



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

Form 10-K

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

For the fiscal year ended December 29, 2023

or

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

For the transition period from to
Commission file number 001-33072

Leidos Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

1750 Presidents Street, Reston, Virginia

(Address of principal executive offices)

20-3562868

(I.R.S. Employer Identification No.)

20190

(Zip Code)

(571) 526-6000

(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, par value \$.0001 per share	LDOS	New York Stock Exchange

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

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

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

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

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

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

As of June 30, 2023, which was the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of Leidos Holdings, Inc. common stock (based upon the closing price of the stock on the New York Stock Exchange) held by non-affiliates of the registrant was \$12,035,539,574.

The number of shares issued and outstanding of the registrant's class of common stock as of February 6, 2024, was 135,779,301 shares (\$.0001 par value per share).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Leidos Holdings, Inc.'s definitive Proxy Statement for the 2023 Annual Meeting of Stockholders ("2024 Proxy Statement") are incorporated by reference in Part III of this Annual Report on Form 10-K.

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Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that are based on our management's belief and assumptions about the future in light of information currently available to our management. In some cases, you can identify forward-looking statements by words such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue," and similar words or phrases or the negative of these words or phrases. These statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable when made, we cannot guarantee future results, levels of activity, performance or achievements. There are a number of important factors that could cause our actual results to differ materially from those results anticipated by our forward-looking statements, which include, but are not limited to:

- developments in the U.S. government defense and non-defense budgets, including budget reductions, sequestration, implementation of spending limits or changes in budgetary priorities, delays in the U.S. government budget process or a government shutdown, or the U.S. government's failure to raise the debt ceiling, which increases the possibility of a default by the U.S. government on its debt obligations, related credit-rating downgrades, or an economic recession;
- uncertainties in tax due to new tax legislation or other regulatory developments;
- deterioration of economic conditions or weakening in credit or capital markets;
- uncertainty in the consequences of current and future geopolitical events;
- inflationary pressures and fluctuations in interest rates;
- delays in the U.S. government contract procurement process or the award of contracts and delays or loss of contracts as a result of competitor protests;
- changes in U.S. government procurement rules, regulations and practices, including its organizational conflict of interest rules;
- increased preference by the U.S. government for minority-owned, small and small disadvantaged businesses;
- fluctuations in foreign currency exchange rates;
- our compliance with various U.S. government and other government procurement rules and regulations;
- governmental reviews, audits and investigations of our company;
- our ability to effectively compete and win contracts with the U.S. government and other customers;
- our ability to respond rapidly to emerging technology trends, including the use of artificial intelligence;
- our reliance on information technology spending by hospitals/healthcare organizations;
- our reliance on infrastructure investments by industrial and natural resources organizations;
- energy efficiency and alternative energy sourcing investments;
- investments by U.S. government and commercial organizations in environmental impact and remediation projects;
- the effects of an epidemic, pandemic or similar outbreak may have on our business, financial position, results of operations and/or cash flows;
- our ability to attract, train and retain skilled employees, including our management team, and to obtain security clearances for our employees;
- our ability to accurately estimate costs, including cost increases due to inflation, associated with our firm-fixed-price ("FFP") contracts and other contracts;

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- resolution of legal and other disputes with our customers and others or legal or regulatory compliance issues;
- cybersecurity, data security or other security threats, system failures or other disruptions of our business;
- our compliance with international, federal, state and local laws and regulations regarding privacy, data security, protection, storage, retention, transfer, disposal and other processing, technology protection and personal information;
- the damage and disruption to our business resulting from natural disasters and the effects of climate change;
- our ability to effectively acquire businesses and make investments;
- our ability to maintain relationships with prime contractors, subcontractors and joint venture partners;
- our ability to manage performance and other risks related to customer contracts;
- the failure of our inspection or detection systems to detect threats;
- the adequacy of our insurance programs, customer indemnifications or other liability protections designed to protect us from significant product or other liability claims, including cybersecurity attacks;
- our ability to manage risks associated with our international business;
- our ability to comply with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act of 2010 and similar worldwide anti-corruption and anti-bribery laws and regulations;
- our ability to protect our intellectual property and other proprietary rights by third parties of infringement, misappropriation or other violations by us of their intellectual property rights;
- our ability to prevail in litigation brought by third parties of infringement, misappropriation or other violations by us of their intellectual property rights;
- our ability to declare or increase future dividends based on our earnings, financial condition, capital requirements and other factors, including compliance with applicable law and our agreements;
- our ability to grow our commercial health and infrastructure businesses, which could be negatively affected by budgetary constraints faced by hospitals and by developers of energy and infrastructure projects;
- our ability to successfully integrate acquired businesses; and
- our ability to execute our business plan and long-term management initiatives effectively and to overcome these and other known and unknown risks that we face.

We do not undertake any obligation to update or revise any of the forward-looking statements to reflect events, circumstances, changes in expectations, or the occurrence of unanticipated events after the date of those statements or to conform these statements to actual results.

Item 1. Business**Our Company**

Leidos Holdings, Inc. ("Leidos"), a Delaware corporation, is a holding company whose direct 100%-owned subsidiary and principal operating company is Leidos, Inc. Leidos was founded in 1969 by physicist Dr. Robert Beyster. Since our founding 55 years ago, we have applied our expertise in science, research and engineering in rapidly-evolving technologies and markets to solve complex problems of global concern.

We use the terms "we," "us" and "our" to refer collectively to Leidos Holdings, Inc. and its consolidated subsidiaries. Leidos, recognized as a member of the Fortune 500®, is a dynamic innovation company that is at the forefront of addressing the world's most challenging issues in national security and health sectors. With a global workforce of approximately 47,000, Leidos is committed to developing smarter technology solutions, particularly for customers in highly regulated industries. We bring domain-specific capabilities and innovations to customers in each of these markets by leveraging five technical core capabilities: digital modernization, cyber operations, mission software systems, integrated systems and mission operations. Applying our technically-advanced solutions to help solve our customers' most difficult problems has enabled us to build strong relationships with key customers. Our customers include the U.S. Department of Defense ("DoD"), the U.S. Intelligence Community, the U.S. Department of Homeland Security ("DHS"), the Federal Aviation Administration ("FAA"), the Department of Veterans Affairs ("VA"), National Aeronautics and Space Administration ("NASA") and many other U.S. civilian, state and local government agencies, foreign government agencies and commercial businesses. With a focus on delivering mission-critical solutions, Leidos generated 87% of revenues for the fiscal year ended December 29, 2023, ("fiscal 2023") from U.S. government contracts, either as a prime contractor or a subcontractor to other contractors engaged in work for the U.S. government.

By leveraging expertise in multiple disciplines, tailoring our services and solutions to the particular needs of our targeted markets and using advanced analytics, we work to securely deliver services and solutions that not only meet customers' current goals, but also support their future missions.

For additional discussion and analysis related to recent business developments, see "Business Environment and Trends" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of this Annual Report on Form 10-K.

Our Business Segments

At December 29, 2023, our business has been aligned into three reportable segments (Defense Solutions, Civil and Health). Additionally, we separately present the unallocable costs associated with corporate functions as Corporate. Our operations and reportable segments are organized around the customers and markets we serve. We provide a wide array of scientific, engineering and technical services and solutions across these reportable segments. Approximately 9% of our revenues are generated by entities located outside of the United States.

Defense Solutions

Defense Solutions has provided leading-edge and technologically advanced services, solutions and products to a broad customer base. Our ever-changing technologies and innovations cover a wide spectrum of markets with primary areas of concentration in digital modernization, mission systems and integration, Command, Control, Computers, Communications, Intelligence, Surveillance and Reconnaissance ("C4ISR") technologies and services, maritime solutions, transformative software, analytics, intelligence analysis, mission support and logistics services, weapons systems and space systems and solutions. We are dedicated to delivering cost-effective solutions backed by innovation-generating research and development to meet the evolving missions of our customers. We provide a diverse portfolio of national security solutions and systems for air, land, sea, space and cyberspace for the U.S. Intelligence Community, the DoD, the Space Development Agency, NASA, Defense Information Systems Agency ("DISA"), military services, government agencies of U.S. allies abroad and other federal and commercial customers in the national security industry. We are heavily engaged in the top defense Research Development Test and Evaluation priorities that are driven by critical evolving threat-driven needs. Our solutions deliver innovative technology, large-scale systems, command and control platforms, data analytics, logistics and cybersecurity solutions, as well as intelligence analysis and operations support to critical missions around the world. Defense Solutions represented 56% of total revenues for fiscal 2023, 57% of total revenues for the fiscal year ended December 30, 2022 ("fiscal 2022") and 58% of total revenues for the fiscal year ended December 31, 2021 ("fiscal 2021").

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- *Digital Modernization* – As an industry leader in cyber and enterprise IT, we provide extensive worldwide digital support for our nation's largest and most critical infrastructure. We design, develop, implement and maintain IT environments to provide stability and flexibility to mission needs. Our capabilities support offerings including cybersecurity, data analytics, and operations and logistics. Our cybersecurity solutions help detect and manage the most sophisticated cyber threats.
- *C4ISR Technologies and Services* – We offer a wide range of technologies and services in multiple domains that address the nation's most critical threats and deliver solutions to the U.S. Intelligence Community, DoD and military services. Our market concentration is on airborne and ground intelligence, surveillance and reconnaissance ("ISR"), maritime systems, electronic warfare systems, distributed sensor systems, autonomous systems, sensors, Command and Control ("C2"), Joint All-Domain Command and Control ("JADC2") and Multi-Domain Operations. We provide multi-spectral, airborne, ground, maritime and space-based ISR collection, algorithm development and processing systems, advanced sensor design, C2 solutions and training systems. We also provide laser and radio frequency-based communications systems for airborne, ground, naval and space platforms. We link our high-end solutions to other key services demanded by our customers. In the air, we support a fleet of government and Leidos-owned fixed wing, rotary wing and unmanned aircraft. We apply an open architecture approach to digitally connect the joint force across air, land, sea, cyber and space domains in support of the DoD's JADC2 imperative and support through innovative solutions, essential services and enriched data management tools facilitating critical decision making.
- *Maritime Solutions* – On and under the sea, we offer a wide range of capabilities. We continue to enhance our surface and subsurface autonomous and unmanned technologies to help make maritime operations safer and more efficient for government and industry by providing leading sensor systems, signal processing, communications hardware and software to support these vital missions. In space we provide sensor, algorithm development and integrated payload capabilities to identify and track threats and cue defensive systems. We have developed and delivered full integrated small satellite systems. We are a market leader in submarine collection technologies and anti-submarine warfare system installation and maintenance and are expanding our capabilities in these areas to meet market demand for this growing threat. We also provide prototyping and research and development support services to a wide variety of DoD customers from concept analysis to classified manufacturing. Our Gibbs & Cox subsidiary is one of the largest independent naval architecture and marine engineering firm by headcount in the United States. Our naval architecture services span the entire ship's lifetime, from early-stage concept designs through detailed design, shipyard construction support, full lifecycle and sustainment support, ship alterations, service life extensions, and disposal. Our Marine Engineering involves a wide range of activities, beginning with concept and feasibility design and continues through detailed design, construction support, life-cycle support and into ship-alt design for service-life extensions.
- *Transformative Software, Analytics* – We offer extensive software development capabilities for C2, intelligence and information systems and deliver mission and enterprise-level solutions to the U.S. and allied defense and intelligence organizations. This includes encryption key management, the use of artificial intelligence to automate and streamline processes and the development of software to manage some of the world's toughest data problems. We offer innovative data analytics capabilities, and we design, develop, integrate, deploy and support information-centric software and enterprise IT systems for complex, data-driven national security challenges for the intelligence community, homeland security and defense customers. Our capabilities are enhanced by our advanced software factories, providing the brainpower to deliver the optimum software solutions for our customer base. Across the U.S. Army we perform complex software development projects, develop training simulators for Army vehicles, maintain and conduct soldier training for field C2 equipment, and we are installing our cloud-based Army base access control system throughout the U.S.

