

	Personnel	Facilities	Separation	Total
Balance at September 30, 2018	\$ 2,269	\$ 6	\$ 777	\$ 3,052
Restructuring charges	(443)	1,673	6,226	7,456
Cash payments	(1,503)	(891)	(3,393)	(5,787)
Balance at March 31, 2019	<u>\$ 323</u>	<u>\$ 788</u>	<u>\$ 3,610</u>	<u>\$ 4,721</u>

	Six Months Ended March 31,							
	2019				2018			
	Personnel	Facilities	Separation	Total	Personnel	Facilities	Separation	Total
Restructuring charges	\$ (443)	\$ 1,673	\$ 6,226	\$ 7,456	\$ 1,026	\$ —	\$ 7,151	\$ 8,177

For the six months ended March 31, 2019, we recorded restructuring charges of \$7,456, which included a \$(443) severance charge reversal related to the elimination of personnel across multiple functions, \$1,673 primarily resulting from the restructuring of facilities that will no longer be utilized, and \$6,226 related to professional services fees incurred to establish the Cerence business as a stand-alone public company.

For the six months ended March 31, 2018, we recorded restructuring charges of \$8,177, which included a \$1,026 severance charge related to the elimination of personnel across multiple functions and \$7,151 related to professional services fees incurred to establish the Cerence business as a stand-alone public company.

**9. Stock-Based Compensation**

The Parent maintains a number of stock-based compensation programs at the corporate level in which the Cerence business' employees participate. All awards granted under the programs relate to the Parent's common stock. Accordingly, the amounts presented are not necessarily indicative of future performance and do not necessarily reflect the results that the Cerence business would have experienced as an independent, publicly-traded company for the periods presented.

**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS—(Continued)

The stock-based compensation expense recorded by the Cerence business, in the years presented, includes the expense associated with the employees historically attributable to the Cerence business' operations and the expense associated with the allocation of stock compensation expense for corporate employees.

The following table presents stock-based compensation expense included in the Cerence business' Condensed Combined Statements of Operations related to the Parent's stock-based compensation programs which are described in more detail further below (dollars in thousands):

	Six Months Ended March 31,	
	2019	2018
Cost of licensing	\$ 8	\$ 1
Cost of connected services	617	304
Cost of professional services	508	1,104
Research and development	6,744	4,707
Sales and marketing	3,034	1,836
General and administrative	2,456	2,642
Total	<u>\$ 13,367</u>	<u>\$ 10,594</u>

### **Restricted Awards**

The Parent is authorized to issue equity incentive awards in the form of Restricted Awards, including Restricted Units and Restricted Stock. Unvested Restricted Awards may not be sold, transferred or assigned. The fair value of the Restricted Awards is measured based upon the market price of the underlying common stock as of the date of grant, reduced by the purchase price of \$0.001 per share of the awards. The Restricted Awards generally are subject to vesting over a period of two to four years, and may have opportunities for acceleration for achievement of defined goals. The Parent also issued certain Restricted Awards with vesting solely dependent on the achievement of specified performance targets. The fair value of the Restricted Awards is amortized to expense over the awards' applicable requisite service periods using the straight-line method. In the event that the employee's employment terminates, or in the case of awards with only performance goals, if those goals are not met, any unvested shares are forfeited and revert to the Parent.

### **10. Income Taxes**

The components of income before income taxes are as follows (dollars in thousands):

	Six Months Ended March 31,	
	2019	2018
Domestic	\$ (6,349)	\$ 7,700
Foreign	9,578	9,607
Income before income taxes	<u>\$ 3,229</u>	<u>\$ 17,307</u>

**Confidential Treatment Requested by Cerence LLC**  
**Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS—(Continued)

The components of provision for income taxes are as follows (dollars in thousands):

	<b>Six Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Domestic	\$ (1,814)	\$ 23,235
Foreign	2,333	3,349
Provision for income taxes	<u>\$ 519</u>	<u>\$ 26,584</u>
Effective tax rate	16.1%	153.6%

The effective tax rates were estimated based upon estimated income for the year, and the composition of the income in different countries. Our aggregate income tax rate in foreign jurisdictions is lower than our income tax rate in the United States. Our effective tax rate may be adversely affected by earnings being lower than anticipated in countries where we have lower statutory tax rates and higher than anticipated in countries where we have higher statutory tax rates.

Our effective income tax rate was 16.1% for the six months ended March 31, 2019, compared to 153.6% for the six months ended March 31, 2018. The effective tax rates for the six months ended March 31, 2019 and March 31, 2018 differed from the U.S. federal statutory rates of 21% and 24.5%, respectively, primarily due to our earnings in foreign jurisdictions that are subject to lower tax rates, research and development credits and the foreign-derived intangible income (“FDII”) deduction as a result of the Tax Cuts and Jobs Act (“TCJA”) enacted in December 2017. Additionally, for the six months ended March 31, 2018, we recognized \$23,115 of deferred tax expense from the remeasurement of deferred tax assets and liabilities as a result of TCJA enacted in December 2017.

