

Leidos Holdings, Inc.
Form DEFM14A
July 07, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. 2)

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

Leidos Holdings, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

76,958,918 (represents an estimate of the maximum number of shares of common stock of Leidos Holdings, Inc. (Leidos) issuable upon completion of the transactions contemplated by the Agreement and Plan of Merger dated as of January 26, 2016, among Lockheed Martin Corporation (Lockheed Martin), Abacus Innovations Corporation (Splitco), Leidos and Lion Merger Co. (the Merger Agreement), as described in this proxy statement).

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

\$50.90 (calculated in accordance with Rule 457(c) and 457(f) under the Securities Act of 1933, as amended, based on the average of the high and low prices of shares of common stock of Leidos, into which shares of common stock of Splitco will be converted, as reported on The New York Stock Exchange on April 11, 2016 and based on the expected merger exchange ratio).

4. Proposed maximum aggregate value of transaction: \$3,917,208,926.20

Calculated pursuant to Rule 457(c) and Rule 457(f) under the Securities Act of 1933, as amended, based on the average of the high and low prices of shares of common stock of Leidos, into which shares of common stock of Splitco will be converted, as reported on The New York Stock Exchange on April 11, 2016 and based on the expected merger exchange ratio.

5. Total fee paid: \$394,462.94

Calculated pursuant to Rule 457(c) and Rule 457(f) under the Securities Act of 1933, as amended, based on the average of the high and low prices of shares of common stock of Leidos, into which shares of common stock of Splitco will be converted, as reported on The New York Stock Exchange on April 11, 2016 and

based on the expected merger exchange ratio.

- x Fee paid previously with preliminary materials.
- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount previously paid:

The filing fee in the amount of \$394,462.94 was paid in connection with Leidos Registration Statement on Form S-4, which was filed on April 18, 2016 (Registration No. 333-210796).

2. Form, Schedule or Registration Statement No.: Registration No. 333-210796

3. Filing party: Leidos Holdings, Inc.

4. Date Filed: April 18, 2016

Table of Contents

EXPLANATORY NOTE

This proxy statement relates to the annual meeting of stockholders of Leidos Holdings, Inc. (Leidos) to approve the proposals described herein with respect to the merger (the Merger) of Lion Merger Co., a Delaware corporation (Merger Sub), which is a wholly-owned subsidiary of Leidos, with and into Abacus Innovations Corporation, a Delaware corporation (Splitco), which is a wholly-owned subsidiary of Lockheed Martin Corporation (Lockheed Martin), whereby the separate corporate existence of Merger Sub will cease and Splitco will continue as the surviving company and as a wholly-owned subsidiary of Leidos. Splitco has filed a registration statement on Form S-4 and Form S-1 (Reg. No. 333-210797) to register the shares of its common stock, par value \$0.001 per share, which common shares will be distributed to Lockheed Martin stockholders in connection with the Merger, which shares of Splitco common stock will be immediately converted into shares of Leidos common stock in the Merger. In addition, Leidos has filed a registration statement on Form S-4 (Reg. No. 333-210796) to register the shares of its common stock, par value \$.0001 per share, that will be issued in the Merger.

Based on market conditions prior to the closing of the Merger, Lockheed Martin will determine whether the shares of Splitco common stock will be distributed to Lockheed Martin stockholders in a spin-off or a split-off. In a spin-off, all Lockheed Martin stockholders would receive a pro rata number of shares of Splitco common stock. In a split-off, Lockheed Martin would offer its stockholders the option to exchange their shares of Lockheed Martin common stock for shares of Splitco common stock in an exchange offer, which shares would be converted immediately into shares of Leidos common stock in the Merger, resulting in a reduction in Lockheed Martin's outstanding shares. If the exchange offer is undertaken and consummated but the exchange offer is not fully subscribed because less than all shares of Splitco common stock owned by Lockheed Martin are exchanged, the remaining shares of Splitco common stock owned by Lockheed Martin would be distributed on a pro rata basis to Lockheed Martin stockholders whose shares of Lockheed Martin common stock remain outstanding after the consummation of the exchange offer. Splitco is filing its registration statement on Form S-4 and Form S-1 under the assumption that the shares of Splitco common stock will be distributed to Lockheed Martin stockholders pursuant to a split-off. This proxy statement and Leidos' registration statement on Form S-4 also assume that the shares of Splitco common stock will be distributed to Lockheed Martin stockholders pursuant to a split-off. Once a final decision is made regarding the manner of distribution of the shares, this proxy statement, Leidos' registration statement on Form S-4, and Splitco's registration statement on Form S-4 and Form S-1 will be amended to reflect that decision, if necessary.

Table of Contents

July 7, 2016

MERGER PROPOSED YOUR VOTE IS IMPORTANT

Dear Leidos Stockholder:

You are cordially invited attend the annual meeting of stockholders of Leidos Holdings, Inc. (Leidos), a Delaware corporation, which will be held at the company s offices at 11951 Freedom Drive, Reston, Virginia 20190, on August 8, 2016 at 9:00 a.m., local time. A notice of the annual meeting and the proxy statement follow.

At the annual meeting you will be asked to:

authorize the issuance of shares of Leidos common stock in the Merger (the Share Issuance);

elect nine directors;

approve, by an advisory vote, the compensation of Leidos named executive officers;

approve, by an advisory vote, Transaction-related compensation of Leidos named executive officers;

ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 30, 2016; and

if it is determined by the board of directors to be necessary or appropriate, approve adjournments or postponements of the annual meeting to solicit additional proxies if there are not sufficient votes at the time of the annual meeting to approve the Share Issuance.

As previously announced, on January 26, 2016, Leidos entered into an Agreement and Plan of Merger (the Merger Agreement) with Lockheed Martin Corporation (Lockheed Martin), Abacus Innovations Corporation, a Delaware corporation and a wholly owned subsidiary of Lockheed Martin (Splitco), and Lion Merger Co., a Delaware corporation and a wholly owned subsidiary of Leidos (Merger Sub), pursuant to which Leidos will combine with Lockheed Martin s realigned Information Systems & Global Solutions business (IS&GS) (collectively, the Splitco Business) in a Reverse Morris Trust transaction (the Transaction), through the merger (the Merger) of Merger Sub with and into Splitco, whereby the separate corporate existence of Merger Sub will cease and Splitco will continue as the surviving company and as a wholly owned subsidiary of Leidos.

If the proposal to approve the Share Issuance is not approved, the Merger cannot be completed.

As more fully described in the accompanying proxy statement, in order to complete the Merger and the related transactions, Lockheed Martin will transfer the Splitco Business to Splitco and Lockheed Martin will distribute Splitco's stock to its stockholders, at Lockheed Martin's option, by way of a spin-off, a split-off or a combination thereof (the Distribution). Prior to the Distribution, Lockheed Martin will receive from Splitco distributions of cash with an aggregate value of approximately \$1,800,000,000. Immediately after the Distribution, the Merger will be completed, and each outstanding share of Splitco common stock will be converted automatically into the right to receive one share of common stock of Leidos.

Immediately after the consummation of the Merger, approximately 50.5 percent of the outstanding shares of Leidos common stock are expected to be held by pre-Merger holders of Splitco common stock and approximately 49.5 percent of the outstanding shares of Leidos common stock are expected to be held by pre-Merger Leidos stockholders on a fully diluted basis. After the Merger, the Leidos common stock will continue to be listed on the New York Stock Exchange (NYSE) under Leidos' current symbol, LDOS.

Table of Contents

The board of directors of Leidos (the Leidos Board) recommends that stockholders vote:

FOR the authorization of the issuance of shares of Leidos common stock in the Merger (the Share Issuance);

FOR the election of the nine directors;

FOR the approval, by an advisory vote, of the compensation of Leidos named executive officers;

FOR the approval, by an advisory vote, of Transaction-related compensation of Leidos named executive officers;

FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 30, 2016; and

If it is determined by the board of directors to be necessary or appropriate, FOR the approval of adjournments or postponements of the annual meeting to solicit additional proxies if there are not sufficient votes at the time of the annual meeting to approve the Share Issuance.

Only those stockholders of record at the close of business on June 30, 2016 are entitled to notice of the annual meeting and to vote at the annual meeting and any adjournments or postponements of the annual meeting.

Your vote is very important. Please vote by completing, signing and dating the enclosed proxy and voting instruction card for the annual meeting and mailing the proxy and voting instruction card to us, whether or not you plan to attend the annual meeting. If you sign, date and mail your proxy and voting instruction card without indicating how you want to vote, your proxy will be counted as a vote FOR each of proposals 1 through 6 presented at the annual meeting. In addition, you may vote by proxy by calling the toll-free telephone number or by using the Internet as described in the instructions included with the enclosed proxy and voting instruction card. If you do not return your card, vote by telephone or by using the Internet, or if you do not specifically instruct your bank, broker or other nominee how to vote any shares held for you in street name, your shares will not be voted at the annual meeting.

This document is a proxy statement of Leidos for its use in soliciting proxies for the annual meeting. This document answers questions about the Merger, the related transactions and the annual meeting and includes a summary description of the Merger and the related transactions. We urge you to review this entire document carefully. **In particular, you should consider the matters discussed under Risk Factors beginning on page 103.**

We thank you for your consideration and continued support.

Sincerely,

Roger A. Krone

Chief Executive Officer and Chair of the Board

This document is dated July 7, 2016 and is first being mailed to Leidos stockholders on or about July 7, 2016.

Table of Contents

LEIDOS HOLDINGS, INC.

11951 Freedom Drive

Reston, Virginia 20190

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held August 8, 2016 at 9:00 a.m., local time

To our stockholders:

An annual meeting of stockholders of Leidos Holdings, Inc. will be held at 9:00 a.m., local time, on August 8, 2016 at the company's offices at 11951 Freedom Drive, Reston, Virginia 20190. This proxy statement and the proxy and voting instruction card are first being sent or made available to our stockholders on or about July 7, 2016. The annual meeting will be held for the following purposes:

1. To consider and vote on the proposal to issue shares of Leidos common stock to Lockheed Martin stockholders under the Merger Agreement;
2. To elect nine directors;
3. To approve, by an advisory vote, the compensation of Leidos named executive officers;
4. To approve, by an advisory vote, Transaction-related compensation of Leidos named executive officers;
5. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 30, 2016;
6. To vote upon the proposal to adjourn the annual meeting, if necessary or appropriate, to solicit additional proxies; and
7. To transact such other business as may properly come before the meeting or any adjournments, postponements or continuations of the meeting.