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- *Intelligence Analysis, Mission Support and Logistics Services* – We deliver high-end services to the U.S. Intelligence Community, DoD and allied governments. Operating throughout the world we provide intelligence analysis, operational support, logistics operations, security, linguistics and training. In addition, we deliver tailored IT services and solutions to our customers across the globe. We offer product support and lifecycle sustainment services to our U.S. Army, Navy and Air Force customers, including planning and managing the cost and performance across the product's lifecycle. We offer reverse engineering, classified manufacturing and design, and threat exploitation services to a wide breadth of U.S. Intelligence Community customers.
- *Weapons Systems* – We offer tactical weapons components and systems for surface-launched missiles, cruise missiles, air-to-air, air-to-ground and anti-ship missiles and guided munitions and rockets across the DoD. We also deliver offensive boost-glide, launcher and air-breathing systems, thermal protection systems and hypersonic defense systems. We have capabilities in integrated force protection in both directed energy (such as high-energy lasers and microwave systems) and area defense (such as counter-unmanned aviation systems, radar systems, sensors and kinetic weapon launchers). In addition, we provide cyber-physical systems in the development of offensive and defensive cyber command and control, toolkits and exploits, as well as offensive cyber operations. We also support autonomous systems in the areas of unmanned aerial systems, surface ships, undersea vehicles and ground vehicles as well as autonomy software and hardware for autonomous vehicles and platforms. Our unique autonomy algorithms provide decision support for the heavily-burdened warfighter and support coordinated man-autonomous machine operations.
- *Space Systems and Solutions* – We provide integrated design, manufacturing, integration of human-rated and exploration spacecraft for NASA and commercial customers. We have the capability to design and manufacture space systems and key launch vehicle subsystems such as avionics/mission computing, guidance, navigation and control, boosters and structures. We provide expertise in the design, manufacturing, and integration of satellite propulsion, structures, and space-based EO/IR, multi/hyperspectral, EW/SIGINT and communications payloads.

Civil

Our Civil business has been focused on modernizing infrastructure, systems and security for government and commercial customers both domestically and internationally. By applying leading science, innovative technologies and business acumen, our talented employees help customers achieve their missions and take on the connected world with data-driven insights, improved efficiencies and technological advantages in the areas of digital modernization, energy infrastructure, integrated missions, transportation applications and security detection. Civil represented 24% of total revenues for both fiscal 2023 and 2022, and 23% of total revenues for fiscal 2021.

- *Transportation Solutions* – Leidos is a trusted systems developer, service provider and integrator serving Air Navigation Service Providers around the world, including the FAA. We provide air traffic control systems that help manage the world's most complex airspace. We deliver many of the FAA's key automation systems and services, including the En Route Automation Modernization ("ERAM"), Advanced Technologies and Oceanic Procedures ("ATOP"), Time Based Flow Management, Terminal Flight Data Manager, Enterprise-Information Display System, Geo-7 and Future Flight Services. Leidos received 10+ year extensions to the ERAM and ATOP contracts for continued delivery of the evolving National Airspace System needs. In addition, under the Mode S Beacon Replacement Systems contract, Leidos is supporting the replacement of the FAA's Mode S Beacon Systems, which are secondary surveillance radar capable of providing surveillance and specific aircraft information necessary to support Air Traffic Control automation in all traffic environments. We also provide key air traffic control systems around the world, including New Zealand and South Korea.

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- *Security Enterprise Solutions ("SES")* – Leidos is an industry leader of fully-integrated security detection solutions, making security screening and checkpoints safer for aviation, ports and borders, and critical infrastructure customers around the world. With more than 24,000 products deployed across over 120 countries, the SES business has the most widespread global footprint within the Civil Group portfolio. We are a leader in aviation screening equipment, computed tomography carry-on baggage scanners, people scanners and explosive trace detectors, facilitating secure and efficient passenger movement in airports worldwide. We also have cutting-edge screening technologies for checked baggage and cargo. Leidos is the leading supplier of mobile non-intrusive inspection systems to U.S. Customs and Border Protection ("CBP"). For CBP, and other global customers, we help to safeguard the flow of travel and trade through solutions that effectively detect and mitigate threats across all trade elements, including cargo, vehicles and people. Leidos is also transforming security detection beyond aviation and ports of entry to help government agencies and the private sector secure public venues and critical infrastructures.
- *Digital Transformation* – We deliver secure, user-centric IT solutions in cloud computing, mobility, application modernization, DevOps, data center and network modernization, asset management, help desk operations and digital workplace enablement. We help our customers achieve their missions and business goals by delivering purpose-built solutions, cybersecurity as a standard, efficient project delivery and end-user satisfaction. We accelerate enterprise transformation using customizable roadmaps and repeatable processes, enabling customers to effectively use their resources and advance their objectives. Using our cyber expertise, we continually enhance our techniques and processes to build systems that operate resiliently in the face of evolving cyber threats. Leidos is modernizing enterprise IT in classified and unclassified environments, including programs with the FAA, NASA, Department of Justice, IRS, U.S. MINT, Department of Commerce, FTC, and HUD.
- *Climate, Energy and Environment* – We are trusted by government agencies and commercial customers with substantial environmental and sustainability driven-missions. Our reputation across climate science, environmental management and operations, nuclear security, power grid engineering, energy efficiency, infrastructure management, mission support and IT modernization provides the applicable expertise needed to transform operations while modernizing aging infrastructure and maintaining environmental stewardship. We support the critical missions of the Department of Energy ("DoE"), National Nuclear Security Administration, National Science Foundation, utilities, energy investors and developers, energy efficiency administrators and commercial industrial customers. At the DoE Hanford site, we provide site-wide infrastructure management and operation, including oversight of land and logistics, public works, information technology, fleet transportation, environmental sustainability, and compliance, first responder services and future project planning. At the National Energy Technology Laboratory, we actively conduct and support fundamental and applied research efforts, including providing product and logistical support comprising strategic business development, technology transfer and agreements and education and outreach support for the effective and efficient execution of research programs. In addition, we help investor-owned utilities and industrial customers modernize power delivery systems for improved reliability, implement energy management strategies, support vehicle electrification, transform digital infrastructure and gain operational efficiencies to meet evolving energy needs and climate change goals.

Health

Our Health business has been focused on delivering effective and affordable solutions to federal and commercial customers that are responsible for the health and well-being of people worldwide, including service members and veterans. Our solutions enable customers to deliver on the health mission of providing high-quality, cost-effective care, and are accomplished through the integration of information technology, engineering, life sciences, health services, clinical insights and health policy. The capabilities we provide predominantly fall in four major areas of activity: health information management services, managed health services, digital modernization and life sciences research and development. Health represented 20% of total revenues for fiscal 2023, and 19% of total revenues for both fiscal 2022 and 2021.

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- *Health Information Management Services* – Leidos employs holistic-systems thinking in fielding applied technology solutions across the entire continuum of healthcare. In our work delivering a single, common electronic health record to both DoD and VA hospitals and treatment facilities worldwide, our responsibilities range from integrating software for the electronic healthcare record vendor and dental record vendors to integrating picture archiving and communications software and more. We support cybersecurity across all integrated systems. We also provide enterprise IT solutions to the VA, National Institutes of Health ("NIH"), DoD and other federal health customers to help operate mission critical infrastructure reliably and at a reasonable cost.
- *Managed Health Services* – We deploy a national footprint of health clinics and health providers to support care delivery services, including medical disability and behavioral health examinations for the VA, as well as serving other independent medical exam markets. We have developed unique capabilities in behavioral health management through many decades of experience with a special emphasis on substance abuse services and non-medical counseling. We believe that these capabilities can be expanded into other clinical adjacencies. Our managed health services activities leverage our IT and mission enablement capabilities, which underpin solutions we offer to our customers across all of our served markets.
- *Digital Modernization* – We manage the entire lifecycle of the IT journey for our customers. Our expertise includes IT strategic planning, outsourcing and management of large-scale data centers, agile software development and system transformation, cloud migration and application modernization, digitization and big data management and advanced analytics. Our customers include the Centers for Medicare & Medicaid Services, Food and Drug Administration, Social Security Administration, VA, Defense Health Agency ("DHA") and commercial customers. Leidos helps transform our customers' technology environments in support of their most critical missions, accomplished in a highly secure manner by leveraging our cybersecurity domain expertise and our Leidos rapid application development software platform.
- *Life Sciences Research & Development* – We provide life science research and development support to the NIH, Center for Disease Control, Army Medical Research community and commercial biotech companies. Most notably, on behalf of the U.S. government and the public trust, we operate the Frederick National Laboratory for Cancer Research, where we employ thousands of scientists, technicians, administrators and support staff. Our professionals operate a wide range of leading-edge research and development laboratories in the areas of genetics and genomics, proteins and proteomics, advanced biomedical computing and information technology, biopharmaceutical development and manufacturing, nanotechnology characterization and clinical trials management.

From the biomedical sciences to implementing and optimizing electronic health records and enabling providers to perform care coordination and population health management, Leidos is pioneering the use of the depth and breadth of systems integration principles, processes and technologies to transform the health industry's evolution towards better quality and more efficient and effective care.

Corporate

Corporate includes the operations of various corporate activities, certain expense items that are not reimbursed by our U.S. government customers and certain other expense items excluded from a reportable segment's performance.

Acquisitions and Divestitures

During fiscal 2022, we completed the acquisition of Cobham Aviation Services Australia's Special Mission business. During fiscal 2021, we completed the acquisitions of Gibbs & Cox, 1901 Group, LLC, and an immaterial strategic business acquisition. See "Note 5—Acquisitions and Divestitures" in Part II of this Annual Report on Form 10-K for further information.

During fiscal 2023, we completed an immaterial disposition of a business within our Defense Solutions segment. During fiscal 2022, we completed the disposition of Aviation & Missile Solutions LLC within our Defense Solutions segment. For further information, see "Note 5—Acquisitions and Divestitures" in Part II of this Annual Report on Form 10-K.

Key Customers

The majority of our revenues are generated in the United States. Our consolidated revenues are largely attributable to prime contracts or to subcontracts with other contractors engaged in work for the U.S. government, with the remaining attributable to international customers, including the U.K. Ministry of Defence and Australian Ministry of Defence, and customers across a variety of commercial markets. Within the U.S. government, our revenues are diversified across many agencies, including various intelligence agencies, the U.S. Army, Navy and Air Force, U.S Space Force, DHS, DISA, FAA, Transportation Security Administration, CBP, DHA, VA, Department of Health and Human Services, NASA, National Science Foundation, DoE, the Environmental Protection Agency and research agencies such as Defense Advanced Research Projects Agency.

These customers have a number of subsidiary agencies that have separate budgets and procurement functions. Our contracts may be with the highest level of these agencies or with the subsidiary agencies of these customers.

Human Capital**Employee and Workforce Demographics**

As of December 29, 2023, we employed approximately 47,000 full and part-time employees of whom approximately 41,800 are located in the United States and the remainder of which are located in 50 countries worldwide. Approximately 36% of our employees have degrees in science, technology, engineering or mathematics fields, approximately 23% of our employees have advanced degrees, 52% of our employees possess U.S. security clearances and approximately 19% of our employees are military veterans.

As of December 29, 2023, our workforce consisted of the following:

Gender of global employees⁽¹⁾

Male	65 %
Female	35 %

⁽¹⁾ Based on employees who self-identify.

Age of global employees

Less than 30 years	15 %
30-50 years	47 %
Greater than 50 years	38 %

Ethnicity of U.S. employees⁽¹⁾

White	61 %
Black	13 %
Asian/Indian	10 %
Hispanic/Latino	10 %
Other	3 %
Undisclosed	3 %

⁽¹⁾ Based on employees who self-identify.

Culture and Values

We have six core values that make us who we are as individuals and collectively as a company: integrity, inclusion, innovation, agility, collaboration and commitment. These values provide a roadmap for our behavior and help to guide our decisions in the workplace. They are a key component of our corporate culture and are integrated into all employees' annual performance assessments to reinforce expectations. Our practices are based on our commitment to do the right thing for our customers, our employees and our communities. Our values are demonstrated by our employees as they help our customers execute important missions on the front lines of the world's most complex markets.

Our policies, procedures, training and communications form a comprehensive program that promotes a culture of integrity as a foundation for employee conduct. For the sixth consecutive year, the Ethisphere Institute named Leidos one of the World's Most Ethical Companies in 2023.

Diversity, Equity and Inclusion ("DEI")

Our DEI strategy and approach focus on education and best practices that enable leader accountability and shift the organization from awareness to meaningful actions. Our priorities focus on improving enterprise and senior leader representation and enhancing an inclusive culture. Leaders, managers and employees of the Company are required to take DEI training annually to recognize challenges and mitigate barriers to inclusion in the workplace.