#### 11. Supplemental Cash Flow Information

Income taxes settled through net parent investment were as follows (dollars in thousands):

	<b>Six Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Income taxes settled through net parent investment	\$ 3,267	\$ 8,708

#### 12. Commitments and Contingencies

##### *Litigation and Other Claims*

Similar to many companies in the software industry, we are involved in a variety of claims, demands, suits, investigations and proceedings that arise from time to time relating to matters incidental to the ordinary course of our business, including at times actions with respect to contracts, intellectual property, employment, benefits and securities matters. At each balance sheet date we evaluate contingent liabilities associated with these matters in accordance with ASC 450 “Contingencies.” If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. Significant judgments are required for the determination of probability and the range of the outcomes, and estimates are based only on the best information available at the time. Due to the inherent uncertainties involved in claims and legal proceedings and in estimating losses that may arise, actual outcomes may differ from our estimates. Contingencies deemed not probable or for which losses were not estimable in one period may become probable, or losses may become estimable in later periods, which may have a material impact on our results of operations

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS—(Continued)

and financial position. As of March 31, 2019, accrued losses were not material to our condensed combined financial statements, and we do not expect any pending matter to have a material impact on our condensed combined financial statements.

***Guarantees and Other***

We include indemnification provisions in the contracts we enter with customers and business partners. Generally, these provisions require us to defend claims arising out of our products' infringement of third-party intellectual property rights, breach of contractual obligations and/or unlawful or otherwise culpable conduct. The indemnity obligations generally cover damages, costs and attorneys' fees arising out of such claims. In most, but not all cases, our total liability under such provisions is limited to either the value of the contract or a specified, agreed upon amount. In some cases, our total liability under such provisions is unlimited. In many, but not all cases, the term of the indemnity provision is perpetual. While the maximum potential amount of future payments we could be required to make under all the indemnification provisions is unlimited, we believe the estimated fair value of these provisions is minimal due to the low frequency with which these provisions have been triggered.

We indemnify our directors and officers to the fullest extent permitted by Delaware law, which provides among other things, indemnification to directors and officers for expenses, judgments, fines, penalties and settlement amounts incurred by such persons in their capacity as a director or officer of the company, regardless of whether the individual is serving in any such capacity at the time the liability or expense is incurred. Additionally, in connection with certain acquisitions, we agreed to indemnify the former officers and members of the boards of directors of those companies, on similar terms as described above, for a period of six years from the acquisition date. In certain cases, we purchase director and officer insurance policies related to these obligations, which fully cover the six-year period. To the extent that we do not purchase a director and officer insurance policy for the full period of any contractual indemnification, and such directors and officers do not have coverage under separate insurance policies, we would be required to pay for costs incurred, if any, as described above.

**13. Relationship with Parent and Related Entities**

Historically, the Cerence business has been managed and operated in the normal course of business consistent with other affiliates of the Parent. Accordingly, certain shared costs have been allocated to the Cerence business and reflected as expenses in the condensed combined financial statements. Management considers the allocation methodologies used to be reasonable and appropriate reflections of the historical Parent expenses attributable to the Cerence business for purposes of the condensed combined financial statements. However, the expenses reflected in the condensed combined financial statements may not be indicative of the actual expenses that would have been incurred during the periods presented if the Cerence business historically operated as a separate, standalone entity. In addition, the expenses reflected in the condensed combined financial statements may not be indicative of related expenses that will be incurred in the future by the Cerence business.

**Confidential Treatment Requested by Cerence LLC  
Pursuant to 17 C.F.R. Section 200.83**

**CERENCE**

(A Business of Nuance Communications, Inc.)

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS—(Continued)

**(a) General Corporate Overhead Allocation**

The Parent provides facilities, information services and certain corporate and administrative services to the Cerence business. Expenses relating to these services have been allocated to the Cerence business and are reflected in the condensed combined financial statements. Where direct assignment is not possible or practical, these costs were allocated on a pro rata basis of revenues, headcount or other measures.

	<u>Six Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Facility	\$ 3,100	\$ 2,956
Depreciation	965	765
Amortization	93	755
Facility and other usage charges:	4,158	4,476
Information services	4,048	3,917
Corporate and administrative services	10,480	9,374
Total	<u>\$ 18,686</u>	<u>\$ 17,767</u>

**(b) Cash Management and Financing**

The Cerence business participates in the Parent's centralized cash management and financing programs. Disbursements are made through centralized accounts payable systems, which are operated by the Parent. Cash receipts are transferred to centralized accounts which are also maintained by the Parent. As cash is disbursed and received by the Parent, it is accounted for by the Cerence business through the net parent investment account.

Historically, the Cerence business has received funding from the Parent for the Cerence business' operating and investing cash needs. The Parent's third-party debt and the related interest expense have not been allocated to the Cerence business for any of the years presented as the Cerence business is not the legal obligor of the debt and the Parent's borrowings were not directly attributable to the Cerence business.

**(c) Intercompany Receivables/Payables**

All significant intercompany transactions between the Cerence business and the Parent and its non-Cerence businesses have been included in these condensed combined financial statements and are considered to be effectively settled for cash at the time the transaction is recorded.

The total net effect of the settlement of these intercompany transactions have been accounted for through net parent investment in the Condensed Combined Balance Sheets and is reflected in the Condensed Combined Statements of Cash Flows as a financing activity.

	<u>Six months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Net advancement to Parent	\$ (40,048)	\$ (45,544)
Accrued bonus	4,823	2,728
Stock-based compensation	13,367	10,594
Corporate depreciation and amortization	1,058	1,520
Fixed asset reclasses from the Parent	34	23
Net transfer to Parent	<u>\$ (20,766)</u>	<u>\$ (30,679)</u>