Please refer to the attached proxy statement for further information with respect to the business to be transacted at the Leidos annual meeting. Leidos will transact no other business at the meeting except such business as may properly be brought before the meeting or any adjournments or postponements thereof. Please refer to the proxy statement of which this notice is a part for further information on the business to be transacted at the annual meeting.

YOUR VOTE IS IMPORTANT!

REVIEW YOUR PROXY STATEMENT AND VOTE IN ONE OF FOUR WAYS:

VIA THE INTERNET

Go to www.proxyvote.com or scan the QR code on your proxy and voting instruction card with a smart phone.

BY TELEPHONE

Call 1-800-690-6903.

BY MAIL

Sign, date and return your proxy and voting instruction card in the enclosed envelope.

IN PERSON

Attend the annual meeting in Reston, Virginia.

Leidos board of directors (the Leidos Board) has unanimously approved the Merger Agreement and the Merger and determined that the Merger Agreement and the transactions contemplated thereby, including the Merger and the issuance of shares of Leidos common stock to Lockheed Martin stockholders under the Merger Agreement, are advisable and in the best interests of Leidos and its stockholders. The Leidos Board unanimously recommends that Leidos stockholders vote FOR each of proposals 1 through 6 being submitted to a vote of stockholders at the annual meeting. **In considering the recommendation of the Leidos Board, you should be aware that certain Leidos directors and executive officers have financial interests in the Transactions that may be different from, or in addition to, the interests of Leidos stockholders generally. See the section entitled The Transactions Interests of Leidos Directors and Executive Officers in the Transactions of the accompanying proxy statement.**

Table of Contents

The Leidos Board has fixed the close of business on June 30, 2016 as the record date (the Record Date) for determining Leidos stockholders entitled to receive notice of, and to vote at, the Leidos meeting or any adjournments or postponements thereof. Only holders of record of Leidos common stock at the close of business on the Record Date are entitled to receive notice of, and to vote at, the annual meeting. The presence, either in person or represented by proxy, of persons entitled to vote a majority of the voting power of Leidos common stock that is entitled to vote at the annual meeting is necessary to constitute a quorum for the transaction of business at the meeting. To ensure that your vote is recorded, please provide your voting instructions as soon as possible, even if you plan to attend the meeting in person. We encourage you to vote via the Internet or by telephone. You also have the option of voting by completing, signing, dating and returning the proxy and voting instruction card that accompanied the printed materials. Submitting your vote via the Internet or by telephone or proxy and voting instruction card will not affect your right to vote in person if you decide to attend the annual meeting.

The enclosed proxy statement provides a detailed description of the Merger Agreement and the Merger as well as a description of the issuance of shares of Leidos common stock to Lockheed Martin stockholders under the Merger Agreement. We urge you to read this proxy statement, including any documents incorporated by reference, and the Annexes carefully and in their entirety. If you have any questions concerning the merger agreement, the Merger or this proxy statement, would like additional copies of this document, or need help voting your shares of Leidos common stock, please contact our proxy solicitor at:

Morrow & Co., LLC

470 West Avenue

Stamford, Connecticut 06902

Stockholders, please call Toll Free (800) 278-2141

Banks and Brokerage Firms, please call (203) 658-9400

By Order of the Board of Directors
Raymond L. Veldman

Corporate Secretary

July 7, 2016

Table of Contents

LEIDOS HOLDINGS, INC.

Proxy Statement

Table of Contents

	Page
<u>HELPFUL INFORMATION</u>	1
<u>REFERENCES TO ADDITIONAL INFORMATION</u>	5
<u>QUESTIONS AND ANSWERS ABOUT THE TRANSACTIONS AND THE SPECIAL MEETING</u>	6
<u>SUMMARY</u>	18
<u>The Companies</u>	18
<u>The Transactions</u>	19
<u>SUMMARY HISTORICAL, PRO FORMA AND SUPPLEMENTAL FINANCIAL DATA</u>	25
<u>Summary Historical Combined Financial Data of the Splitco Business</u>	25
<u>Summary Historical Consolidated Financial Data of Leidos</u>	26
<u>Summary Unaudited Pro Forma Combined Consolidated Financial Data</u>	27
<u>Summary Unaudited Supplemental Combined Consolidated Statement of Income Data</u>	29
<u>Summary Comparative Historical, Pro Forma and Supplemental Per Share Data</u>	30
<u>Historical Common Stock Market Price and Dividend Data</u>	30
<u>Leidos Dividend Policy</u>	31
<u>THE TRANSACTIONS</u>	32
<u>Determination of Number of Shares of Splitco Common Stock to Be Distributed to Lockheed Martin Stockholders</u>	35
<u>Background of the Transactions</u>	36
<u>Leidos Reasons for the Transactions</u>	41
<u>Opinion of Leidos Financial Advisor</u>	44
<u>Certain Financial Projections</u>	51
<u>Leidos Stockholders Meeting</u>	53
<u>Interests of Lockheed Martin's and Splitco's Directors and Executive Officers in the Transactions</u>	53
<u>Interests of Leidos Directors and Executive Officers in the Transactions</u>	54
<u>Accounting Treatment and Considerations</u>	55
<u>Regulatory Approvals</u>	56
<u>Federal Securities Law Consequences: Resale Restriction</u>	56
<u>No Appraisal or Dissenters Rights</u>	56
<u>THE MERGER AGREEMENT</u>	57
<u>The Merger</u>	57
<u>Closing; Effective Time</u>	57
<u>Merger Consideration</u>	57
<u>Leidos Special Dividend</u>	58
<u>Distribution of Per Share Merger Consideration</u>	58
<u>Treatment of Lockheed Martin Equity Awards</u>	58
<u>Distributions With Respect to Shares of Leidos Common Stock after the Effective Time of the Merger</u>	59
<u>Termination of the Exchange Fund; No Liability</u>	59

<u>Withholding Rights</u>	60
<u>Stock Transfer Books; No Appraisal Rights</u>	60
<u>Post-Closing Leidos Board of Directors and Officers</u>	60
<u>Stockholders Meeting</u>	60
<u>Representations and Warranties</u>	60
<u>Conduct of Business Pending the Merger</u>	62
<u>Tax Matters</u>	66
<u>SEC Filings</u>	66
<u>Regulatory Matters</u>	66
<u>No Solicitation</u>	67
<u>Board Recommendation</u>	69
<u>Financing</u>	70
<u>Certain Other Covenants and Agreements</u>	71

Table of Contents

	Page
<u>Conditions to the Merger</u>	72
<u>Termination</u>	73
<u>Termination Fee and Expenses Payable in Certain Circumstances</u>	74
<u>Specific Performance</u>	75
<u>Amendments; Waivers</u>	75
<u>THE SEPARATION AGREEMENT</u>	76
<u>Overview</u>	76
<u>Separation of the IS&GS Business</u>	76
<u>Issuance of Splitco Common Stock, Incurrence of Debt and Splitco Special Cash Payment</u>	82
<u>Distribution</u>	82
<u>Conditions to the Distribution</u>	82
<u>Disclaimer</u>	83
<u>Indemnification; Limitation on Liability</u>	83
<u>Further Assurances and Certain Additional Covenants</u>	84
<u>Casualty and Condemnation</u>	86
<u>Real Property and Related Matters</u>	86
<u>Termination</u>	86
<u>Assignment; Amendment and Waiver</u>	86
<u>DEBT FINANCING</u>	87
<u>Overview</u>	87
<u>Leidos Term Loan A Facility</u>	87
<u>Leidos Revolving Credit Facility</u>	89
<u>Splitco Facilities</u>	90
<u>Intercreditor Agreement</u>	92
<u>OTHER AGREEMENTS</u>	93
<u>Employee Matters Agreement</u>	93
<u>Tax Matters Agreement</u>	96
<u>Additional Agreements</u>	97
<u>DESCRIPTION OF LEIDOS CAPITAL STOCK</u>	101
<u>General</u>	101
<u>Common Stock</u>	101
<u>Preferred Stock</u>	101
<u>Certain Anti-Takeover Effects of Provisions of Delaware Law, the Leidos Charter and the Leidos Bylaws</u>	101
<u>Listing</u>	102
<u>Transfer Agent</u>	102
<u>RISK FACTORS</u>	103
<u>CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS</u>	111
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	112
<u>The Transaction Interests of Leidos Directors and Executive Officers in the Transaction</u>	112
<u>Interests of Leidos Directors in the Transaction</u>	112
<u>Interests of Leidos Executive Officers in the Transaction</u>	112
<u>Executive Employment Agreement with Roger Krone</u>	112
<u>Severance Protection Agreements</u>	113
<u>Estimate of Potential Transaction-Related Compensation</u>	114
<u>No Change in Control Under Leidos Stock Plans</u>	114

<u>Named Executive Officer Transaction-Related Compensation</u>	114
<u>INFORMATION ABOUT THE LEIDOS ANNUAL MEETING</u>	116
<u>INFORMATION ON LOCKHEED MARTIN 'S EXCHANGE OFFER</u>	121
<u>INFORMATION ON LEIDOS</u>	122
<u>Overview</u>	122
<u>Leidos Business After the Consummation of the Transactions</u>	122
<u>Leidos Liquidity and Capital Resources After the Consummation of the Transactions</u>	123
<u>Directors and Officers of Leidos Before and After the Consummation of the Transactions</u>	125

Table of Contents

	Page
<u>INFORMATION ON THE SPLITCO BUSINESS</u>	128
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SPLITCO BUSINESS</u>	136
<u>SELECTED HISTORICAL FINANCIAL DATA</u>	151
<u>Selected Historical Combined Financial Data of the Splitco Business</u>	151
<u>Selected Historical Consolidated Financial Data of Leidos</u>	152
<u>UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL COMBINED CONSOLIDATED STATEMENT OF INCOME</u>	154
<u>ADDITIONAL FINANCIAL INFORMATION</u>	174
<u>Non-GAAP Measures</u>	174
<u>Reconciliation of Non-GAAP Measures</u>	176
<u>Backlog (Unaudited)</u>	178
<u>PROPOSAL NO. 1 APPROVAL OF ISSUANCE OF LEIDOS COMMON STOCK</u>	179
<u>PROPOSAL NO. 2 ELECTION OF DIRECTORS</u>	180
<u>Majority Voting Standard in Uncontested Director Elections</u>	180
<u>Recommendation of the Board of Directors</u>	180
<u>Nominees for Election to the Board of Directors</u>	180
<u>Corporate Governance</u>	183
<u>PROPOSAL NO. 3 ADVISORY VOTE ON THE COMPENSATION OF LEIDOS NAMED EXECUTIVE OFFICERS</u>	194
<u>Vote Required</u>	194
<u>Recommendation of the Board of Directors</u>	195
<u>Compensation Discussion and Analysis</u>	195
<u>Human Resources and Compensation Committee Report</u>	209
<u>Executive Compensation</u>	210
<u>Summary Compensation Table</u>	210
<u>Grants of Plan-Based Awards</u>	211
<u>Outstanding Equity Awards at Fiscal Year-End</u>	212
<u>Option Exercises and Stock Vested</u>	213
<u>Nonqualified Deferred Compensation</u>	213
<u>Potential Payments upon Termination or a Change in Control</u>	214
<u>Treatment of Equity Awards upon Termination</u>	217
<u>PROPOSAL NO. 4 ADVISORY VOTE ON MERGER-RELATED COMPENSATION FOR NAMED EXECUTIVE OFFICERS</u>	218
<u>PROPOSAL NO. 5 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	219
<u>AUDIT MATTERS</u>	220
<u>Audit Committee Report</u>	220
<u>Independent Registered Public Accounting Firm</u>	221
<u>Audit and Non-Audit Fees</u>	221
<u>PROPOSAL NO. 6 ADJOURNMENT</u>	222
<u>OTHER INFORMATION</u>	223
<u>Stock Ownership of Certain Beneficial Owners</u>	223