We continue to grow and expand our employee resource groups ("ERGs") and DEI learning resources to equip employees with the tools to develop cultural their competence across all dimensions of inclusion, enhance their personal networks, and develop leadership skills to actively shape and change workplace culture. The Enterprise Inclusion Council and group/functional level councils continue to champion DEI efforts across the enterprise and advise on the evolution of our DEI strategy. These councils are comprised of volunteers from across the business functions, ERG leaders, key stakeholders with oversight and guidance from executive leadership and a Board liaison.

Diversity in Talent Acquisition

Leidos is committed to promoting equity in our hiring practices, especially when we are seeking to fill senior level positions. Our recruiting strategy includes building a pipeline with diverse representation of candidates. Each year we attend and sponsor national conferences and local career fairs that target our key market segments and talent from historically underrepresented groups.

We leverage college campuses, military veteran resources as well as our ERGs to recruit and expand our outreach. Our college campus outreach engages talent from multiple university sources including the Leidos Strategic University Alliances, Historically Black Colleges and Universities, Hispanic and other minority-serving institutions. Our military veteran outreach program attracts, retains and supports current veterans, transitioning service members and military spouses.

Career Mobility, Development and Growth

We have a strong focus on our employees' career, flexibility and well-being. We call this Leidos Life. It is about embracing what makes Leidos great and advancing a culture that helps every employee achieve personal and professional success. Leidos Life is our commitment to make Leidos an even better place to work. Leidos empowers and challenges employees to continuously seek, share and apply new knowledge, skills and behaviors. We recognize the value of a high-performing workforce where every member of the team has an opportunity to feel motivated, valued and fulfilled, and have a purposeful and long career at Leidos. We provide resources, development, and experiential learning to enable employees to grow, including a talent marketplace where employees can fill temporary roles to develop skills or provide additional assistance. We provide leaders with the knowledge, skills and resources needed to coach employees and enable employees' career development.

We value and develop a highly-skilled future-ready workforce. We have a strong technical upskilling and reskilling program to develop and retain talent. We offer formal programs to help employees earn many industry-standard professional and technical certifications. Additionally, we offer tuition reimbursement and certification exam reimbursement to full-time employees at accredited universities.

Our Internal Mobility Program has a dedicated team that proactively focuses on the redeployment of our employees. We teach employees how to use the tools and resources available to them and help them gain visibility across the enterprise. We assist managers and recruiters in identifying internal candidates for their programs.

We conduct formal employee engagement surveys and pulse surveys to listen to employees and develop customized strategies to drive engagement, inclusion and retention across the organization.

We invest in our current and future leaders in several ways. We provide a variety of leadership development programs, targeted for each level of leader, and numerous resources for leader development. Annually, we host a two-day Leadership Summit for approximately 350 of our most senior leaders aligning business strategy and transformation initiatives, alongside emphasizing the core values of our organization.

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Through our ongoing talent planning processes, we identify and develop high-potential employees for future roles. We create succession plans for all executive-level positions as well as for other roles throughout the organization considered vital to our success. In addition, we establish development and engagement plans for top talent that may include formal training, mentoring, coaching, sponsorship and experiential learning opportunities.

Health and Workplace Safety

Our primary focus is on the health and safety of our employees, with the physical and mental well-being of our employees being top priority as one of the three pillars of Leidos Life. To support the physical and mental well-being of our employees, we provide many well-being and mental health benefits to all employees, including access to our Employee Assistance Program, Headspace, Virgin Pulse and meQuilibrium resources. These partners provide a multitude of free resources to assist employees with their mental, financial, and physical health.

We believe we are a leader in the field of occupational health and safety ("OH&S"), and we place a strong emphasis on these activities, both internally and on behalf of our customers. Internally, we emphasize direct management responsibility, corporate policies and procedures, OH&S program implementation, employee training and compliance assessments. Our corporate policies and procedures support compliance with OH&S regulations at work locations. We have a proactive compliance program of employee education, training, auditing and reporting that, through employee awareness and integration into our business operations, supports our commitment to a safe and healthy work environment.

Environmental Matters

Our operations are subject to various foreign, federal, state and local environmental protection and health and safety laws and regulations. In addition, our operations may become subject to future laws and regulations, including those related to climate change and environmental sustainability. See "Risk Factors" in this Annual Report on Form 10-K for further details. Although we do not currently anticipate that the costs of complying with, or the liabilities associated with, environmental laws will materially and adversely affect us, we cannot ensure that we will not incur material costs or liabilities in the future.

Research and Development

We conduct research and development activities under customer-funded contracts and with company-funded research and development funds. Company-funded research and development includes independent research and development ("IR&D") and commercial and international research and development. Company-funded research and development expenses are included in selling, general and administrative expenses. Our company-funded research and development expense was \$128 million, \$116 million and \$109 million for fiscal 2023, 2022 and 2021, respectively, which as a percentage of consolidated revenues was 0.8% for fiscal 2023, 2022 and 2021. We charge expenses for research and development activities performed under customer contracts directly to cost of revenues for those contracts.

Intellectual Property Rights

Our technical services and products are not generally dependent upon patent protection, although we do selectively seek patent protection. We claim a proprietary interest in certain of our products, software programs, methodologies and know-how. This proprietary information is protected in confidence as trade secrets, using non-disclosure and other definitive agreements. We selectively pursue opportunities to license or transfer our technologies to third parties.

In connection with the performance of services and solutions, the U.S. government has certain rights to inventions, data, software codes and related material that we develop under U.S. government-funded contracts and subcontracts. Generally, the U.S. government may disclose or license such information to third parties, including, in some instances, our competitors. In the case of some subcontracts that we perform, the prime contractor generally obtains rights to use the programs and products that we deliver under the subcontract to perform its prime contract obligations.

Competition

Competition for contracts is significant, and we often compete against a large number of well-established corporations that may have greater name and brand recognition. We also compete against smaller, more specialized companies that concentrate their resources on particular areas, the U.S. government's own capabilities and federal non-profit contract research centers. As a result of the diverse requirements of the U.S. government and our commercial customers, we frequently collaborate with other companies to compete for large contracts and bid against these same companies in other situations.

Our principal competitors currently include the following companies: Accenture Federal Systems, Amentum Services Inc., BAE Systems, Booz Allen Hamilton Inc., CACI International Inc., General Dynamics Corporation, IBM, Jacobs Engineering Group Inc., KBR Inc., L3Harris, Lockheed Martin Corporation, ManTech, Northrop Grumman Corporation, Peraton, Raytheon Technologies Corporation and SAIC. These companies span across sectors that include engineering and technical services divisions of large defense contractors, diversified U.S. and international IT providers and contractors focused solely on technical services, supply chain management, other logistics services and major systems operations and maintenance, homeland security and health solutions.

We compete on various factors, including our technical expertise and qualified professional and/or security-cleared personnel, our ability to deliver innovative cost-effective solutions in a timely manner, successful program execution, our reputation and standing with customers, pricing, the size and geographic presence of our company and past performance credentials.

Contract Procurement

Our business is heavily regulated, and we must comply with and are affected by laws and regulations relating to the formation, administration and performance of U.S. government and other contracts. The U.S. government procurement environment has evolved due to statutory and regulatory procurement reform initiatives. Today, U.S. government customers employ several contracting methods to purchase services and products. Budgetary pressures and reforms in the procurement process have caused many U.S. government customers to increasingly purchase services and products using contracting methods that give them the ability to select multiple contract winners or pre-qualify certain contractors to provide services or products on established general terms and conditions rather than through single-award contracts. The predominant contracting methods through which U.S. government agencies procure services and products include the following:

- *Definitive Award Contracts.* U.S. government agencies may procure services and products through single definitive award contracts which specify the scope of services or products purchased and identify the contractor that will provide the specified services or products. When an agency has a requirement, the agency will issue a solicitation or request for proposal to which interested contractors can submit a proposal. The bidding and selection process can take a year or more to complete. For the contractor, this method of contracting may provide greater certainty of the timing and amounts to be received at the time of contract award because it generally results in the customer contracting for a specific scope of services or products from the single definitive successful awardee.
- *Indefinite Delivery/Indefinite Quantity ("IDIQ") Contracts.* The U.S. government uses IDIQ contracts to obtain commitments from contractors to provide certain services or products on pre-established terms and conditions. The U.S. government then issues task orders under the IDIQ contracts to purchase the specific services or products it needs. IDIQ contracts are awarded to one or more contractors following a competitive procurement process. Under a single-award IDIQ contract, all task orders under that contract are awarded to one pre-established contractor. Under a multiple-award IDIQ contract, task orders can be awarded to any of the pre-established contractors, which can result in further limited competition for the award of task orders. Multiple-award IDIQ contracts that are open for any government agency to use for procurement are commonly referred to as "government-wide acquisition contracts." IDIQ contracts often have multi-year terms and unfunded ceiling amounts, therefore enabling, but not committing, the U.S. government to purchase substantial amounts of services or products from one or more contractors. At the time an IDIQ contract is awarded (prior to the award of any task orders), a contractor may have limited or no visibility as to the ultimate amount of services or products that the U.S. government will purchase under the contract, and in the case of a multiple-award IDIQ, the contractor from which such purchases may be made.

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- *U.S. General Services Administration ("GSA") Schedule Contracts.* The GSA maintains listings of approved suppliers of services and products with agreed-upon prices for use throughout the U.S. government. In order for a company to provide services under a GSA Schedule contract, a company must be pre-qualified and awarded a contract by the GSA. When an agency uses a GSA Schedule contract to meet its requirements, the agency, or the GSA on behalf of the agency, conducts the procurement. The user agency, or the GSA on its behalf, evaluates the user agency's requirements and initiates a competition limited to GSA Schedule qualified contractors. GSA Schedule contracts are designed to provide the user agency with reduced procurement time and lower procurement costs. Similar to IDIQ contracts, at the time a GSA Schedule contract is awarded, a contractor may have limited or no visibility as to the ultimate amount of services or products that the U.S. government will purchase under the contract.
- *Other Transaction Authority ("OTA") agreements.* Under certain circumstances, U.S. government agencies can enter into OTA agreements instead of traditional contracts. These agreements are used for two primary purposes: (1) to carry out basic, applied or advanced research projects that typically relate to technology stimulation or research, and (2) to carry out prototype projects that are directly relevant to enhancing the mission effectiveness of military personnel and the supporting platforms, systems, components or materials proposed to be acquired or developed by the DoD, or to improve platforms, systems, components or materials in use by DoD components and agencies. OTA agreements are generally exempt from federal procurement regulations. These exemptions grant the U.S. government the flexibility to include, amend or exclude contract clauses and requirements that are mandatory in traditional procurements. OTA agreements also grant more flexibility to structure agreements in numerous ways, including joint ventures, partnerships or multiple agencies joining together to fund an agreement encompassing multiple providers.

We often partner with other companies, including our competitors, to submit bids for large U.S. government procurements or other opportunities where we believe that the combination of services and products that we can provide as a team will help us win and perform the contract. Our relationships with our partners, including whether we serve as the prime contractor or as a subcontractor, vary with each contract opportunity and typically depend on the program, contract or customer requirements, as well as the relative size, qualifications, capabilities, customer relationships and experience of our company and our partners.

Contracting with the U.S. government also subjects us to substantial regulation and unique risks, including the U.S. government's ability to cancel any contract at any time through a termination for the convenience of the U.S. government. Most of our contracts have cancellation terms that would permit us to recover all or a portion of our incurred costs and fees for work performed where the U.S. government issues a termination for convenience. These regulations and risks are described in more detail below under "Business-Regulation" and "Risk Factors" in this Annual Report on Form 10-K.

Contract Types

Generally, the type of contract for our services and products is determined by or negotiated with the U.S. government and may depend on certain factors, including the type and complexity of the work to be performed, degree and timing of the responsibility to be assumed by the contractor for the costs of performance, the extent of price competition and the amount and nature of the profit incentive offered to the contractor for achieving or exceeding specified standards or goals. We generate revenues under several types of contracts, including the following:

- *Cost-reimbursement contracts include cost-plus-fixed-fee, award-fee and incentive-fee contracts.* These contracts provide for reimbursement of our direct contract costs and allocable indirect costs, plus a fee. These contracts are typically used when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use a fixed-price contract. Cost-reimbursement contracts generally subject us to lower risk but require us to use our best efforts to accomplish the scope of the work within a specified time and budget. Award and incentive fees are generally based on performance criteria such as cost, schedule, quality and/or technical performance. Award fees are determined and earned based on customer evaluation of the company's performance against contractual criteria. Incentive fees that are based on cost provide for an initially negotiated fee to be adjusted later, typically using a formula to measure performance against the associated criteria, based on the relationship of total allowable costs to total target costs.