<u>Stock Ownership of Directors and Officers</u>	224
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	224
<u>Stockholder Proposals for the 2017 Annual Meeting</u>	225
<u>Transition Report on Form 10-K</u>	225
<u>WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION BY REFERENCE</u>	226
<u>INDEX TO FINANCIAL PAGES</u>	F-1

Table of Contents

	Page
ANNEXES	
<u>The Merger Agreement</u>	A-1
<u>The Separation Agreement</u>	B-1
<u>Opinion of Citigroup Global Markets Inc.</u>	C-1
<u>The Employee Matters Agreement</u>	D-1
<u>The Tax Matters Agreement</u>	E-1
Amendment to the Merger Agreement	F-1
Amendment to the Separation Agreement	G-1
First Amendment to the Employee Matter Agreement	H-1

Table of Contents

HELPFUL INFORMATION

In this document:

2011 IPAP means the Lockheed Martin Amended and Restated 2011 Incentive Performance Award Plan;

Additional Agreements means the Assignment and Assumption Agreements, the Intellectual Property Matters Agreement, the Shared Contracts Agreements, the Subcontract Pending Novation, the Supply Agreements, the Transition Services Agreements, and the other agreements contemplated by the Separation Agreement to effect the lease, sublease, license and leaseback of various real estate used in the Splitco Business;

Assignment and Assumption Agreements means any Bills of Sale, Assignment and Assumption Agreements (Parent to Splitco), any Bills of Sale, Assignment and Assumption Agreements (Splitco to Parent) and any Assignments and Assumptions of Lease, and any similar documents entered into the effect the Transactions, each as contemplated by the Separation Agreement;

Code means the Internal Revenue Code of 1986, as amended;

Commitment Parties means, collectively, the Leidos Commitment Parties and the Splitco Commitment Parties;

Cut-Off Time means 11:59 p.m. E.T. on the day immediately prior to the date of the Distribution;

DGCL means the General Corporation Law of the State of Delaware, as amended;

Distribution means the distribution by Lockheed Martin of the shares of Splitco common stock to Lockheed Martin stockholders by way of an exchange offer or by way of a *pro rata* dividend and, with respect to any shares of Splitco common stock that are not subscribed for in any such exchange offer, a *pro rata* dividend to the Lockheed Martin stockholders;

Employee Matters Agreement means the Employee Matters Agreement dated as of January 26, 2016, among Lockheed Martin, Leidos and Splitco, as amended;

ERISA means the Employee Retirement Income Security Act of 1974, as amended;

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Exchange Act means the Securities Exchange Act of 1934, as amended;

Former Splitco Business Employee means any former employee who performed substantially all of his or her services in connection with the Splitco Business;

GAAP means generally accepted accounting principles in the United States;

HSR Act means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;

Intellectual Property Matters Agreement means the Intellectual Property Matters agreement as contemplated by the Separation Agreement;

Internal Reorganization means the internal reorganization within Lockheed Martin of the Splitco Business in anticipation of the Distribution as contemplated by the Separation Agreement;

IRS means the United States Internal Revenue Service;

IS&GS means the Information Systems & Global Solutions business segment of Lockheed Martin;

Leidos means Leidos Holdings, Inc., a Delaware corporation, and, unless the context otherwise requires, its subsidiaries, which, after consummation of the Merger, will include Splitco and the Splitco Subsidiaries;

Leidos Board means the board of directors of Leidos;

Leidos Borrower means Leidos, Inc., a wholly owned subsidiary of Leidos Holdings, Inc. and the borrower under the Leidos Facilities;

Leidos Bylaws means the Bylaws of Leidos, as amended;

Leidos Charter means the Amended and Restated Certificate of Incorporation of Leidos, as amended;

Leidos Commitment Letter means the Commitment Letter dated January 26, 2016, among Citigroup Global Markets Inc., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., J.P. Morgan Securities, LLC, Goldman Sachs Bank USA and Leidos, and any associated fee letters, in respect of loans in the aggregate principal amount of \$1,440,000,000, together in each case with any amendments, supplements and joinders thereto;

Table of Contents

Leidos Commitment Parties means, collectively, Citigroup Global Markets Inc., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., J.P. Morgan Securities, LLC, and Goldman Sachs Bank USA, together with all additional lenders added to the Commitment Letter from time to time;

Leidos common stock means the common stock, par value \$0.0001 per share, of Leidos;

Leidos preferred stock means the preferred stock, par value \$0.0001 per share, of Leidos;

Leidos Special Dividend means a special dividend in an amount equal to \$13.64 per share to be declared by Leidos prior to the Merger, as of a record date prior to the closing date of the Merger, as described more fully in The Merger Agreement **Leidos Special Dividend** ;

Leidos stockholders means the holders of Leidos common stock;

Leidos Stock Plans means the Leidos 2006 Equity Incentive Plan, the Leidos 2006 Employee Stock Purchase Plan and each other employee benefit plan of Leidos providing for the grant by Leidos of stock options, restricted stock units, performance share units, stock equivalents or other equity or equity-based awards;

Leidos Tax Opinion means an opinion from Skadden, Arps, Slate, Meagher & Flom LLP, tax counsel to Leidos, to the effect that the Merger will be treated for U.S. federal income Tax purposes as a reorganization within the meaning of Section 368(a) of the Code and that each of Leidos, Merger Sub and Splitco will be a party to the reorganization within the meaning of Section 368(b) of the Code;

Lockheed Martin means Lockheed Martin Corporation, a Maryland corporation, and, unless the context otherwise requires, its subsidiaries, which, after consummation of the Distribution, will not include Splitco and the Splitco Subsidiaries;

Lockheed Martin Board means the board of directors of Lockheed Martin;

Lockheed Martin Cash Distribution means the distribution of cash in an amount equal to the Splitco Special Cash Payment, by Lockheed Martin to its creditors in retirement of outstanding Lockheed Martin indebtedness, or to Lockheed Martin stockholders in repurchase of, or distribution with respect to, shares of Lockheed Martin common stock;

Lockheed Martin common stock means the common stock, par value \$1.00 per share, of Lockheed Martin;

Lockheed Martin stockholders means the holders of Lockheed Martin common stock;

Lockheed Martin Tax Opinions means opinions from Davis Polk & Wardwell LLP, tax counsel to Lockheed Martin, to the effect that (i) the Merger will be treated for U.S. federal income Tax purposes as a reorganization within the meaning of Section 368(a) of the Code and that each of Leidos, Merger Sub and Splitco will be a party to the reorganization within the meaning of Section 368(b) of the Code, and (ii) (a) the Splitco Transfer and the Distribution, taken together, will qualify as a reorganization within the meaning of Section 368(a)(1)(D) of the Code and that each of Lockheed Martin and Splitco will be a party to the reorganization within the meaning of Section 368(b) of the Code, (b) the Distribution, as such, will qualify as a distribution of Splitco common stock to Lockheed Martin stockholders pursuant to Section 355 of the Code, (c) the Merger will not cause Section 355(e) of the Code to apply to the Distribution, and (d) the Lockheed Martin Cash Distribution will qualify as money distributed to Lockheed Martin creditors or stockholders in connection with the reorganization for purposes of Section 361(b) of the Code;

Merger means the merger of Merger Sub with and into Splitco, whereby the separate corporate existence of Merger Sub will cease and Splitco will continue as the surviving company and as a wholly-owned subsidiary of Leidos, as contemplated by the Merger Agreement;

MGCL means the Maryland General Corporation Law, as amended;

Merger Agreement means the Agreement and Plan of Merger dated as of January 26, 2016, among Lockheed Martin, Splitco, Leidos and Merger Sub, as amended by Amendment to Agreement and Plan of Merger dated as of June 27, 2016;

Merger Sub means Lion Merger Co., a Delaware corporation and a wholly-owned subsidiary of Leidos;

NYSE means The New York Stock Exchange;

SEC means the United States Securities and Exchange Commission;

Table of Contents

Securities Act means the Securities Act of 1933, as amended;

Separation means the separation of the Splitco Business from the remaining businesses of Lockheed Martin and its subsidiaries pursuant to the Separation Agreement;

Separation Agreement means the Separation Agreement dated as of January 26, 2016, between Lockheed Martin and Splitco, as amended by Amendment to Separation Agreement dated as of June 27, 2016;

Share Issuance means the issuance of shares of Leidos common stock to the stockholders of Splitco in the Merger;

Shared Contracts Agreements means the Shared Contracts Agreement Shared Contracts (Parent Companies) and the Shared Contracts Agreements Shared Contracts (Splitco Companies), each as contemplated by the Separation Agreement;

Splitco means Abacus Innovations Corporation, a Delaware corporation, and, prior to the Distribution, a wholly-owned subsidiary of Lockheed Martin;

Splitco Business means the business and operations of IS&GS;

Splitco Business Employee means, collectively, (i) each employee who performed substantially all of his or her services in connection with the Splitco Business as of January 26, 2016, (ii) each individual hired after January 26, 2016 and before the Distribution who performs substantially all of his or her services in connection with the Splitco Business and (iii) each shared services individual who, immediately before the Distribution, performs substantially all of his or her services in connection with the Splitco Business;

Splitco Commitment Letter means the Commitment Letter dated January 26, 2016, among Citigroup Global Markets Inc., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., J.P. Morgan Securities, LLC, Goldman Sachs Bank USA and Splitco, and any associated fee letters, in respect of loans in the aggregate principal amount of \$1,841,450,000, together in each case with any amendments, supplements and joinders thereto;

Splitco Commitment Parties means, collectively, Citigroup Global Markets Inc., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., J.P. Morgan Securities, LLC, and Goldman Sachs Bank USA, together with all additional lenders added to the Commitment Letter from time to time;

Splitco common stock means the common stock, par value \$0.001 per share, of Splitco;

Splitco Credit Facility means the credit facility or facilities entered into by Splitco on or before the date of the Distribution providing for indebtedness in an aggregate principal amount equal to \$1,841,450,000 on the terms and conditions contemplated by the Splitco Commitment Letter;

Splitco Special Cash Payment means the cash payment from Splitco to Lockheed Martin to be made prior to the Distribution in the amount of \$1,800,000,000 subject to adjustment as described in The Separation Agreement Separation of the IS&GS Business Splitco Special Cash Payment ;

Splitco stockholders means the holders of Splitco common stock;

Splitco Subsidiaries means the direct and indirect subsidiaries of Splitco that, together with Splitco, will hold the transferred assets and assumed liabilities related to the Splitco Business following the Separation;

Splitco Transfer means the contribution of the Transferred Assets (as defined in the Separation Agreement) by Lockheed Martin to Splitco in consideration for the transfer of Splitco common stock, the transfer to Lockheed Martin of the Splitco Special Cash Payment and the assumption by Splitco of the Assumed Liabilities (as defined in the Separation Agreement), pursuant to and in accordance with the Separation Agreement;

Supply Agreements means the Supply Agreement (Parent to Splitco) and the Supply Agreement (Splitco to Parent), each as contemplated by the Separation Agreement;

Subcontract Pending Novation means the Subcontract Pending Novation (Parent to Splitco), as contemplated by the Separation Agreement;

Tax Matters Agreement means the Tax Matters Agreement dated as of January 26, 2016, among Lockheed Martin, Leidos and Splitco;

Table of Contents

Transaction Documents means the Separation Agreement, the Merger Agreement, the Employee Matters Agreement and the Tax Matters Agreement, as well as the Additional Agreements (as described in The Separation Agreement Separation of the IS&GS Business Additional Agreements), each of which have been entered into or will be entered into in connection with the Transactions;

Transactions means the transactions contemplated by the Merger Agreement and the Separation Agreement, which provide for, among other things, the Separation, the Distribution and the Merger, as described in The Transactions ;

Transition Services Agreements means the Transition Services Agreement (Parent to Splitco) and the Transition Services Agreement (Splitco to Parent), each as contemplated by the Separation Agreement.

Table of Contents

REFERENCES TO ADDITIONAL INFORMATION

This document incorporates important business and financial information about Leidos from documents filed with the Securities and Exchange Commission (SEC) that have not been included or delivered with this document. This information is available to Leidos stockholders without charge by accessing the SEC 's website maintained at www.sec.gov or upon written request to Leidos Holdings, Inc., 11951 Freedom Drive, Reston, Virginia 20190, Attention: Corporate Secretary. See Where You Can Find More Information; Incorporation by Reference.

All information contained or incorporated by reference in this document with respect to Leidos and Merger Sub and their respective subsidiaries, as well as information on Leidos after the consummation of the Transactions, has been provided by Leidos. All other information contained or incorporated by reference in this document with respect to Lockheed Martin, Splitco or their respective subsidiaries or the Splitco Business and with respect to the terms and conditions of Lockheed Martin 's exchange offer has been provided by Lockheed Martin.

The information included in this document regarding Lockheed Martin 's exchange offer is being provided for informational purposes only and does not purport to be complete. For additional information on Lockheed Martin 's exchange offer and the terms and conditions of Lockheed Martin 's exchange offer, Leidos ' stockholders are urged to read Splitco 's registration statement on Form S-4 and Form S-1 (Reg. No. 333-210797), Leidos ' registration statement on Form S-4 (Reg. No. 333-210796), and all other documents Splitco or Leidos file with the SEC relating to the Merger. This document constitutes only a proxy statement for Leidos stockholders relating to the annual meeting and is not an offer to sell or a solicitation of an offer to purchase shares of Leidos common stock, Lockheed Martin common stock or Splitco common stock.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE TRANSACTION AND THE ANNUAL MEETING

The following are some of the questions that Leidos stockholders may have, and answers to those questions. These questions and answers, as well as the following summary, are not meant to be a substitute for the information contained in the remainder of this document, and this information is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this document. You are urged to read this document in its entirety prior to making any decision.

Why am I receiving these materials?

Leidos has sent you these materials in connection with its solicitation of proxies for use at the 2016 annual meeting of stockholders to be held at 9:00 a.m. local time, on August 8, 2016 at the company's offices at 11951 Freedom Drive, Reston, Virginia 20190. These materials were first sent or made available to Leidos stockholders on July 7, 2016.

Leidos is holding its annual meeting of its stockholders in order, among other things, to obtain stockholder approval of the Share Issuance in connection with the Merger pursuant to which Lockheed Martin's IS&GS business will combine with Leidos' business. Leidos cannot complete the Merger unless the Share Issuance is approved by the affirmative vote of a majority of votes cast by Leidos stockholders on the proposal at the annual meeting.

This document includes important information about the Transaction and the annual meeting of Leidos stockholders. Leidos stockholders should read this information carefully and in its entirety. A copy of the Merger Agreement is attached as Annex A-1 to this document (and the Amendment to the Merger Agreement is attached as Annex F-1) and a copy of the Separation Agreement is attached as Annex B-1 to this document (and the Amendment to the Separation Agreement is attached as Annex G-1). The enclosed voting materials allow Leidos stockholders to vote their shares without attending the Leidos annual meeting. *The vote of Leidos stockholders is very important and Leidos encourages its stockholders to vote their proxy as soon as possible. Please follow the instructions set forth on the enclosed proxy and voting instruction card (or on the voting instruction form provided by the record holder if shares of Leidos stock are held in the name of a bank, broker or other nominee).*

What proposals will be voted on at the annual meeting?

Leidos stockholders will vote on the following proposals:

1. To consider and vote on the proposal to issue shares of Leidos common stock to Lockheed Martin stockholders under the Merger Agreement;
2. To elect nine directors;
3. To approve, by an advisory vote, the compensation of Leidos named executive officers;
4. To approve, by an advisory vote, Transaction-related compensation of Leidos named executive officers;

5. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 30, 2016;
6. To vote upon the proposal to adjourn the annual meeting, if necessary or appropriate, to solicit additional proxies; and
7. To transact such other business as may properly come before the meeting or any adjournments, postponements or continuations of the meeting.

What votes are required to approve the Proposals?

Pursuant to the NYSE rules, Proposal No. 1 must be approved by a majority of the votes cast by Leidos stockholders on the proposal at the annual meeting. An abstention from voting will be treated as a vote cast under NYSE rules with regard to the proposal to approve the Share Issuance and will have the same effect as a vote **AGAINST** the proposal to approve the Share Issuance. In accordance with applicable rules, banks, brokers and other nominees who hold shares of common stock in **street name** for their customers do not have discretionary authority to vote the shares with respect to the proposal to approve the Share Issuance. Accordingly, there will be no **broker non-votes** and shares held in **street name** (that is, shares held through a bank, broker or other nominee) will not be voted on the proposal to approve the Share Issuance unless the bank, broker or nominee has received voting instructions from its customer. If this proposal is not approved, the Merger cannot be completed.

Table of Contents

Regarding Proposal No. 2, we have adopted majority voting procedures for the election of directors in uncontested elections. In an uncontested election, nominees must receive more for than against votes to be elected. Abstentions are not counted as votes cast. As provided in our bylaws, a contested election is one in which the number of nominees exceeds the number of directors to be elected. The election of directors at the 2016 annual meeting is an uncontested election. If an incumbent director receives more against than for votes, he or she is expected to tender his or her resignation in accordance with our Corporate Governance Guidelines. The Nominating and Corporate Governance Committee will consider the offer of resignation and recommend to the Board of Directors the action to be taken. The Board will promptly disclose its decision as to whether to accept or reject the tendered resignation in a press release, Current Report on Form 8-K or some other public announcement.

The affirmative vote of the holders of a majority of the voting power of common stock, present or represented either in person or by proxy and entitled to vote at the annual meeting is required to approve Proposal No. 3. Broker non-votes are not entitled to vote on this proposal and will not be counted in evaluating the results of the vote. This advisory vote on the compensation of Leidos named executive officers is non-binding on the Board of Directors.

The affirmative vote of a majority of the shares present or represented either in person or by proxy and entitled to vote is required to approve proposal No. 4. Broker non-votes are not entitled to vote on this proposal and will not be counted in evaluating the results of the vote. This advisory vote on the Transaction-related compensation of Leidos named executive officers is non-binding on the Board of Directors.

The affirmative vote of the holders of a majority of the voting power of common stock, present or represented and entitled to vote at the annual meeting is required to approve Proposal No. 5.

The affirmative vote of the holders of a majority of the shares of our common stock present in person or represented by proxy and entitled to vote at our annual meeting is required to approve the adjournment of our annual meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of our proposal for the issuance of our common stock.

Who is entitled to vote at the annual meeting?

Only stockholders of record of our common stock as of the close of business on our record date of June 30, 2016 are entitled to notice of, and to vote at, the annual meeting. As of June 30, 2016, there were 72,722,443 shares of common stock outstanding.

We have no other class of capital stock outstanding. A list of stockholders entitled to vote at the meeting will be available for inspection at 11951 Freedom Drive, Reston, Virginia for at least 10 days prior to the meeting and will also be available for inspection at the meeting.

How do I vote my shares?

Shares of common stock represented by a properly executed and timely proxy will, unless it has previously been revoked, be voted in accordance with its instructions. In the absence of specific instructions, the shares represented by a properly executed and timely proxy will be voted in accordance with the Board's recommendations as follows:

FOR the proposal to issue shares of Leidos common stock to Lockheed Martin stockholders in the merger;

FOR all of the company's nominees to the Board;

FOR the approval, on a non-binding, advisory basis, of the compensation of our named executive officers;

FOR the approval, on a non-binding, advisory basis, of named executive officer Transaction-related compensation;

FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 30, 2016; and

FOR the adjournment of the Leidos meeting, if necessary or appropriate, to solicit additional proxies. No other business is expected to come before the annual meeting; however, should any other matter properly come before the annual meeting, the proxy holders intend to vote such shares in accordance with their best judgment on such matter.

Table of Contents

There are four different ways to vote your shares:

By Internet: Go to www.proxyvote.com or scan the QR code on your proxy and voting instruction card with a smart phone.