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- Fixed-price-incentive-fee ("FP-IF") contracts are substantially similar to cost-plus-incentive-fee contracts except they require specified targets for cost and profit, price ceiling (but not a profit ceiling or floor) and profit adjustment formula. Under an FP-IF contract, the allowable costs incurred are eligible for reimbursement but are subject to a cost-share arrangement, which affects profitability. Generally, if our costs exceed the contract target cost or are not allowable under the applicable regulations, we may not be able to obtain reimbursement for all costs and may have our fees reduced or eliminated.
- Time-and-materials ("T&M") contracts typically provide for negotiated fixed hourly rates for specified categories of direct labor plus reimbursement of other direct costs. This type of contract is generally used when there is uncertainty about the extent or duration of the work to be performed by the contractor at the time of contract award or it is not possible to anticipate costs with any reasonable degree of confidence. On T&M contracts, we assume the risk of providing appropriately qualified staff to perform these contracts at the hourly rates set forth in the contracts over the period of performance of the contracts.
- Fixed-price-level-of-effort ("FP-LOE") contracts are substantially similar to T&M contracts except they require a specified level of effort over a stated period of time on work that can be stated only in general terms. This type of contract is generally used when the contractor is required to perform an investigation or study in a specific research and development area and to provide a report showing the results achieved based on the level of effort. Payment is based on the effort expended rather than the results achieved.
- Firm-Fixed-Price ("FFP") contracts provide for a fixed price for specified products, systems and/or services. This type of contract is typically used when the customer acquires products and services on the basis of reasonably definitive specifications that have a determinable fair and reasonable price. These contracts offer us potential increased profits if we can complete the work at lower costs than planned, but FFP contracts increase our exposure to the risk of cost overruns.

Our earnings and profitability may vary materially depending on changes in the proportionate amount of revenues derived from each type of contract and the nature of services or products provided, as well as the achievement of performance objectives and the stage of performance at which the right to receive fees, particularly under incentive-fee and award-fee contracts, is finally determined. Cost-reimbursement and T&M contracts generally have lower profitability than FFP contracts.

Seasonality

The U.S. government's fiscal year ends on September 30 of each year. While not certain, it is not uncommon for U.S. government agencies to award extra tasks or complete other contract actions in the timeframe leading up to the end of its fiscal year in order to avoid the loss of unexpended fiscal year funds, which may favorably impact our third fiscal quarter. In addition, our quarterly results may be impacted by the number of working days in a given quarter. We tend to generate less revenue from our labor services during the fourth quarter as a result of the holiday season.

Regulation

We are heavily regulated in most of the fields in which we operate. We provide services and products to numerous U.S. government agencies and entities, including to the DoD, the U.S. Intelligence Community and the DHS. When working with these and other U.S. government agencies and entities, we must comply with various laws and regulations relating to the formation, administration and performance of contracts. Some significant laws and regulations that affect us include:

- the Federal Acquisition Regulation ("FAR") and supplements, including the DoD Federal Acquisition Regulation Supplement ("DFARS"), which regulate the formation, administration and performance of U.S. government contracts;
- the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with certain contract negotiations;
- the Procurement Integrity Act, which regulates access to competitor bid and proposal information and government source selection information and our ability to provide compensation to certain former government officials;

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- the Civil False Claims Act, which provides for substantial civil penalties for violations, including for submission of a false or fraudulent claim to the U.S. government for payment or approval;
- the False Statements Act, which imposes civil and criminal liability for making false statements to the U.S. government; and
- the U.S. government Cost Accounting Standards ("CAS"), which imposes accounting requirements that govern our right to reimbursement under certain cost-based U.S. government contracts.

These regulations impose a broad range of requirements, many of which are unique to government contracting, including various procurement, import and export, security, contract pricing and cost, contract termination and adjustment and audit requirements. Among other things, these laws and regulations:

- require certification and disclosure of all cost and pricing data in connection with certain contract negotiations;
- define allowable and unallowable costs and otherwise govern our right to reimbursement under various cost-type U.S. government contracts;
- require compliance with U.S. government CAS;
- require reviews by the Defense Contract Audit Agency ("DCAA"), Defense Contract Management Agency ("DCMA") and other U.S. government agencies of compliance with government requirements for a contractor's business systems;
- restrict the use and dissemination of and require the protection of unclassified contract-related information and information classified for national security purposes and the export of certain products and technical data; and
- require us not to compete for work if an actual or potential organizational conflict of interest, as defined by these laws and regulations, related to such work exists and/or cannot be appropriately mitigated, neutralized or avoided.

The U.S. government may revise its procurement practices or adopt new contract rules and regulations at any time. In order to help ensure compliance with these complex laws and regulations, all of our employees are required to complete ethics and other compliance trainings relevant to their position.

Data Privacy and Security Laws

Some of our operations and service offerings involve access to and use by us of personal information and/or protected health information. These activities are regulated by extensive federal, state and international data privacy and security laws requiring organizations to, among other things, provide certain privacy protections and security safeguards for such information. For example, among others:

- the European Union's ("EU's") General Data Protection Regulation ("GDPR"), which imposes compliance obligations for companies that process personal data of EU data subjects, necessitating investment into ongoing data protection activities and documentation requirements, and creates the potential for significant fines for noncompliance;
- the United Kingdom's ("UK's") General Data Protection Regulation, ("U.K. GDPR"), which creates similar compliance obligations for companies that process personal data of UK data subjects as are imposed by the GDPR;
- the California Consumer Privacy Act, as amended by the California Privacy Rights Act (collectively, "CCPA"), which broadly defines personal information and provides expanded consumer privacy rights to natural persons residing in California, such as affording them the right to access and request deletion of their information and to opt out of certain sharing and sales of personal information; and
- the Health Insurance Portability and Accountability Act, as amended by the Health Information Technology for Economic and Clinical Health Act, which establishes privacy and security compliance obligations with respect to the processing of protected health information by covered entities and business associates, necessitating investment in technical and organizational compliance measures and creates the potential for substantial fines for noncompliance.

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These regulations and related risks are described in more detail below under "Risk Factors" in this Annual Report on Form 10-K.

Company Website and Information

Our corporate headquarters is located at 1750 Presidents Street, Reston, VA 20190 and our telephone number is (571) 526-6000. Our website can be accessed at www.leidos.com. The website contains information about our company and operations. Through a link on the Investor Relations section of our website, copies of each of our filings with the U.S. Securities and Exchange Commission ("SEC") on Form 10-K, Form 10-Q and Form 8-K, and all amendments to those reports, can be viewed and downloaded free of charge as soon as reasonably practicable after the reports and amendments are electronically filed with or furnished to the SEC. The SEC also maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including Leidos. The information on our website is not incorporated by reference into and is not a part of this Annual Report on Form 10-K.

Item 1A. Risk Factors

In your evaluation of our company and business, you should carefully consider the risks and uncertainties described below, together with information disclosed elsewhere in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of this Annual Report, and other documents we file with the SEC. The risks and uncertainties described below are those that we have identified as material but are not the only risks and uncertainties facing us. If any of these risks or uncertainties actually occurs, our business, financial condition or operating results could be materially harmed, and our stock price could decline. Our business is also subject to general risks and uncertainties that affect many other companies, such as our ability to collect receivables, overall U.S. and global economic and industry conditions, geopolitical events, changes in laws or accounting rules, fluctuations in interest, exchange rates and inflation, terrorism, international conflicts, major health concerns, climate change or other disruptions of expected economic and business conditions. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may materially harm our business, financial condition or operating results. In that event, the trading price of our stock could decline, and you could lose part or all of your investment.

Summary of Risk Factors

This risk factor summary contains a high-level summary of risks associated with our business. It does not contain all of the information that may be important to you, and you should read this risk factor summary together with the more detailed discussion of risks and uncertainties set forth following this summary. A summary of our risks includes, but is not limited to, the following:

- We depend on government agencies as our primary customers and if our reputation or relationships with these agencies were harmed, our future revenues and growth prospects could be adversely affected.
- A decline in the U.S. government budget, changes in spending or budgetary priorities or delays in contract awards may significantly and adversely affect our future revenues and limit our growth prospects.
- Because we depend on U.S. government contracts, a delay in the completion of the U.S. government's budget and appropriations process could delay procurement of the products, services and solutions we provide and adversely affect our future revenues.
- Due to the competitive process to obtain contracts and the likelihood of bid protests, we may be unable to achieve or sustain revenue growth and profitability.
- The U.S. government may terminate, cancel, modify, renew on less favorable terms or curtail our contracts at any time prior to their completion and, if we do not replace them, this may adversely affect our future revenues and profitability.
- We face intense competition that can impact our ability to obtain contracts and therefore affect our future revenues and growth prospects.
- Deterioration of economic conditions or weakening in credit or capital markets may have a material adverse effect on our business, results of operations and financial condition.
- We cannot predict the consequences of current or future geopolitical events, but they may adversely affect the markets in which we operate and our results of operations.
- Global supply chain issues and inflationary pressures have disrupted supply and increased the prices of goods and services, which could raise the costs associated with providing our services, diminish our ability to compete for new contracts or task orders and reduce customer buying power.
- Our failure to comply with various complex procurement rules and regulations could result in our being liable for penalties, including termination of our U.S. government contracts, disqualification from bidding on future U.S. government contracts and suspension or debarment from U.S. government contracting.
- The U.S. government may adopt new contract rules and regulations or revise its procurement practices in a manner adverse to us at any time.

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- Efforts by the U.S. government to revise its organizational conflict of interest rules could limit our ability to successfully compete for new contracts or task orders, which would adversely affect our results of operations.
- As a U.S. government contractor, our partners and we are subject to reviews, audits and cost adjustments by the U.S. government, which could adversely affect our profitability, cash position or growth prospects if resolved unfavorably to us.
- Our business is subject to governmental review and investigation, which could adversely affect our financial position, operating results and growth prospects.
- Investigations, audits, claims, disputes, enforcement actions, litigation, arbitration or other legal proceedings could require us to pay potentially large damage awards or penalties and could be costly to defend, which would adversely affect our cash balances and profitability, and could damage our reputation.
- Our business and operations expose us to numerous legal and regulatory requirements, and any violation of these requirements could harm our business.
- Our business is subject to complex and evolving laws and regulations regarding data privacy and security which could subject us to investigations, claims or monetary penalties against us, require us to change our business practices or otherwise adversely affect our revenues and profitability.
- We utilize artificial intelligence, which could expose us to liability or adversely affect our business, especially if we are unable to compete effectively with others in adopting artificial intelligence.
- Misconduct of employees, subcontractors, agents, suppliers, business partners or joint ventures and others working on our behalf could cause us to lose existing contracts or customers and adversely affect our ability to obtain new contracts and customers and could have a material adverse impact on our business, reputation and future results.
- A failure to attract, train, retain and motivate skilled employees, including our management team, would adversely affect our ability to execute our strategy and may disrupt our operations.
- We may not realize the full amounts reflected in our backlog as revenues, which could adversely affect our expected future revenues and growth prospects.
- Our earnings and profitability may vary based on the mix of our contracts and may be adversely affected by our failure to estimate and manage costs, time and resources accurately.
- We use estimates in recognizing revenues, and if we make changes to estimates used in recognizing revenues, our profitability may be adversely affected.
- Cybersecurity breaches and other information security incidents could negatively impact our business and financial results, impair our ability to effectively provide our services to our customers and cause harm to our reputation or competitive position.
- Internal system or service failures, or failures in the systems or services of third parties on which we rely, could disrupt our business and impair our ability to effectively provide our services and products to our customers, which could damage our reputation and adversely affect our revenues and profitability.
- Customer systems failures could damage our reputation and adversely affect our revenues and profitability.
- Our success depends, in part, on our ability to work with complex and rapidly changing technologies to meet the needs of our customers.
- We have classified contracts with the U.S. government, which may limit investor insight into portions of our business.