By Telephone: Call 1-800-690-6903.

By Mail: If you received your proxy materials in the mail, you may complete, sign and return the accompanying proxy and voting instruction card in the postage-paid envelope provided.

In Person: Attend the meeting at the company's office at 11951 Freedom Drive in Reston, Virginia, and vote in person if you are a stockholder of record or if you have obtained a valid proxy from the stockholder of record.

Submitting a proxy will not prevent you from attending the annual meeting and voting in person. Any proxy may be revoked at any time prior to exercise by delivering a written revocation or a new proxy bearing a later date to our mailing agent, Broadridge, as described below or by attending the annual meeting and voting in person. The mailing address of our mailing agent is Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Attendance at the annual meeting will not, however, in and of itself, revoke a proxy

If a Leidos stockholder is not going to attend the annual meeting, should that stockholder return its proxy and voting instruction card or otherwise vote its shares?

Yes. Returning the proxy and voting instruction card or voting by calling the toll-free number shown on the proxy and voting instruction card or visiting the website shown on the proxy and voting instruction card before the required deadline ensures that the shares will be represented and voted at the annual meeting, even if a Leidos stockholder will be unable to or does not attend.

What are the voting deadlines?

For shares not held in the Leidos, Inc. Retirement Plan (the "Leidos Retirement Plan"), the deadline for submitting a proxy using the Internet or the telephone is 11:59 p.m. Eastern time on August 7, 2016. For shares held in the Leidos Retirement Plan, the deadline for submitting voting instructions using any of the allowed methods is 11:59 p.m. Eastern time on August 3, 2016.

Do I need an admission ticket to attend the annual meeting?

Yes. If you attend the meeting, you will be asked to present an admission ticket or proof of ownership and valid photo identification. Your admission ticket is:

Attached to your proxy and voting instruction card if you received your proxy materials in the mail;

Can be printed from the online voting site; or

A letter or a recent account statement showing your ownership of our common stock as of the record date, if you hold shares through a bank or a broker.

What constitutes a quorum?

The presence, either in person or by proxy, of the holders of a majority of the total voting power of the shares of common stock outstanding as of June 30, 2016 is necessary to constitute a quorum and to conduct business at the annual meeting. Abstentions and broker non-votes will be counted as present for purposes of determining the presence of a quorum.

What is a broker non-vote ?

A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that matter and has not received voting instructions from the beneficial owner. In tabulating the voting results for a particular proposal, broker non-votes are not considered entitled to vote on that proposal. Broker non-votes will not have an effect on the outcome of any matter being voted on at the meeting, assuming a quorum is present.

Unless you provide voting instructions to any broker holding shares on your behalf, your broker may not use discretionary authority to vote your shares on any of the matters to be considered at the annual meeting other than the ratification of our independent registered public accounting firm. Please vote your proxy or provide voting instructions to your broker so your vote can be counted.

Table of Contents

How many votes am I entitled to?

Each holder of common stock will be entitled to one vote per share, in person or by proxy, for each share of stock held in such stockholder's name as of June 30, 2016, on any matter submitted to a vote of stockholders at the annual meeting unless a stockholder elects to cumulate votes for the election of directors as described below.

Is cumulative voting permitted for the election of directors?

In the election of directors, you may cumulate your vote. This means that you may allocate among the director nominees, as you see fit, the total number of votes equal to the director positions to be filled multiplied by the number of shares you hold. You may not cumulate your votes against a nominee and cumulative voting applies only to the election of directors.

If you are a stockholder of record and choose to cumulate your votes, you will need to notify our Corporate Secretary in writing prior to the Annual Meeting or, if you vote in person at the annual meeting, notify the chair of the meeting prior to the commencement of voting at the annual meeting. You may not submit your proxy or voting instructions over the Internet or by telephone if you wish to distribute your votes unevenly among two or more nominees. If you hold shares beneficially through a broker, trustee or other nominee and wish to cumulate votes, you should contact your broker, trustee or nominee.

How are the shares held by the Leidos Retirement Plan voted?

Each participant in the Leidos Retirement Plan has the right to instruct Vanguard Fiduciary Trust Company, as trustee of the Leidos Retirement Plan (the "Trustee"), on a confidential basis, how to vote his or her proportionate interests in all shares of common stock held in the Leidos Retirement Plan. The Trustee will vote all shares held in the Leidos Retirement Plan for which no voting instructions are received in the same proportion as the shares for which voting instructions have been received.

The Trustee's duties with respect to voting the common stock in the Leidos Retirement Plan are governed by the fiduciary provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The fiduciary provisions of ERISA may require, in certain limited circumstances that the Trustee override the votes of participants with respect to the common stock held by the Trustee and to determine, in the Trustee's best judgment, how to vote the shares.

How are the shares held by the Management Stock Compensation Plan and Key Executive Stock Deferral Plan voted?

Under the terms of our Management Stock Compensation Plan and Key Executive Stock Deferral Plan, Vanguard Fiduciary Trust Company, as trustee of these stock plans, has the power to vote the shares of common stock held in these stock plans. Vanguard will vote all such shares in the same proportion that our other stockholders collectively vote their shares of common stock. If you are a participant in these stock plans, you do not have the right to instruct Vanguard on how to vote your proportionate interests in the shares of common stock held in these stock plans.

If a Leidos stockholder's shares are held in street name through its bank, broker or other nominee, will that bank, broker or other nominee vote those shares?

If your shares are held by a bank, broker or other nominee on your behalf in street name, your bank, broker or other nominee will send you instructions as to how to provide voting instructions for your shares by proxy. Many banks and

brokerage firms have a process for their customers to provide voting instructions by telephone or via the Internet, in addition to providing voting instructions by proxy and voting instruction card.

In accordance with the applicable rules, banks, brokers and other nominees who hold shares of common stock in street name for their customers do not have discretionary authority to vote the shares with respect to any of the matters to be considered at the annual meeting other than the ratification of our independent registered public accounting firm. Accordingly, there will be no broker non-votes and shares held in street name will not be voted on any of the proposals other than the proposal to ratify our independent registered public accounting firm unless the bank, broker or other nominee has received voting instructions from its customer.

Table of Contents

Can I change my vote after mailing my proxy and voting instruction card or submitting voting instructions by Internet or telephone?

Yes. If a holder of record of Leidos common stock has properly completed and submitted its proxy and voting instruction card or submitted voting instructions by Internet or telephone, the Leidos stockholder can change its vote in any of the following ways:

by sending a signed notice of revocation to the Corporate Secretary of Leidos that is received prior to the annual meeting stating that the Leidos stockholder revokes its proxy;

by properly completing a new proxy and voting instruction card bearing a later date and properly submitting it so that it is received prior to the annual meeting;

by logging onto the Internet website specified on the proxy and voting instruction card in the same manner a stockholder would to submit its proxy electronically or by calling the toll-free number specified on the proxy and voting instruction card prior to the annual meeting, in each case if the Leidos stockholder is eligible to do so and following the instructions on the proxy and voting instruction card; or

by attending the meeting and voting in person.

Simply attending the annual meeting will not revoke a proxy. In the event of multiple online or telephone votes by a stockholder, each vote will supersede the previous vote and the last vote cast will be deemed to be the final vote of the stockholder unless such vote is revoked in person at the annual meeting.

If a Leidos stockholder holds shares in street name through its bank, broker or other nominee, and has directed such person to vote its shares, it should instruct such person to change its vote, or if in the alternative a Leidos stockholder wishes to vote in person at the annual meeting, it must bring to the annual meeting a letter from the bank, broker or other nominee confirming its beneficial ownership of the shares and that the bank, broker or other nominee is not voting the shares at the annual meeting.

What should Leidos stockholders do now?

After carefully reading and considering the information contained in this document, Leidos stockholders should vote their shares as soon as possible so that their shares will be represented and voted at the annual meeting. Leidos stockholders should follow the voting instructions set forth on the enclosed proxy and voting instruction card.

Who is soliciting these proxies?

We are soliciting these proxies and the cost of the solicitation will be borne by us, including the charges and expenses of persons holding shares in their name as nominee incurred in connection with forwarding proxy materials to the beneficial owners of such shares. In addition to the use of the mail, proxies may be solicited by our officers, directors and employees in person, by telephone or by email.

Such individuals will not be additionally compensated for such solicitation but may be reimbursed for reasonable out-of-pocket expenses incurred in connection with such solicitation. We have also retained Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut 06902, to assist in soliciting proxies for a fee of \$10,000, plus expenses.

What is householding and how does it affect me?

We have adopted a procedure approved by the SEC, called householding. Under this procedure, we send only one proxy statement and one annual report to eligible stockholders who share a single address, unless we have received instructions to the contrary from any stockholder at that address. This practice is designed to reduce our printing and postage costs. Stockholders who do not participate in householding will continue to receive separate proxy and voting instruction cards. We do not use householding for any other stockholder mailings.

If you are a registered stockholder residing at an address with other registered stockholders and wish to receive a separate copy of the proxy statement or annual report, or if you do not wish to participate in householding and prefer to receive separate copies of these documents in the future, please contact our mailing agent, Broadridge, either by calling toll-free at 1-800-542-1061, or by writing to Broadridge, Household Department, 51 Mercedes Way, Edgewood, NY 11717. If you own shares through a bank, broker, or other nominee, you should contact the nominee concerning householding procedures. We will promptly deliver a separate copy of the proxy statement or annual report to you upon request.

Table of Contents

If you are eligible for householding, but you and other stockholders of record with whom you share an address currently receive multiple copies of the proxy statement or annual report and you wish to receive a single copy of each of these documents for your household, please contact our mailing agent, Broadridge, at the telephone number or address indicated above.

Where can I find the voting results of the annual meeting?

We intend to announce preliminary voting results at the annual meeting and publish final results in a Current Report on Form 8-K to be filed with the SEC within four business days of the annual meeting

Questions and Answers About the Transactions

What is Leidos proposing?

Leidos is proposing to combine the Splitco Business with Leidos business. The Merger will be effected through a series of transactions that are described in more detail below and elsewhere in this document.

What are the key steps of the Transactions?

Below is a summary of the key steps of the Transactions. A step-by-step description of material events relating to the Transactions is set forth under The Transactions.

Lockheed Martin will transfer the Splitco Business to Splitco following the Internal Reorganization.