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- We have made and continue to make acquisitions, investments, joint ventures and divestitures that involve numerous risks and uncertainties.
- Goodwill and other intangible assets represent significant assets on our balance sheet and any impairment of these assets could negatively impact our results of operations, and shareholders' equity.
- We depend on our teaming arrangements and relationships with other contractors and subcontractors. If we are not able to maintain these relationships, or if these parties fail to satisfy their obligations to us or the customer, our revenues, profitability and growth prospects could be adversely affected.
- We could incur significant liabilities and suffer negative publicity if our inspection or detection systems fail to detect bombs, explosives, weapons, contraband or other threats.
- We face risks associated with our international business.
- Changes in tax laws and regulations or exposure to additional tax liabilities could adversely affect our financial results.

Industry and Economic Risks

We depend on government agencies as our primary customers and if our reputation or relationships with these agencies were harmed, our future revenues and growth prospects could be adversely affected.

Our total revenues from contracts with the U.S. government (including all branches of the U.S. military), either as a prime contractor or a subcontractor to other contractors engaged in work for the U.S. government generated approximately 87% in fiscal 2023, 86% in fiscal 2022, and 87% in fiscal 2021. We expect to continue to derive most of our revenues from work performed under U.S. government contracts. Our reputation and relationships with the U.S. government, particularly with the agencies of the DoD and the U.S. Intelligence Community, are key factors in maintaining and growing our revenues, and enable us to provide informal input and advice to government entities and agencies prior to the development of a formal bid. In addition, negative publicity, including reports from the press or social media coverage, regardless of accuracy or completeness, and which could pertain to employee or subcontractor misconduct, conflicts of interest, poor contract performance, deficiencies in services, reports, products or other deliverables, security breaches or other security incidents or other aspects of our business, could harm our reputation with these agencies and with certain non-U.S. customers. Due to the sensitive nature of our work and our confidentiality obligations to our customers, and despite our ongoing efforts to provide transparency, we may be unable to or limited in our ability to respond to such negative publicity, which could also harm our reputation and our business. If our reputation is negatively affected or if we are unable to successfully maintain our relationships with government entities and agencies, certain customers could cease to do business with us and our ability to bid successfully for new business may be adversely affected, which could cause our actual results to differ materially and adversely from those anticipated. In addition, our ability to hire or retain employees and our standing in professional communities, to which we contribute and receive expert knowledge, could be diminished. If any of the foregoing occurs, the amount of business with the U.S. government and other customers could decrease, and our business, future revenues, financial condition, and growth prospects could be adversely affected.

A decline in the U.S. government budget, changes in spending or budgetary priorities or delays in contract awards may significantly and adversely affect our future revenues and limit our growth prospects.

Revenues under contracts with the DoD and U.S. Intelligence Community, either as a prime contractor or subcontractor to other contractors, represented approximately 49% of our total revenues for fiscal 2023, and 44% of our total revenues for both fiscal 2022 and 2021. U.S. government and DoD spending levels are difficult to predict and subject to significant risk. Laws and plans adopted by the U.S. government relating to, along with pressures on and uncertainty surrounding the U.S. federal budget, potential changes in budgetary priorities and defense spending levels, the appropriations process and the permissible federal debt limit, could adversely affect the funding for individual programs and delay purchasing or payment decisions by our customers. Considerable uncertainty exists regarding how future budget and program decisions will unfold, including the defense spending priorities of the U.S. Presidential Administration and Congress and what challenges potential budget reductions will present for us and our industry generally.

Current U.S. government spending levels for defense-related or other programs may not be sustained. Future spending and program authorizations may not increase or may decrease or shift to programs in areas where we do not provide services or are less likely to be awarded contracts. Such changes in spending authorizations and budgetary priorities may occur as a result of uncertainty surrounding the federal budget and the federal government's ability to meet its debt obligations, changes in the priorities of the U.S. Presidential Administration as a result of the upcoming election cycle, increasing political pressure and legislation, shifts in spending priorities from defense-related or other programs as a result of competing demands for federal funds, the number and intensity of military conflicts or other factors. For example, the conflicts between Russia and Ukraine and Israel and Hamas have resulted in increased security assistance to each of Ukraine and Israel to help preserve their territorial integrity, secure their borders, and with respect to the Russia/Ukraine conflict, improve interoperability with NATO. Changes in defense budgetary priorities as a result of such conflict could have an adverse impact on our results. In addition, if government funding relating to our contracts with the U.S. government or DoD becomes unavailable, or is reduced or delayed, or planned orders are reduced, our contract or subcontract under such programs may be terminated or adjusted by the U.S. government or the prime contractor. Our operating results could also be adversely affected by spending caps or changes in the U.S. government or the DoD's budgetary priorities, as well as delays in program starts or the award of contracts or task orders under contracts.

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The U.S. government also conducts periodic reviews of U.S. defense strategies and priorities, which may shift DoD or other budgetary priorities, reduce overall U.S. government spending, or delay contract or task order awards for defense-related or other programs from which we would otherwise expect to derive a significant portion of our future revenues. In addition, changes to the federal or DoD acquisition system and contracting models could affect whether and how we pursue certain opportunities and the terms under which we are able to do so. A significant decline in overall U.S. government spending, including in the areas of national security, intelligence, and homeland security, a significant shift in its spending priorities, the substantial reduction or elimination of particular defense-related programs or significant delays in contract or task order awards for large programs could adversely affect our future revenues and results of operations and limit our growth prospects. In addition, our ability to grow in advanced technology areas, such as hypersonics programs, space exploration, and classified programs, will also be affected by the overall budget environment, whether development programs transition to production and the timing of such transition, all of which are dependent on U.S. Government authorization and funding.

Because we depend on U.S. government contracts, a delay in the completion of the U.S. government's budget and appropriations process could delay procurement of the products, services, and solutions we provide and adversely affect our future revenues.

The funding of U.S. government programs is subject to an annual congressional budget authorization and appropriations process. In years when the U.S. government does not complete its appropriations before the beginning of the new fiscal year on October 1, government operations are typically funded pursuant to a "continuing resolution," which allows federal government agencies to operate at spending levels approved in the previous appropriations cycle but does not authorize new spending initiatives. When the U.S. government operates under a continuing resolution, delays can occur in the procurement of the products, services and solutions that we provide and may result in new initiatives being canceled. From time to time, we have experienced a decline in revenues in our fourth quarter as a result of this annual appropriations cycle, and we could experience similar declines in revenues from future delays in the appropriations process. When the U.S. government fails to complete its appropriations process or provide for a continuing resolution, a full or partial federal government shutdown may result. A federal government shutdown could, in turn, result in our incurrence of substantial labor or other costs without reimbursement under customer contracts, the delay or cancellation of key programs, or the delay, or cancellation of contract payments, which could have a negative effect on our cash flows and adversely affect our future results of operations. Congress appropriates funds on an annual fiscal year basis for many programs, even though the program performance period may extend over several years. Consequently, programs are often partially funded initially, and additional funds are committed only as Congress makes further appropriations. If we incur costs in excess of funds obligated on a contract, we may be at risk for reimbursement of those costs unless or until additional funds are obligated to the contract. In addition, if and when supplemental appropriations are required to operate the U.S. government or fund specific programs and passage of legislation needed to approve any supplemental appropriations bill is delayed, the overall funding environment for our business could be adversely affected.

Due to the competitive process to obtain contracts and the likelihood of bid protests, we may be unable to achieve or sustain revenue growth and profitability.

We expect that a majority of the business that we seek in the foreseeable future will be awarded through a competitive bidding process. The U.S. government has increasingly relied on contracts that are subject to a continuing competitive bidding process, including GSA Schedule and other multi-award contracts, which has resulted in greater competition and increased pricing pressure. The competitive bidding process involves substantial costs, including significant cost and managerial time to prepare bids and proposals for contracts that may not be awarded to us, may be split among competitors, or that may be awarded but for which we do not receive meaningful task orders, and several risks, including the risk of inaccurately estimating the resources and costs that will be required to fulfill any contract we win. Following contract award, we may encounter significant expense, delay, contract modifications, or even contract loss as a result of our competitors protesting the award of contracts to us in competitive bidding. Any resulting loss or delay of start-up and funding of work under protested contract awards may adversely affect our revenues and profitability. In addition, multi-award contracts require that we make sustained post-award efforts to obtain task orders under the contract. As a result, we may not be able to obtain these task orders or recognize revenues under these multi-award contracts. We are also experiencing increased competition, which impacts our ability to obtain contracts; see the risk factor "We face intense competition that can impact our ability to obtain contracts and, therefore, affect our future revenues and growth prospects." Our failure to compete effectively in this procurement environment would adversely affect our revenues and profitability.

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The U.S. government may terminate, cancel, modify, renew on less favorable terms or curtail our contracts at any time prior to their completion, and if we do not replace them, this may adversely affect our future revenues and profitability.

Many of the U.S. government programs in which we participate as a contractor or subcontractor extend for several years and include one or more base years and one or more option years. These programs are typically funded on an annual basis. Under our contracts, the U.S. government generally has the right not to exercise options to extend or expand our contracts and may otherwise terminate, cancel, modify or curtail our contracts at its convenience. Any decisions by the U.S. government to not exercise contract options or to terminate, cancel, modify, renew on less favorable terms or curtail our major programs or contracts would adversely affect our revenues, revenue growth and profitability.

In addition, we have experienced and continue to experience performance issues under certain of our contracts. Some of our contracts involve developing complex systems and products to achieve challenging customer goals in a competitive procurement environment. As a result, we sometimes experience technological or other performance difficulties, which have in the past and may in the future result in delays, cost overruns and failures in our performance of these contracts. If a government customer terminates a contract for default, we may be exposed to liability, including for excess costs incurred by the customer in procuring undelivered services and products from another source. Depending on the nature and value of the contract, a performance issue or termination for default could cause our actual results to differ from those anticipated and could harm our reputation.

We face intense competition that can impact our ability to obtain contracts and, therefore, affect our future revenues and growth prospects.

Our business is highly competitive, and we compete with larger companies with greater name recognition, financial resources, and a larger technical staff. We also compete with smaller, more specialized companies that can concentrate their resources on particular areas. Additionally, we compete with the U.S. government's own capabilities and federal non-profit contract research centers. For example, some customers, including the DoD, are turning to commercial contractors, rather than traditional defense contractors, for some products and services, and may utilize small business contractors or determine to source work internally rather than hiring a contractor. The markets in which we operate are characterized by rapidly changing customer needs and technology and our success depends on our ability to invest in and develop services and products that address such needs. To remain competitive, we must consistently provide superior service, technology, and performance to our customers on a cost-effective basis while understanding customer priorities and maintaining customer relationships. Our competitors may be able to provide our customers with different or greater capabilities or technologies or better contract terms than we can provide, including technical qualifications, past contract experience, geographic presence, price and the availability of qualified professional personnel, or be willing to accept more risk or lower profitability in competing for contracts.

Some of our competitors have made or could make acquisitions of businesses or establish teaming or other agreements among themselves or third parties, which could allow them to offer more competitive and comprehensive solutions. As a result of such acquisitions or arrangements, our current or potential competitors may be able to accelerate the adoption of new technologies that better address customer needs, devote more significant resources to bring these products and services to market, initiate or withstand substantial price competition, develop and expand their product and service offerings more quickly than we do or limit our access to certain suppliers. These competitive pressures in our market or our failure to compete effectively may result in fewer orders, reduced revenue and margins, and loss of market share. Further industry consolidation may also impact customers' perceptions of the viability of smaller or even mid-size software firms and, consequently, customers' willingness to purchase from such firms.

Deterioration of economic conditions or weakening in credit or capital markets may have a material adverse effect on our business, results of operations and financial condition.

Volatile, negative, or uncertain economic conditions, an increase in the likelihood of a recession, or concerns about these or other similar risks may negatively impact our customers' ability and willingness to fund their projects. For example, declines in state and local tax revenues, as well as other economic declines, may result in lower government spending. Our customers reducing, postponing, or canceling spending on projects in respect of which we provide services may reduce demand for our services quickly and with little warning, which could have a material adverse effect on our business, results of operations, and financial condition.

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Moreover, instability in the credit or capital markets in the U.S., including as a result of failures of financial institutions and any related market-wide reduction in liquidity, or concerns or rumors about events of these kinds or similar risks, could affect the availability of credit or our credit ratings, making it relatively difficult or expensive to obtain additional capital at competitive rates, on commercially reasonable terms or in sufficient amounts, or at all, thus making it more difficult or expensive for us to access funds or refinance our existing indebtedness, or obtain financing for acquisitions. Such instability could also cause counterparties, including vendors, suppliers, and subcontractors, to be unable to perform their obligations or to breach their obligations to us under our contracts with them. In addition, instability in the credit or capital markets could negatively impact our customers' ability to fund their projects and, therefore, utilize our services, which could have a material adverse effect on our business, results of operations, and financial condition.

We cannot predict the consequences of current or future geopolitical events, but they may adversely affect the markets in which we operate and our results of operations.

Ongoing instability and current conflicts in global markets, including in Eastern Europe, the Middle East, and Asia, and the potential for other conflicts and future terrorist activities and other recent geopolitical events throughout the world, including the ongoing conflict between Russia and Ukraine, the ongoing Israel/Hamas conflict and its regional effects, and increased tensions in Asia, have created and may continue to create economic and political uncertainties and impacts that could have a material adverse effect on our business, operations, and profitability. These types of matters cause uncertainty in financial markets and may significantly increase the political, economic and social instability in the geographic areas in which we operate.

In addition, in connection with the current status of international relations with Russia, particularly in light of the conflict between Russia and Ukraine, the U.S. government has imposed enhanced export controls on certain products and sanctions on certain industry sectors and parties in Russia. The governments of other jurisdictions in which we operate, such as the European Union and Canada, may also implement sanctions or other restrictive measures. These potential sanctions and export controls, as well as any responses from Russia, could adversely affect us and/or our supply chain, business partners, or customers.

Global supply chain issues and inflationary pressures have disrupted supply and increased the prices of goods and services, which could raise the costs associated with providing our services, diminish our ability to compete for new contracts or task orders and reduce customer buying power.

For a variety of reasons, the global economy in which we operate has faced, and may continue to face, heightened inflationary pressure, impacting the cost of doing business in both supply and labor markets. These inflationary pressures have been and could continue to be exacerbated by geopolitical turmoil and economic policy actions, and the duration of such pressures is uncertain. We generate revenue through various fixed-price and multi-year government contracts, our primary customer being the U.S. government, which has traditionally been viewed as less affected by inflationary pressures. However, our approach to include modest annual price escalations in our bids for multi-year work may be insufficient to account for and mitigate inflationary cost pressures, which may result in cost overruns on contracts. This could result in reduced profits or even losses if inflation increases, particularly for fixed-priced contracts and our longer-term multi-year contracts as contractual prices become less favorable to us over time. In the competitive environment in which we operate as a government contractor, the lack of pricing leverage and power to renegotiate long-term, multi-year contracts, coupled with reduced customer buying power as a result of inflation, could reduce our profits, disrupt our business or otherwise materially adversely affect our results of operations.

Legal and Regulatory Risks

Our failure to comply with various complex procurement rules and regulations could result in our being liable for penalties, including termination of our U.S. government contracts, disqualification from bidding on future U.S. government contracts and suspension or debarment from U.S. government contracting.

We must comply with laws and regulations relating to the formation, administration and performance of U.S. government contracts, which affect how we do business with our customers. Such laws and regulations may impose added costs on our business and our failure to comply with them may lead to civil or criminal penalties, termination of our U.S. government contracts, or suspension or debarment from contracting with federal agencies. For additional background on the regulations that apply to our business and the related compliance risks, see "Regulation" within Item 1 of this Annual Report on Form 10-K and the risk factor "Our business is subject to governmental review and investigation, which could adversely affect our financial position, operating results and growth prospects." The FAR and many of our U.S. government contracts contain organizational conflict of interest clauses that may limit our ability to compete for or perform certain other contracts or other types of services for particular customers. Organizational conflicts of interest arise when we engage in activities that may make us unable to render impartial assistance or advice to the U.S. government, impair our objectivity in performing contract work, or provide us with an unfair competitive advantage. A conflict-of-interest issue that precludes our competition for or performance on a significant program or contract could harm our prospects.

Government contract laws and regulations can impose terms or obligations that are different than those typically found in commercial transactions. One of the significant differences is that the U.S. Government may terminate any of our government contracts, not only for default based on our performance but also at its convenience. Generally, prime contractors have a similar right under subcontracts related to government contracts. If a contract is terminated for convenience, we typically would be entitled to receive payments for our allowable costs incurred and the proportionate share of fees or earnings for the work performed. However, to the extent insufficient funds have been appropriated by the U.S. Government to the program to cover our costs upon termination for convenience, the U.S. Government may assert that it is not required to appropriate additional funding. If a contract is terminated for default, the U.S. Government could make claims to reduce the contract value or recover its procurement costs and could assess other special penalties, exposing us to liability and adversely affecting our ability to compete for future contracts and orders. In addition, the U.S. Government could terminate a prime contract under which we are a subcontractor, notwithstanding the fact that our performance and the quality of the products or services we delivered were consistent with our contractual obligations as a subcontractor. Similarly, the U.S. Government could indirectly terminate a program or contract by not funding it. The decision to terminate programs or contracts for convenience or default could adversely affect our business and future financial performance.

The U.S. government may adopt new contract rules and regulations or revise its procurement practices in a manner adverse to us at any time.

Our industry has experienced, and we expect it will continue to experience, significant changes to business practices as a result of an increased focus on affordability, efficiencies, and recovery of costs, among other items. From time to time, new laws and regulations are enacted, and government agencies adopt new interpretations and enforcement priorities relative to laws and regulations already in effect. U.S. government agencies may face restrictions or pressure regarding the type and amount of services that they may obtain from private contractors. Legislation, regulations and initiatives dealing with procurement reform, mitigation of potential conflicts of interest and environmental responsibility or sustainability (including regulations that require reductions and disclosure of greenhouse gas emissions and climate-related financial risks) as well as any resulting shifts in the buying practices of U.S. government agencies (such as increased usage of fixed-price contracts, multiple-award contracts and small business set-aside contracts) could have adverse effects on government contractors, including us. Any of these changes could impair our ability to obtain new contracts or renew our existing contracts when customers re-compete those contracts. Any new contracting requirements or procurement methods could be costly or administratively difficult to implement and could adversely affect our future revenues, profitability, and prospects.

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Additionally, the DoD and other customers are increasingly pursuing rapid acquisition pathways and procedures for new technologies, including through so-called “other transaction authority” agreements (OTAs). OTAs are exempt from many traditional procurement laws, including the FAR, and an OTA award may be subject, in certain cases, to the condition that a significant portion of the work under the OTA is performed by a non-traditional defense contractor or that a portion of the cost of the prototype project is funded by non-governmental sources. If we cannot successfully adapt to our customers’ rapid acquisition processes, then we may lose strategic new business opportunities in high-growth areas, and our future performance and results could be adversely affected.

Efforts by the U.S. government to revise its organizational conflict of interest rules could limit our ability to successfully compete for new contracts or task orders, which would adversely affect our results of operations.

Efforts by the U.S. government to reform its procurement practices have focused on, among other areas, the separation of certain types of work to facilitate objectivity and avoid or mitigate organizational conflicts of interest and the strengthening of regulations governing organizational conflicts of interest. Organizational conflicts of interest may arise from circumstances in which a contractor has:

- impaired objectivity during performance;
- unfair access to non-public information; or
- the ability to set the “ground rules” for another procurement for which the contractor competes.

A focus on organizational conflicts of interest issues has resulted in legislation and a proposed regulation aimed at increasing organizational conflicts of interest requirements, including, among other things, separating sellers of products and providers of advisory services in major defense acquisition programs. The passage of a new federal law in December 2022 requires the FAR council within eighteen months to provide and update definitions of each of the above types of conflicts of interest and provide illustrative examples of various relationships that contractors could have that would give rise to potential conflicts of interest. The passage of this legislation comes as this topic continues to garner increased scrutiny of such alleged conflicts among federal contractors. The resulting rule-making process, as well as continuing reform initiatives in procurement practices, may, however, result in future amendments to the FAR, increasing the restrictions in current organizational conflicts of interest regulations and rules. Similarly, organizational conflicts of interest remain an active area of bid protest litigation, increasing the likelihood that competitors may leverage such arguments in an attempt to overturn agency award decisions. To the extent that proposed and future organizational conflicts of interest laws, regulations, and rules or interpretations thereof limit our ability to successfully compete for new contracts or task orders with the U.S. government, either because of organizational conflicts of interest issues arising from our business, or because companies with which we are affiliated, or with which we otherwise conduct business, create organizational conflicts of interest issues for us, our financial metrics and results of operations could be materially and adversely affected.

As a U.S. government contractor, our partners and we are subject to reviews, audits and cost adjustments by the U.S. government, which could adversely affect our profitability, cash position or growth prospects if resolved unfavorably to us.

U.S. government contractors (including their subcontractors and others with whom they do business) operate in a highly regulated environment and are routinely audited and reviewed by the U.S. government and its agencies, including the DCAA, DCMA, the DoD Inspector General, and others. These agencies review a contractor’s performance on government contracts, cost structure, indirect rates and pricing practices, compliance with applicable contracting and procurement laws, regulations, terms, and standards, and the adequacy of our systems and processes in meeting government requirements. They also review the adequacy of the contractor’s compliance with government standards for its business systems, including a contractor’s accounting system, earned value management system, estimating system, materials management and accounting system, property management system, and purchasing system.

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As a result of increased scrutiny on contractors and U.S. government agencies, audits and reviews are conducted rigorously and the applicable standards are strictly interpreted, increasing the likelihood of an audit or review resulting in an adverse outcome. A finding of significant control deficiencies in our system audits or other reviews can result in decremented billing rates to our U.S. government customers until the control deficiencies are corrected and the DCMA accepts our remediations. Government audits and reviews may conclude that our practices are not consistent with applicable laws and regulations and result in adjustments to contract costs and mandatory customer refunds. Such adjustments can be applied retroactively, which could result in significant customer refunds. Our receipt of adverse audit findings or the failure to obtain an "approved" determination of our various business systems from the responsible U.S. government agency could significantly and adversely affect our business, including our ability to bid on new contracts and our competitive position in the bidding process. A determination of noncompliance could also result in the U.S. government imposing penalties and sanctions against us, including reductions of the value of contracts, contract modifications reflecting less favorable terms or termination, withholding of payments, the loss of export/import privileges, administrative or civil judgments and liabilities, criminal judgments or convictions, liabilities and consent or other voluntary decrees or agreements, other sanctions, the assessment of penalties, fines or compensatory, treble or other damages or non-monetary relief or actions, suspension or debarment, suspension of payments and increased government scrutiny that could negatively impact our reputation, delay or adversely affect our ability to invoice and receive timely payment on contracts, perform contracts or compete for contracts with the U.S. government. As of December 29, 2023, indirect cost audits by the DCAA remain open for fiscal 2021 and subsequent fiscal years. Although we have recorded contract revenues based upon our estimate of costs that we believe will be approved upon final audit or review, we cannot predict the outcome of any ongoing or future audits or reviews and adjustments and, if future adjustments exceed our estimates, our profitability may be adversely affected.

Our business is subject to governmental review and investigation, which could adversely affect our financial position, operating results and growth prospects.

We are routinely subject to governmental investigations relating to compliance with various laws and regulations with respect to our role as a contractor to federal, state and local government customers and in connection with performing services in countries outside the United States. If a review or investigation identifies improper or illegal activities, we may be subject to disgorgement of profits, fines, damages, litigation, civil or criminal penalties, exclusion from sales channels or sales opportunities, injunctions, or administrative sanctions, including the termination of contracts, the triggering of price reduction clauses, suspension of payments, suspension or debarment from doing business with governmental agencies or other consequences. We may suffer harm to our reputation if allegations of impropriety are made against us, which would impair our ability to win new contract awards or receive contract renewals. Penalties and sanctions are not uncommon in our industry. If we incur a material penalty or administrative sanction or otherwise suffer harm to our reputation, our revenues, profitability, cash position and future prospects could be adversely affected. More generally, increases in scrutiny and investigations into business practices and major programs supported by contractors from government organizations, legislative bodies, or agencies may lead to increased legal costs and may harm our reputation, revenues, profitability and growth prospects. For a description of our current legal proceedings, see "Item 3. Legal Proceedings" along with "Note 21—Commitments and Contingencies" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Investigations, audits, claims, disputes, enforcement actions, litigation, arbitration, or other legal proceedings could require us to pay potentially large damage awards or penalties and could be costly to defend, which would adversely affect our cash balances and profitability, and could damage our reputation.