In connection with the transfer of the Splitco Business to Splitco, Splitco will issue to Lockheed Martin additional shares of Splitco common stock. Following this issuance, subject to adjustment in accordance with the Merger Agreement, Lockheed Martin will own 76,958,918 shares of Splitco common stock, which will constitute all of the outstanding stock of Splitco. In addition, Splitco will incur new indebtedness in an aggregate principal amount of approximately \$1,841,450,000. Splitco will use a portion of the proceeds of this loan to pay to Lockheed Martin the Splitco Special Cash Payment in connection with the transfer of the Splitco Business to Splitco. Splitco will use the balance to pay certain fees and expenses related to such indebtedness.

Lockheed Martin will offer to Lockheed Martin stockholders the right to exchange all or a portion of their shares of Lockheed Martin common stock for shares of Splitco common stock at a discount to the equivalent per-share value of Leidos common stock based on the conversion in the Merger of each share of Splitco common stock into one share of Leidos common stock. If the Lockheed Martin exchange offer is consummated but is not fully subscribed, Lockheed Martin will distribute the remaining shares of Splitco common stock on a *pro rata* basis to Lockheed Martin stockholders whose shares of Lockheed Martin common stock remain outstanding after the consummation of the exchange offer. Any Lockheed Martin stockholder who validly tenders (and does not properly withdraw) shares of Lockheed Martin common stock for shares of Splitco common stock in the exchange offer will waive their rights with respect to such tendered shares to receive, and forfeit any rights to, shares of Splitco common stock distributed on a *pro rata* basis to Lockheed Martin stockholders in the event the exchange offer is not fully subscribed.

Prior to the closing of the Merger, the Leidos Borrower will incur new indebtedness in the form of a \$690,000,000 Term Loan A Facility and a \$750,000,000 Revolving Credit Facility. The proceeds of the Term Loan A Facility and up to \$50,000,000 of borrowings under the Revolving Credit Facility, together with cash on hand at Leidos (which shall not exceed \$500,000,000), will be used to pay the Leidos Special Dividend, and additional proceeds of borrowings under the Revolving Credit Facility will be used to (i) repay in full all outstanding indebtedness for borrowed money of Splitco (if any) (other than the debt incurred by Splitco described above), (ii) repay in full all indebtedness, and terminate all commitments, under the Amended and Restated Four Year Credit Agreement, dated as of March 11, 2011, among Leidos, as borrower, Leidos, Inc., as guarantor, and Citibank, N.A., as administrative agent, the lenders, other agents and other parties party thereto from time to time and (iii) pay the fees, costs and expenses associated therewith.

Table of Contents

Immediately after the Distribution, Merger Sub will merge with and into Splitco, whereby the separate corporate existence of Merger Sub will cease and Splitco will continue as the surviving company and as a wholly-owned subsidiary of Leidos. In the Merger, each share of Splitco common stock will be converted into the right to receive one share of Leidos common stock, as described in the section of this document entitled *The Merger Agreement Merger Consideration*. Immediately after the consummation of the Merger, approximately 50.5 percent of the outstanding shares of Leidos common stock is expected to be held by pre-Merger Splitco (former Lockheed Martin) stockholders and approximately 49.5 percent of the outstanding shares of Leidos common stock is expected to be held by pre-Merger Leidos stockholders on a fully diluted basis.

What are the material U.S. federal income tax consequences to Leidos and its stockholders resulting from the Transactions?

Leidos will not recognize any gain or loss for U.S. federal income tax purposes as a result of the Merger. Because Leidos stockholders will not participate in the Distribution or the Merger, Leidos stockholders generally will not recognize gain or loss upon either the Distribution (including the Lockheed Martin exchange offer) or the Merger.

Why is the transaction structured as a Reverse Morris Trust transaction?

The transaction structure was negotiated by the parties. Lockheed Martin believes the tax-efficient Reverse Morris Trust structure optimizes the value of the transaction to Lockheed Martin and its stockholders because stockholders of Lockheed Martin generally will not recognize any gain or loss for U.S. federal income tax purposes as a result of this exchange offer or the Merger, except for any gain or loss attributable to the receipt of cash in lieu of fractional shares, if any, of Leidos common stock received in the Merger and the Distribution will not result in the recognition of income, gain or loss to Lockheed Martin or Splitco (except for taxable income or gain of Lockheed Martin possibly arising as a result of certain internal restructuring transactions undertaken prior to or in anticipation of the Distribution). A Reverse Morris Trust transaction structure requires, among other things, that former Lockheed Martin stockholders own more than 50% of the Leidos common stock following consummation of the Transactions.

What will Leidos stockholders receive in connection with the Merger?

Prior to the Merger, Leidos will declare the Leidos Special Dividend, the payment of which will be conditioned on completion of the Merger. All shares of Leidos common stock issued and outstanding immediately before the Merger will remain issued and outstanding immediately after the consummation of the Merger. Immediately after consummation of the Merger, approximately 49.5 percent of the outstanding shares of Leidos common stock is expected to be held by pre-Merger Leidos stockholders on a fully diluted basis.

Leidos stockholders will not receive separate merger consideration as part of the Merger and no additional shares of Leidos common stock will be issued to Leidos stockholders pursuant to the Merger. Leidos stockholders will receive the commercial benefit of owning an equity interest in Splitco, which will include the Splitco Business as it exists following consummation of the Separation Agreement with Lockheed Martin and payment of the Splitco Special Cash Payment to Lockheed Martin. Leidos stockholders will thus hold an interest in a company with expanded opportunities in the government services industry, additional expertise in information technology operations, financial and HR enterprise resource planning (ERP) outsourcing, data center consolidation and facilities management, and enhanced EBITDA margins and revenue growth opportunities. See *Leidos Reasons for the Transactions*.

As a result of the Merger, Leidos stockholders' ownership of Leidos common stock will also mean that they own an interest in a company with increased levels of indebtedness. In connection with the Merger, Leidos will incur new indebtedness of \$690,000,000 in the form of a term loan facility and a new revolving credit facility, which is expected

to have \$750,000,000 of unused availability immediately following consummation of the transactions. In addition, Leidos will guarantee the indebtedness that Splitco will incur in connection with the Transactions, consisting of up to \$1,841,450,000 in the form of 3-year Term Loan A Facility in an aggregate principal amount of up to \$400,000,000, a 5-year Term Loan A Facility in an aggregate principal amount of up to \$310,000,000 and a 7-year Term Loan B Facility in an aggregate principal amount of up to approximately \$1,131,450,000. See Debt Financing.

Table of Contents

What are the principal adverse effects of the Transactions to Leidos stockholders?

Following the consummation of the Transactions, Leidos stockholders will participate in a company that holds the Splitco Business, but their percentage interest in this company will be diluted. Immediately after consummation of the Merger, pre-Merger Leidos stockholders are expected to own no more than 49.5 percent of Leidos common stock on a fully diluted basis. Therefore, the voting power represented by the shares held by pre-Merger Leidos stockholders will be lower immediately following the Merger than immediately prior to the Merger. In addition, Lockheed Martin stockholders that participate in the exchange offer will be exchanging their shares of Lockheed Martin common stock for shares of Splitco common stock at a discount to the per-share value of Leidos common stock. The existence of a discount, along with the issuance of shares of Leidos common stock pursuant to the Merger, may negatively affect the market price of Leidos common stock. Further, Splitco will be (x) the primary obligor under the Splitco Credit Facility (as described in more detail in Debt Financing) upon the closing thereof immediately prior to the making of the Splitco Special Cash Payment, which Splitco Credit Facility is expected to be guaranteed by Leidos after the consummation of the Merger and (y) upon the closing of the Merger, a guarantor of the indebtedness of the Leidos Borrower under the credit facilities to be provided pursuant to the Leidos Commitment Letter. This additional indebtedness could materially and adversely affect the liquidity, results of operations and financial condition of Leidos. Leidos also expects to incur significant one-time costs in connection with the Transactions, which may have an adverse impact on Leidos liquidity, cash flows and operating results in the periods in which they are incurred. Finally, Leidos management will be required to devote a significant amount of time and attention to the process of integrating the operations of Leidos business and the Splitco Business. If Leidos management is not able to manage the integration process effectively, or if any significant business activities are interrupted as a result of the integration process, Leidos business could suffer and its stock price may decline. See Risk Factors for a further discussion of the material risks associated with the Transactions.

What is the estimated total value of the consideration to be paid by Leidos in the Transactions?

Subject to adjustment under certain circumstances as set forth in the Merger Agreement, Leidos will issue 76,958,918 shares of Leidos common stock in the Merger. Based upon the reported closing sale price of \$46.80 per share for Leidos common stock on the NYSE on June 29, 2016, and after taking into account the Leidos Special Dividend of \$13.64 per share, the total value of the shares to be issued by Leidos and the cash to be received by Lockheed Martin in the Transactions would have been approximately \$4,351,957,721. The actual value of the Leidos common stock to be issued in the Merger will depend on the market price of shares of Leidos common stock at the time of the Merger.

Are there possible adverse effects on the value of Leidos common stock ultimately to be received by Lockheed Martin stockholders who participate in the exchange offer?

The Lockheed Martin exchange offer is designed to permit Lockheed Martin stockholders to exchange their shares of Lockheed Martin common stock for a number of shares of Splitco common stock that corresponds to a discount to the equivalent amount of Leidos common stock based on one share of Leidos common stock for each share of Splitco common stock as specified in the Merger Agreement. The existence of a discount, along with the issuance of shares of Leidos common stock pursuant to the Merger, may affect negatively the market price of Leidos common stock. The market price of Leidos common stock also will be affected by the performance of the Splitco Business and other risks associated with the Transactions. This risk and other risk factors associated with the Transactions are described in more detail in the section of this document entitled Risk Factors.

How will the Transactions impact the future liquidity and capital resources of Leidos?

Leidos will incur indebtedness of \$690,000,000 in connection with the Transactions in the form of a term loan facility and will also enter into a new revolving credit facility which is expected to have \$750,000,000 of unused availability immediately after consummation of the Transactions (the Leidos Debt Financing).

Splitco will incur new indebtedness of up to \$1,841,450,000 in connection with the Transactions in the form of 3-year Term Loan A Facility in an aggregate principal amount of up to \$400,000,000, a 5-year Term Loan A Facility in an aggregate principal amount of up to \$310,000,000 and a 7-year Term Loan B Facility in an aggregate principal amount of up to approximately \$1,131,450,000 (the Splitco Debt Financing ; and together with the Leidos Debt Financing, the Debt Financings).

Table of Contents

The Debt Financings could materially and adversely affect the liquidity, results of operations and financial condition of Leidos. Leidos also expects to incur significant one-time costs in connection with the Transactions, which may have an adverse impact on Leidos' liquidity, cash flows and operating results in the periods in which they are incurred. Finally, Leidos management will be required to devote a significant amount of time and attention to the process of integrating the operations of Leidos' business and the Splitco Business. If Leidos management is not able to manage the integration process effectively, or if any significant business activities are interrupted as a result of the integration process, Leidos' business could suffer and its stock price may decline. See Risk Factors for a further discussion of the material risks associated with the Transactions.