We are subject to and may become a party to various other litigation, claims, investigations, audits, enforcement actions, arbitrations, or other legal proceedings that arise from time to time in the ordinary course of our business. Adverse judgments or settlements in some or all of these legal disputes may result in significant monetary damages, penalties, or injunctive relief against us. Any claims or litigation could be costly to defend, and even if we are successful or fully indemnified or insured, they could damage our reputation and make it more difficult to compete effectively or obtain adequate insurance in the future, and responding to any action may result in a significant diversion of management's attention and resources. Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. For a description of our current legal proceedings, see "Item 3. Legal Proceedings" along with "Note 21—Commitments and Contingencies" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Our business and operations expose us to numerous legal and regulatory requirements, and any violation of these requirements could harm our business.

We are subject to numerous state, federal and international laws and directives and regulations in the U.S. and abroad that involve matters central to our business, including data privacy and security, employment and labor relations, immigration, taxation, anti-corruption, anti-bribery, import-export controls, trade restrictions, internal and disclosure control obligations, securities regulation and anti-competition. Compliance with legal requirements is costly, time-consuming and requires significant resources. We also conduct business in certain identified growth areas, such as health information technology, energy and environmental services, which are highly regulated and may expose us to increased compliance risk. Violations of one or more of these legal requirements in the conduct of our business could result in significant fines and other damages, criminal sanctions against us or our officers, prohibitions on doing business and damage to our reputation. Violations of these regulations or contractual obligations related to regulatory compliance in connection with the performance of customer contracts could also result in liability for significant monetary damages, fines and criminal prosecution, unfavorable publicity, and other reputational damage, restrictions on our ability to compete for certain work and allegations by our customers that we have not performed our contractual obligations.

Our business is subject to complex and evolving laws and regulations regarding data privacy and security, which could subject us to investigations, claims, or monetary penalties against us, require us to change our business practices, or otherwise adversely affect our revenues and profitability.

We are subject to various laws and regulations in the U.S. and globally relating to data privacy and security. These laws and regulations are complex, constantly evolving, and may be subject to significant change in the future. In addition, the application, interpretation and enforcement of these laws and regulations are often uncertain, particularly in new and rapidly evolving areas of technology, and may differ in material respects among jurisdictions, interpreted and applied inconsistently among jurisdictions or in a manner that is inconsistent with our current policies and practices, all of which can make compliance challenging and costly, and expose us to related risks and liabilities.

In the U.S., numerous federal, state, and local data privacy and security laws and regulations govern the collection, sharing, use, retention, disclosure, security, storage, transfer, and other processing of personal information, including protected health information. Numerous other states also are enacting or considering, comprehensive state-level data privacy and security laws.

As a contractor supporting defense, health care, and national security customers, we are also subject to additional, specific regulatory compliance requirements relating to data privacy and security. Under DFARS and other federal regulations, we are required to implement the security and privacy controls in National Institute of Standards and Technology Special Publications on certain of our networks and information technology systems. To the extent that we do not comply with applicable security and control requirements, and there is unauthorized access or disclosure of sensitive information (including personal information), this could potentially result in a contract termination or loss of intellectual property, which could materially and adversely affect our business and financial results and lead to reputational harm. We will also be subject to numerous emerging and as yet unspecified cybersecurity requirements under the FAR and through federal regulation, to include the DOD Cybersecurity Maturity Model Certification ("CMMC") program, which, once implemented, will require successful assessment by a third party against specified cyber controls. Should we or our supply chain fail to implement these new requirements, this may adversely affect our ability to receive awards or execute on relevant government programs. We are in the process of evaluating our readiness against these new requirements and while we have confidence we will meet or exceed requirements, to the extent we do not, we will be unable to bid on such contract awards, which could adversely impact our revenue and our profitability.

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The overarching complexity of data privacy and security laws and regulations around the world poses a compliance challenge that could manifest in costs, damages, or liability in other forms as a result of failure to implement proper programmatic controls, failure to adhere to those controls, or the breach of applicable data privacy and security requirements by us, our employees, our business partners (including our service providers, suppliers or subcontractors) or our customers. We also expect that there will continue to be new proposed laws, regulations, and industry standards concerning data privacy and security, and we cannot yet determine the impact such future laws, regulations and standards, or amendments to or re-interpretations of existing laws, regulations or standards, may have on our business. Any failure or perceived failure by us, our service providers, suppliers, subcontractors, or other business partners to comply with applicable laws, regulations, our public privacy policies and other public statements about data privacy and security and other obligations in these areas could result in regulatory or government actions lawsuits against us (including civil claims, such as representative actions and other class action-type litigation), legal liability, monetary penalties, fines, sanctions, damages and other costs, orders to cease or change our processing of data, changes to our business practices, diversion of internal resources, and harm to our reputation, all of which could adversely affect our business, financial condition and results of operations. We may also incur substantial expenses in implementing and maintaining compliance with such laws, regulations, and other obligations. For additional background on the data privacy and security laws that apply to our business and the related compliance risks, see "Regulation" within Item 1 of this Annual Report on Form 10-K.

Environmental matters, including unforeseen costs associated with compliance and remediation efforts and government and third-party claims, could have a material adverse effect on our reputation and our financial position, results of operations, and cash flows.

Our operations are subject to and affected by various federal, state, local, and foreign environmental laws and regulations, as they may be expanded, changed, or enforced differently over time. Compliance with these existing and evolving environmental laws and regulations requires and is expected to continue to require significant operating and capital costs. We may be subject to substantial administrative, civil, or criminal fines, penalties, or other sanctions (including suspension and debarment) for violations. If we are found to be in violation of the Federal Clean Air Act or the Clean Water Act, the facility or facilities involved in the violation could be placed by the Environmental Protection Agency on a list of facilities that generally cannot be used in performing on U.S. government contracts until the violation is corrected.

Stricter or different remediation standards or enforcement of existing laws and regulations; new requirements, including regulation of new substances; discovery of previously unknown contamination or new contaminants; imposition of fines, penalties, or damages (including natural resource damages); a determination that certain remediation or other costs are unallowable; rulings on allocation or insurance coverage; and/or the insolvency, inability or unwillingness of other parties to pay their share, could require us to incur material additional costs in excess of those anticipated.

We may become a party to legal proceedings and disputes involving government and private parties (including individual and class actions) relating to alleged impacts from pollutants released into the environment, including bodily injury and property damage. These matters could result in material compensatory or other damages, remediation costs, penalties, non-monetary relief, and adverse allowability or insurance coverage determinations.

The impact of these factors is difficult to predict, but one or more of them could harm our reputation and business and have a material adverse effect on our financial position, results of operations and cash flows.

Increasing scrutiny and changing expectations from governmental organizations, customers, and our employees with respect to our ESG-related practices may impose additional costs on us or expose us to new or additional risks.

There is increased scrutiny from governmental organizations, customers, and employees on companies' environmental, social, and governance ("ESG") practices and disclosures such as DEI, workplace culture, community investment, environmental management, climate impact, and information security. We have expended and may further expend resources to monitor, report on, and adopt policies and practices that we believe will improve alignment with our evolving ESG strategy and goals, as well as ESG-related standards and expectations of legal regimes and stakeholders such as customers, investors, stockholders, raters, employees, and business partners.

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If our ESG practices, including our goals for DEI, environmental sustainability, and information security, do not meet evolving rules and regulations or stakeholder expectations and standards (or if we are viewed negatively based on positions we do or do not take or work we do or do not perform or cannot publicly disclose for certain customers and industries), then our reputation, our ability to attract or retain leading experts, employees and other professionals and our ability to attract new business and customers could be negatively impacted, as could our attractiveness as an investment, service provider, employer, or business partner. Similarly, our failure or perceived failure in our efforts to execute our ESG strategy and achieve our current or future ESG-related goals, targets, and objectives, or to satisfy various reporting standards within the timelines expected by stakeholders or at all, could also result in similar negative impacts. Organizations that provide information to investors on corporate governance and related matters have developed rating processes for evaluating companies on their approach to ESG matters, and unfavorable ratings of our ESG efforts may lead to negative investor sentiment, diversion of investment to other companies, and difficulty in hiring skilled employees. In addition, complying or failing to comply with existing or future federal, state, local, and foreign ESG legislation and regulations applicable to our business and operations, which may conflict with one another, including those related to greenhouse gas emissions, climate change, or other matters could cause us to incur additional compliance and operational costs or actions and suffer reputational harm, which could adversely affect our business. In addition, our share price and demand for our securities could be adversely affected.

We utilize artificial intelligence, which could expose us to liability or adversely affect our business, especially if we are unable to compete effectively with others in adopting artificial intelligence.

We utilize artificial intelligence, including generative artificial intelligence, machine learning, and similar tools and technologies that collect, aggregate, analyze, or generate data or other materials or content (collectively, "AI") in connection with our business. There are significant risks involved in using AI and no assurance can be provided that our use of AI will enhance our products or services, produce the intended results, or keep pace with our competitors. For example, AI algorithms may be flawed, insufficient, of poor quality, rely upon incorrect or inaccurate data, reflect unwanted forms of bias, or contain other errors or inadequacies, any of which may not be easily detectable; AI has been known to produce false or "hallucinatory" inferences or outputs; our use of AI can present ethical issues and may subject us to new or heightened legal, regulatory, ethical, or other challenges; and inappropriate or controversial data practices by developers and end-users, or other factors adversely affecting public opinion of AI, could impair the acceptance of AI solutions, including those incorporated in our products and services. If the AI tools that we use are deficient, inaccurate, or controversial, we could incur operational inefficiencies, competitive harm, legal liability, brand or reputational harm, or other adverse impacts on our business and financial results. If we do not have sufficient rights to use the data or other material or content on which the AI tools we use rely, we also may incur liability through the violation of applicable laws and regulations, third-party intellectual property, data privacy, or other rights, or contracts to which we are a party.

In addition, AI regulation is rapidly evolving worldwide as legislators and regulators increasingly focus on these powerful emerging technologies. The technologies underlying AI and its uses are subject to a variety of laws and regulations, including intellectual property, data privacy and security, consumer protection, competition, and equal opportunity laws, and are expected to be subject to increased regulation and new laws or new applications of existing laws and regulations. AI is the subject of ongoing review by various U.S. governmental and regulatory agencies, and various U.S. states and other foreign jurisdictions are applying, or are considering applying, their platform moderation, data privacy, and security laws and regulations to AI or are considering general legal frameworks for AI. We may not be able to anticipate how to respond to these rapidly evolving frameworks, and we may need to expend resources to adjust our operations or offerings in certain jurisdictions if the legal frameworks are inconsistent across jurisdictions. Furthermore, because AI technology itself is highly complex and rapidly developing, it is not possible to predict all of the legal, operational, or technological risks that may arise relating to the use of AI.

Business and Operational Risks***The effects of an epidemic, pandemic, or similar outbreak have negatively impacted and could negatively impact, our business and financial results.***

Any epidemics, pandemics, or similar outbreaks such as COVID-19 and its variants could create economic uncertainty and disruptions to the global economy that could adversely affect our businesses, or could lead to operational difficulties, including travel limitations, that could impair our ability to manage or conduct our business.

For example, the spread of COVID-19 and mitigating measures caused unprecedented disruptions to the global economy and normal business operations across sectors and countries, including the sectors in which we, our customers and other third parties operate. Further, new contract awards have been and may continue to be delayed and our ability to perform on our existing contracts has been and may continue to be delayed or impaired, which will negatively impact our revenues. In addition, our program costs have increased as a result of COVID-19, and these cost increases may not be fully recoverable or adequately covered by insurance or equitable adjustments to contract prices. Any future epidemic, pandemic, or similar outbreak may have similar impacts, and we cannot currently anticipate the potential impact on our business and results of operations due to any such outbreak.

Misconduct of employees, subcontractors, agents, suppliers, business partners or joint ventures and others working on our behalf could cause us to lose existing contracts or customers and adversely affect our ability to obtain new contracts and customers and could have a material adverse impact on our business, reputation and future results.