Upon the consummation of the Transactions, the Leidos Debt Financing is expected to be guaranteed by Splitco and the Splitco Debt Financing is expected to be guaranteed by Leidos and its subsidiaries.

How do the Transactions impact Leidos' dividend policy?

In connection with the Transactions, prior to the consummation of the Merger and subject to applicable law, Leidos shall declare the Leidos Special Dividend, the payment of which will be conditioned on completion of the Transactions. The Leidos Special Dividend will be funded by a combination of new borrowings and cash on hand. With the exception of the payment of the Leidos Special Dividend, the Transactions are not expected to affect Leidos dividend policy. See Summary Historical and Pro Forma Financial Data Leidos Dividend Policy for a further discussion of Leidos' current dividend policy.

What will Lockheed Martin receive in the Transactions?

Immediately prior to the Distribution and in connection with the transfer of the Splitco Business to Splitco, Lockheed Martin will receive the Splitco Special Cash Payment, the proceeds of which will be used to pay dividends, repurchase its stock or retire outstanding indebtedness.

What will Lockheed Martin stockholders receive in the Transactions?

In the exchange offer, Lockheed Martin will offer to Lockheed Martin stockholders the right to exchange all or a portion of their shares of Lockheed Martin common stock for shares of Splitco common stock at a discount to the per-share value of Leidos common stock based on one share of Leidos common stock for each share of Splitco common stock as specified in the Merger Agreement, subject to proration in the event of oversubscription. In all cases, the exchange agent will hold all issued and outstanding shares of Splitco common stock as agent until the shares of Splitco common stock are converted into the right to receive shares of Leidos common stock in the Merger. Lockheed Martin stockholders will not be able to trade shares of Splitco common stock during this period or at any time before or after the consummation of the Merger. In the Merger, each share of Splitco common stock will be converted into the right to receive one share of Leidos common stock, as described in the section of this document entitled The Merger Agreement Merger Consideration.

If the exchange offer is consummated but is not fully subscribed, Lockheed Martin will distribute the remaining shares of Splitco common stock owned by Lockheed Martin on a *pro rata* basis to Lockheed Martin stockholders whose shares of Lockheed Martin common stock remain outstanding after the consummation of the exchange offer. Any Lockheed Martin stockholder who validly tenders (and does not properly withdraw) shares of Lockheed Martin common stock for shares of Splitco common stock in the exchange offer will waive their rights with respect to such tendered shares to receive, and forfeit any rights to, shares of Splitco common stock distributed on a *pro rata* basis to Lockheed Martin stockholders in the event the exchange offer is not fully subscribed.

Are there any conditions to the consummation of the Transactions?

Yes. The consummation of the Transactions is subject to a number of conditions, including:

the approval by Leidos stockholders of the Share Issuance;

the termination or expiration of the waiting period under the HSR Act (which period has expired), and the receipt of any governmental approvals required under the antitrust laws in the United Kingdom;

the approval for listing on the NYSE of the shares of Leidos common stock to be issued in the Merger;

the effectiveness under the Securities Act of Splitco's registration statement on Form S-4 and Form S-1 (Reg. No. 333-210797) and Leidos' registration statement on Form S-4 (Reg. No. 333-210796), and the absence of any stop order issued by the SEC or any pending proceeding before the SEC seeking a stop order with respect thereto;

Table of Contents

the receipt of the Lockheed Martin Tax Opinions by Lockheed Martin and the receipt of the Leidos Tax Opinion by Leidos;

the receipt by Lockheed Martin, Splitco and Leidos of customary solvency opinions;

the incurrence of debt by Splitco pursuant to the Splitco Credit Facility;

the receipt of the Splitco Special Cash Payment by Lockheed Martin;

the completion of the various transaction steps contemplated by the Merger Agreement and the Separation Agreement, including the Separation and the Distribution; and

other customary conditions.

To the extent permitted by applicable law, Lockheed Martin and Splitco, on the one hand, and Leidos and Merger Sub, on the other hand, may waive the satisfaction of the conditions to their respective obligations to consummate the Transactions. In addition, the waiver by Lockheed Martin or Splitco of conditions to their respective obligations under the Separation Agreement requires the consent of Leidos. If Leidos waives the satisfaction of a material condition to the consummation of the Transactions, Leidos will evaluate the facts and circumstances at that time and re-solicit stockholder approval of the issuance of shares of Leidos common stock in the Merger if required to do so by law or the rules of the NYSE.

This document describes these conditions in more detail under [The Merger Agreement](#) [Conditions to the Merger](#).

When will the Transactions be completed?

The Transactions are expected to be completed in the third or fourth quarter of 2016. However, it is possible that the Transactions could be completed at a later time or not at all, and the Merger Agreement provides that Lockheed Martin or Leidos may terminate the Merger Agreement if the Merger is not consummated on or before January 25, 2017. For a discussion of the conditions to consummate of the Transactions and the circumstances under which the Merger Agreement may be terminated by the parties, see [The Merger Agreement](#) [Conditions to the Merger](#) and [The Merger Agreement](#) [Termination](#), respectively.

Are there risks associated with the Transactions?

Yes. The material risks and uncertainties associated with the Transactions are discussed in the section of this document entitled [Risk Factors](#) and the section of this document entitled [Cautionary Statement on Forward-Looking Statements](#). Those risks include, among others, the possibility that the Transactions may not be completed or may not achieve the intended benefits, the possibility that Leidos may fail to realize the anticipated benefits of the Merger and the value of any Leidos common stock to be received in the Transactions, the uncertainty that Leidos will be able to integrate the Splitco Business successfully, the possibility that Leidos may be unable to provide benefits and services or access to equivalent financial strength and resources to the Splitco Business that historically have been provided by Lockheed Martin, the possibility that the Transactions may be treated by the IRS as taxable to Lockheed Martin and/or Lockheed Martin stockholders, the additional long-term indebtedness and liabilities that Leidos and its subsidiaries

will have following consummation of the Transactions and the substantial dilution to the ownership interest of current Leidos stockholders following consummation of the Merger resulting from the Transactions.

What stockholder approvals are needed in connection with the Transactions?

Leidos cannot complete the Transactions unless the proposal relating to the Share Issuance is approved by the affirmative vote of a majority of votes cast by Leidos stockholders on the proposal at the 2016 annual meeting.

Where will the Leidos shares to be issued in the Merger be listed?

Leidos common stock is listed on the NYSE under the symbol LDOS. After the consummation of the Transactions, all shares of Leidos common stock issued in the Merger, and all other outstanding shares of Leidos common stock, will continue to be listed on the NYSE and trade under the same symbol.

Table of Contents

Will there be any change to the Leidos Board or executive officers of Leidos after the consummation of the Transactions?

Yes. In connection with the Transactions, the size of the Leidos Board will be increased to include three additional directors to be designated as nominees by Lockheed Martin (subject to the reasonable approval of the Leidos Board), effective at the time of closing of the Merger. The Merger Agreement provides that at the next annual election of directors of Leidos, the Leidos Board will take all actions necessary to include each of the Lockheed Martin designees as nominees for the Leidos Board for election by Leidos stockholders. The executive officers of Leidos immediately prior to consummation of the Merger are expected to be the executive officers of Leidos immediately following consummation of the Merger.

What vote is required to approve the Share Issuance?

Pursuant to the NYSE rules, the proposal to approve the Share Issuance must be approved by the affirmative vote of a majority of votes cast by Leidos stockholders on the proposal at the annual meeting. An abstention from voting will be treated as a vote cast under NYSE rules with regard to the proposal to approve the Share Issuance and will have the same effect as a vote AGAINST the proposal to approve the Share Issuance. In accordance with applicable rules, banks, brokers and other nominees who hold shares of common stock in street name for their customers do not have discretionary authority to vote the shares with respect to the proposal to approve the Share Issuance. Accordingly, there will be no broker non-votes and shares held in street name (that is, shares held through a bank, broker or other nominee) will not be voted on the proposal to approve the Share Issuance unless the bank, broker or nominee has received voting instructions from its customer. If this proposal is not approved, the Merger cannot be completed.

Do Lockheed Martin stockholders have to vote to approve the Transactions?

No.

What if an Leidos stockholder does not vote on the Share Issuance proposal?

The outcome depends on how the Leidos common stock is held and whether any vote is cast or not.

If a Leidos stockholder submits a proxy to Leidos but the proxy does not indicate how it should be voted on the proposal, the proxy will be counted as a vote FOR the proposal.

If a Leidos stockholder submits a proxy to Leidos and the proxy indicates that the stockholder abstains from voting as to a proposal, it will have the same effect as a vote AGAINST the proposal.

If a Leidos stockholder fails to submit a proxy to Leidos, that stockholder's shares will not count towards the required quorum of a majority of the votes entitled to be cast on the proposal.

If a Leidos stockholder holds shares in street name through a bank, broker or other nominee, those shares will not be counted for purposes of determining the presence of a quorum unless the bank, broker or other nominee has been instructed to vote on at least one of the proposals presented in this proxy statement. In

accordance with applicable rules, banks, brokers and other nominees who hold shares of common stock in street name for their customers do not have discretionary authority to vote the shares with respect to the proposals to approve the Share Issuance. Accordingly, there will be no broker non-votes and shares held in street name will not be voted on the proposal to approve the Share Issuance unless the bank, broker or other nominee has received voting instructions from its customer with respect to such proposal. As a result, if a Leidos stockholder holds shares in street name and fails to instruct its bank, broker or other nominee how to vote that stockholder's shares, such failure will not affect the vote on the Share Issuance unless the bank, broker or other nominee has been instructed to vote on at least one of the proposals presented in this proxy statement.

Have any Leidos stockholders already agreed to vote for the issuance of Leidos common stock in the Merger?

No.

Can Leidos stockholders dissent and require appraisal of their shares?

No.

Table of Contents

Will the instruments that govern the rights of Leidos stockholders with respect to their shares of Leidos common stock after the consummation of the Transactions be different from those that govern the rights of current Leidos stockholders?

The rights of Leidos stockholders with respect to their shares of Leidos common stock after the consummation of the Transactions will continue to be governed by federal and state laws and Leidos governing documents, including:

the corporate law of the State of Delaware;

the Amended and Restated Certificate of Incorporation of Leidos; and

the Amended and Restated Bylaws of Leidos.

Who can answer my questions?

If you have any questions about the Transactions or the annual meeting, need assistance in voting your shares or need additional copies of this document or the enclosed proxy and voting instruction card, you should contact:

Morrow & Co., LLC

470 West Avenue

Stamford, Connecticut 06902

Stockholders, please call Toll Free (800) 278-2141

Banks and Brokerage Firms, please call (203) 658-9400

or

Leidos Holdings, Inc.

11951 Freedom Drive

Reston, Virginia 20190

Attention: Investor Relations

Telephone: (571) 526-6000

Where can I find more information about Leidos and the Splitco Business?

Leidos stockholders can find more information about Leidos and the IS&GS business in Information on Leidos and Information on the IS&GS Business and from the various sources described in Where You Can Find More Information; Incorporation by Reference.

Table of Contents

SUMMARY

The following summary contains certain information described in more detail elsewhere in this document. It does not contain all the details concerning the Transactions, including information that may be important to you. To better understand the Transactions, you should carefully review this entire document and the documents it refers to. See Where You Can Find More Information; Incorporation by Reference.

The Companies

Leidos Holdings, Inc.

11951 Freedom Drive

Reston, Virginia 20190

Leidos Holdings, Inc., incorporated in 2005, is a Delaware corporation having its principal executive offices in Reston, VA, and serves as the holding company for its principal operating company, Leidos, Inc., which was formed in 1969. Leidos is a science and technology solutions leader working to address some of the world's toughest challenges in national security, health and infrastructure. Its approximately 18,000 employees support vital missions for government and commercial customers, develop innovative solutions to drive better outcomes and defend digital and physical infrastructure from new world threats.

Lion Merger Co.

c/o Leidos Holdings, Inc.

11951 Freedom Drive

Reston, Virginia 20190

Lion Merger Co., a Delaware corporation incorporated on January 21, 2016, referred to in this document as Merger Sub, is a direct, wholly-owned subsidiary of Leidos that was organized specifically for the purpose of completing the Merger. Merger Sub has engaged in no business activities to date and it has no material assets or liabilities of any kind, other than those incident to its formation and in connection with the Transactions.

Lockheed Martin Corporation

6801 Rockledge Drive

Bethesda, Maryland 20817

Lockheed Martin Corporation, is a Maryland corporation formed in 1995 by combining the businesses of Lockheed Corporation and Martin Marietta Corporation. Lockheed Martin is a global security and aerospace company principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services. Lockheed Martin also provides a broad range of management, engineering, technical, scientific, logistics and information services. It serves both U.S. and international customers with products and services that have defense, civil and commercial applications, with its principal customers being agencies of the U.S. Government. Lockheed Martin's main areas of focus are in defense, space, intelligence, homeland

security and information technology, including cybersecurity.

Abacus Innovations Corporation

c/o Lockheed Martin Corporation

6801 Rockledge Drive

Bethesda, Maryland 20817

Abacus Innovations Corporation, a Delaware corporation incorporated on January 19, 2016, referred to in this document as Splitco, is a direct, wholly-owned subsidiary of Lockheed Martin that was organized specifically for the purpose of effecting the Separation. Splitco has engaged in no business activities to date and it has no material assets or liabilities of any kind, other than those incident to its formation and in connection with the Transactions. Prior to the closing of the Lockheed Martin exchange offer, Splitco will own, directly and through the Splitco Subsidiaries, the Splitco Business and will incur indebtedness in the Splitco Debt Financing. The Splitco Business means the business and operations of Lockheed Martin's Information Systems & Global Solutions (IS&GS) business segment as it was reported in Lockheed Martin's Annual Report on Form 10-K for the year ended December 31, 2015, as summarized in the section of this document entitled Information on the Splitco Business.

Table of Contents

The Transactions

On January 26, 2016, Lockheed Martin and Leidos announced that they, along with Splitco and Merger Sub, had entered into the Merger Agreement, and that Lockheed Martin and Splitco had entered into the Separation Agreement, which together provide for the combination of Leidos' business and the Splitco Business. In the Transactions, Lockheed Martin will transfer the Splitco Business to Splitco. Prior to the Distribution, Splitco will incur new indebtedness and will pay to Lockheed Martin the Splitco Special Cash Payment.

On the closing date of the Merger, Lockheed Martin will distribute shares of Splitco common stock to its participating stockholders in the exchange offer. If the exchange offer is consummated but is not fully subscribed, Lockheed Martin will distribute the remaining shares of Splitco common stock on a pro rata basis to Lockheed Martin stockholders whose shares of Lockheed Martin common stock remain outstanding after the consummation of the exchange offer. Any Lockheed Martin stockholder who validly tenders (and does not properly withdraw) shares of Lockheed Martin common stock for shares of Splitco common stock in the exchange offer will waive their rights with respect to such tendered shares to receive, and forfeit any rights to, shares of Splitco common stock distributed on a pro rata basis to Lockheed Martin stockholders in the event the exchange offer is not fully subscribed. If there is a pro rata distribution, the exchange agent will calculate the exact number of shares of Splitco common stock not exchanged in the exchange offer and to be distributed on a pro rata basis, and the number of shares of Leidos common stock into which the remaining shares of Splitco common stock will be converted in the Merger will be transferred to Lockheed Martin stockholders (after giving effect to the consummation of the exchange offer) as promptly as practicable thereafter.

Immediately after the Distribution and on the closing date of the Merger, Merger Sub will merge with and into Splitco, whereby the separate corporate existence of Merger Sub will cease and Splitco will continue as the surviving company and a wholly-owned subsidiary of Leidos. In the Merger, subject to adjustment in accordance with the Merger Agreement, each share of Splitco common stock will be converted into the right to receive one share of Leidos common stock, as described in the section of this document entitled "The Merger Agreement - Merger Consideration."

Subject to adjustment under certain circumstances as set forth in the Merger Agreement, Leidos will issue 76,958,918 shares of Leidos common stock in the Merger. Based upon the reported closing sale price of \$46.80 per share for Leidos common stock on the NYSE on June 29, 2016, and after taking into account the Leidos Special Dividend of \$13.64 per share, the total value of the shares to be issued by Leidos and the cash expected to be received by Lockheed Martin in the Transactions would have been approximately \$4,351,957,721. The actual value of the Leidos common stock to be issued in the Merger will depend on the market price of shares of Leidos common stock at the time of the Merger.

After the Merger, Leidos will own and operate the Splitco Business through Splitco, which will be Leidos wholly-owned subsidiary, and will also continue its current businesses. All shares of Leidos common stock, including those issued in the Merger, will be listed on the NYSE under Leidos' current trading symbol - LDOS.

Below is a step-by-step description of the sequence of material events relating to the Transactions.

Step 1 Separation

Lockheed Martin will transfer the Splitco Business to Splitco following the Internal Reorganization.

Step 2 Issuance of Splitco Common Stock to Lockheed Martin, Incurrence of Splitco Debt and Splitco Cash Payment

In connection with the transfer of the Splitco Business to Splitco, Splitco will issue to Lockheed Martin additional shares of Splitco common stock. Following this issuance, subject to adjustment in accordance with the Merger Agreement, Lockheed Martin will own 76,958,918 shares of Splitco common stock, which will constitute all of the outstanding stock of Splitco. In addition, Splitco will incur new indebtedness in an aggregate principal amount of approximately \$1,841,450,000. Splitco will use a portion of the proceeds of this loan to pay to Lockheed Martin the Splitco Special Cash Payment in connection with the transfer of the Splitco Business to Splitco. Splitco will use the balance to pay certain fees and expenses related to such indebtedness.

Table of Contents

Step 3 Distribution Exchange Offer

Lockheed Martin will offer to Lockheed Martin stockholders the right to exchange all or a portion of their shares of Lockheed Martin common stock for shares of Splitco common stock at a discount to the equivalent per-share value of Leidos common stock, after giving effect to the amount of the Leidos Special Dividend, based on the conversion in the Merger of each share of Splitco common stock into one share of Leidos common stock. If the exchange offer is consummated but is not fully subscribed, Lockheed Martin will distribute the remaining shares of Splitco common stock on a *pro rata* basis to Lockheed Martin stockholders whose shares of Lockheed Martin common stock remain outstanding after the consummation of the exchange offer. Any Lockheed Martin stockholder who validly tenders (and does not properly withdraw) shares of Lockheed Martin common stock for shares of Splitco common stock in the exchange offer will waive their rights with respect to such tendered shares to receive, and forfeit any rights to, shares of Splitco common stock distributed on a *pro rata* basis to Lockheed Martin stockholders in the event the exchange offer is not fully subscribed.

Step 4 Incurrence of Leidos Debt

Prior to the closing of the Merger, the Leidos Borrower will incur new indebtedness in the form of a \$690,000,000 Term Loan A Facility and a \$750,000,000 Revolving Credit Facility. The proceeds of the Term Loan A Facility and up to \$50,000,000 of borrowings under the Revolving Credit Facility, together with cash on hand at Leidos (which shall not exceed \$500,000,000), will be used to pay the Leidos Special Dividend, and additional proceeds of borrowings under the Revolving Credit Facility will be used to (i) repay in full all outstanding indebtedness for borrowed money of Splitco (if any) (other than the debt incurred by Splitco described above in Step 2), (ii) repay in full all indebtedness, and terminate all commitments, under the Amended and Restated Four Year Credit Agreement dated as of March 11, 2011, among Leidos, as borrower, Leidos, Inc., as guarantor, and Citibank, N.A., as administrative agent, the lenders, other agents and other parties party thereto from time to time and (iii) pay the fees, costs and expenses associated therewith.

Step 5 Merger

Immediately after the Distribution, Merger Sub will merge with and into Splitco, whereby the separate corporate existence of Merger Sub will cease and Splitco will continue as the surviving company and as a wholly-owned subsidiary of Leidos. In the Merger, each share of Splitco common stock will be converted into the right to receive one share of Leidos common stock, as described in the section of this document entitled *The Merger Agreement Merger Consideration*. Immediately after the consummation of the Merger, approximately 50.5 percent of the outstanding shares of Leidos common stock is expected to be held by pre-Merger Splitco (former Lockheed Martin) stockholders and approximately 49.5 percent of the outstanding shares of Leidos common stock is expected to be held by pre-Merger Leidos stockholders on a fully diluted basis.

Table of Contents

Set forth below are diagrams that graphically illustrate, in simplified form, the existing corporate structures, the corporate structures immediately following the Separation and the Distribution but before the Merger and the corporate structures immediately following the consummation of the Merger.

Table of Contents

After completion of all of the steps described above, Leidos wholly-owned subsidiary, Splitco, will hold