Misconduct could include fraud or other improper activities such as falsifying time or other records and violations of laws, such as the Anti-Kickback Act, and the failure to comply with our policies and procedures or with federal, state, or local government procurement regulations, regulations regarding the use and safeguarding of classified or other protected information, legislation regarding the pricing of labor and other costs in government contracts, laws and regulations relating to environmental, health or safety matters, bribery of foreign government officials, import-export control, lobbying or similar activities and any other applicable laws or regulations. Any data loss or information security lapses resulting in the compromise of personal information or the improper use or disclosure of sensitive or classified information could result in claims, remediation costs, regulatory investigations or sanctions against us, corruption or disruption of our systems or those of our customers, impairment of our ability to provide services to our customers, loss of current and future contracts, indemnity obligations, serious harm to our reputation and other potential liabilities. See also the risk factor "Cybersecurity breaches and other information security incidents could negatively impact our business and financial results, impair our ability to effectively provide our services to our customers and cause harm to our reputation or competitive position." Although we have implemented policies, procedures, training, and other compliance controls to prevent and detect these activities, these precautions may not prevent all misconduct, and as a result, we could face unknown risks or losses. This risk of improper conduct may increase as we continue to expand and do business with new partners. In the ordinary course of our business, we form and are members of joint ventures (meaning joint efforts or business arrangements of any type). Our failure to comply with applicable laws or regulations could damage our reputation and subject us to administrative, civil, or criminal investigations and enforcement actions, fines and penalties, restitution or other damages, loss of security clearance, loss of current and future customer contracts, loss of privileges and other sanctions, including suspension or debarment from contracting with federal, state or local government agencies, any of which would adversely affect our business, reputation and our future results.

PART I

A failure to attract, train, retain, and motivate skilled employees, including our management team, would adversely affect our ability to execute our strategy and may disrupt our operations.

Our continued success and ability to compete in a highly competitive environment depend on our ability to recruit and retain highly trained and skilled science, engineering, technical, math, and professional personnel. Competition for skilled personnel is intense, and the costs associated with attracting and retaining them are high and made even more competitive as a result of the external environment, including increasing rates of job transition and low unemployment. In addition, many U.S. government programs require contractors to have security clearances, certain of which can be difficult and time-consuming to obtain and personnel with such security clearances are in great demand. As a result, it is difficult to retain employees and meet all of our needs for employees in a timely manner, which may affect our growth. Although we intend to continue to devote significant resources to recruiting, training and retaining qualified employees, we may not be able to attract, effectively train and retain these employees. Any failure to do so could impair our ability to perform our contractual obligations efficiently and timely meet our customers' needs and win new business, which could adversely affect our future results. In addition, certain personnel may be required to receive various security clearances to work on certain customer engagements or to perform certain tasks. Necessary security clearances may be delayed or not obtained, which may negatively impact our ability to perform on such engagements in a timely matter or at all. We believe our success will also depend on the continued employment of a highly qualified and experienced senior management team and its ability to retain existing business, generate new business, execute our business plans in an efficient and effective manner, and our ability to adequately plan for the succession of our senior management team and continually develop new members of senior management. An inability to retain appropriately qualified and experienced senior executives, our failure to do adequately succession planning, or our failure to continue to develop new members could cause us to lose customers or new business opportunities.

We may not realize the full amounts reflected in our backlog as revenues, which could adversely affect our expected future revenues and growth prospects.

As of December 29, 2023, our total backlog was \$37.0 billion, including \$8.8 billion in funded backlog. Due to the U.S. government's ability to not exercise contract options or to terminate, modify, or curtail our programs or contracts and the rights of our non-U.S. government customers to cancel contracts and purchase orders in certain circumstances, we may realize less than expected revenues or may never realize revenues from some of the contracts that are included in our backlog. Our unfunded backlog, in particular, contains management's estimate of amounts expected to be realized on unfunded contract work that may never be realized as revenues. If we fail to realize as revenues amounts included in our backlog, our future revenues, profitability and growth prospects could be adversely affected.

Our earnings and profitability may vary based on the mix of our contracts and may be adversely affected by our failure to estimate and manage costs, time, and resources accurately.

We generate revenues under various types of contracts, including cost-reimbursement, FP-IF, T&M, FP-LOE and FFP contracts. Our earnings and profitability may vary materially depending on changes in the proportionate amount of revenues derived from each type of contract, the nature of services or products provided, the achievement of performance objectives, and the stage of performance at which the right to receive fees, particularly under incentive-fee and award-fee contracts, is finally determined. Cost-reimbursement and T&M contracts are generally less profitable than FFP contracts. Our operating results in any period may also be affected, positively or negatively, by customers' variable purchasing patterns of our more profitable proprietary products.

PART I

Our profitability is adversely affected when we incur contract costs that we cannot bill to our customers. To varying degrees, each of our contract types involves some risk of underestimating the costs and resources necessary to fulfill the contract. While FFP contracts allow us to benefit from cost savings, these contracts also increase our exposure to the risk of cost overruns. Revenues from FFP contracts represented approximately 39% of our total revenues for fiscal 2023. When making proposals on these types of contracts, we rely heavily on our estimates of costs and timing to complete the associated projects, as well as assumptions regarding technical issues. In each case, our failure to accurately estimate costs or the resources and technology needed to perform our contracts or to effectively manage and control our costs during performance could result, and in some instances has resulted, in reduced profits or losses. More generally, any increased or unexpected costs or unanticipated delays in the performance of our contracts, including costs and delays caused by contractual disputes or other factors outside of our control, such as performance failures of our subcontractors, rising inflationary pressures, and fluctuations in interest rates, natural disasters or other force majeure events, could make our contracts less profitable than expected or unprofitable.

We use estimates in recognizing revenues, and if we make changes to estimates used in recognizing revenues, our profitability may be adversely affected.

We recognize revenue on our service-based contracts primarily over time as there is a continuous transfer of control to the customer throughout the contract as we perform the promised services, which generally requires estimates of total costs at completion, fees earned on the contract, or both. This estimation process, particularly due to the technical nature of the services performed, and the long-term nature of certain contracts, is complex and involves significant judgment. Adjustments to original estimates are often required as work progresses, experience is gained and additional information becomes known, even though the scope of the work required under the contract may not change. Any adjustment as a result of a change in estimate is recognized as events become known. Changes in the underlying assumptions, circumstances or estimates could result in adjustments that may adversely affect our future financial results. For a discussion of our use of estimates in the preparation of our consolidated financial statements, see “Critical Accounting Estimates” in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Report, “Note 3—Summary of Significant Accounting Policies” of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

PART I

Cybersecurity breaches and other information security incidents could negatively impact our business and financial results, impair our ability to effectively provide our services to our customers and cause harm to our reputation or competitive position.

As a government contractor and a provider of information technology services operating in multiple regulated industries and geographies, we and our service providers, suppliers and subcontractors collect, store, transmit, and otherwise process personal, confidential, proprietary, and sensitive information, including protected health information, personnel information, personal information, classified information, controlled unclassified information, intellectual property and financial information, concerning our business, employees, and customers. Therefore, we are continuously exposed to unauthorized attempts to compromise access, release or otherwise compromise such information through cyber-attacks and other information security threats, including, among other things, physical break-ins, theft, denial-of-service attacks, worms, computer viruses, software bugs, malicious or destructive code, social engineering, phishing attacks and impersonating authorized users, credential stuffing, account takeovers, insider threats, malfeasance or improper access by employees or service providers, human error, fraud, use of AI, “bots” or other automation software, or other similar disruptions. We are also exposed to hackers who have requested “ransom” in exchange for not disclosing information or restoring access to information or systems. These techniques may be perpetrated by internal bad actors, such as employees or contractors, or by third parties (including traditional computer hackers, persons involved with well-funded organized crime or state-sponsored actors). Any electronic or physical break-in or other security breach or compromise of our information technology systems and networks or facilities, or those of our service providers, suppliers, joint ventures or subcontractors, may jeopardize the confidential integrity or availability of information, including personal, confidential, proprietary or sensitive information, stored or transmitted through these systems and networks or stored in those facilities. This could lead to disruptions in mission-critical systems, unauthorized access to or release of personal, confidential, proprietary, sensitive or otherwise protected information and corruption of data or systems. We could also be subject to operational downtimes, delays and other detrimental impacts on our operations or ability to provide products and services to our customers. We are also increasingly subject to customer-driven cybersecurity certification requirements, including but not limited to CMMC, which are expected to be necessary to win future contracts. Security incidents could also result in liability, trigger other obligations under such contracts, or increase the difficulty of winning future contracts. Many statutory requirements, both in the U.S. and abroad, also include different obligations for companies to provide notice of information security incidents involving certain types of information (including obligations to notify affected individuals and regulators in the event of cybersecurity breaches involving certain personal information), which could result from breaches of our service providers, our suppliers or subcontractors.

Although we have implemented policies, procedures and controls designed to protect against, detect and mitigate these threats and attacks, we and our service providers, suppliers, joint ventures, and subcontractors have faced and continue to face advanced and persistent attacks on our information systems. We cannot guarantee that future incidents will not occur, and if an incident does occur, our incident response planning may not prove fully adequate. We may also not be able to mitigate its impacts successfully. Techniques used by others to gain unauthorized access to personal, confidential, proprietary, or sensitive information or disrupt systems and networks for economic or strategic gain are constantly evolving, increasingly sophisticated, increasingly difficult to detect and successfully defend against and may see their frequency increased, and effectiveness enhanced, by the use of AI. Further, cybersecurity risks maybe heightened as a result of ongoing global conflicts such as the military conflict between Russia and Ukraine and the related sanctions imposed by the United States and other countries, or the ongoing Israel/Hamas conflict and its regional effects.

While we generally perform cybersecurity diligence on our key service providers, we do not control our service providers and our ability to monitor their cybersecurity is limited, so we cannot ensure the cybersecurity measures they take will be sufficient to protect any information we share with them. Due to applicable laws and regulations or contractual obligations, we may be held accountable for cybersecurity breaches or other information security incidents attributed to our service providers as they relate to the information we share with them.

PART I

We seek to detect and investigate all information security incidents and to prevent their occurrence, prolongation, or recurrence. We continue to invest in and improve our threat protection, detection and mitigation policies, procedures and controls. In addition, we work with other companies in the industry and government participants on increased awareness and enhanced protections against information security and malicious insider threats. However, because of the evolving nature and sophistication of these security threats, which can be difficult to detect, there can be no assurance that our policies, procedures and controls, or those of our service providers, suppliers, or subcontractors, have protected against, detected, mitigated or will detect, prevent or mitigate, any of these threats and we cannot predict the full impact of any such past or future incident. We may be currently unaware of certain vulnerabilities or lack the capability to detect them, which may allow them to persist in our information technology environment over long periods, and, even if discovered, it could take considerable time for us to obtain full and reliable information about the extent, amount and type of information compromised, and our remediation efforts may not be completely successful. As cybersecurity threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate or remediate any information security vulnerabilities, cybersecurity breaches or other information security incidents.

We may also experience similar security threats to the information technology systems we develop, install, or maintain under customer contracts. Although we work cooperatively with our customers and other business partners, including our service providers, suppliers, and subcontractors, to seek to minimize the potential for and impact of cyber-attacks and other security threats, we must rely on the safeguards put in place by those entities. See also the risk factor “Internal system or service failures, or failures in the systems or services of third parties on which we rely, could disrupt our business and impair our ability to effectively provide our services and products to our customers, which could damage our reputation and adversely affect our revenues and profitability.”

The occurrence of any unauthorized access to, attacks on cybersecurity breaches of other information security threats to our or our service providers', suppliers' or subcontractors' information technology infrastructure, systems or networks or data, or our failure to make adequate or timely disclosure to the public, regulators, or law enforcement agencies following any such event, could disrupt our infrastructure, systems, or networks or those of our customers, impair our ability to provide services to our customers and may jeopardize the security of data collected, stored, transmitted or otherwise processed through our information technology infrastructure, systems and networks. As a result, we could be exposed to claims, fines, penalties, loss of revenues, product development delays, compromise, corruption, or loss of confidential, proprietary, or sensitive information (including personal information or technical business information), contract terminations and damages, remediation costs and other costs and expenses, regulatory investigations or sanctions, indemnity obligations, and other potential liabilities. Any of the foregoing could adversely affect our reputation, ability to win work on sensitive contracts or loss of current and future contracts (including sensitive U.S. government contracts), business operations and financial results. We have insurance against some cyber-risks and attacks; however, our insurer may deny coverage as to any future claim, our insurance coverage may not be sufficient to offset the impact of a material loss event, and such insurance may increase in cost or cease to be available on commercial terms in the future.

PART I

Internal system or service failures, or failures in the systems or services of third parties on which we rely, could disrupt our business and impair our ability to effectively provide our services and products to our customers, which could damage our reputation and adversely affect our revenues and profitability.

Any system or service disruptions, including those caused by ongoing projects to improve our information technology systems and networks and the delivery of services, whether through our shared services organization or outsourced services, if not anticipated and appropriately mitigated, could materially and adversely affect our business including, among other things, an adverse effect on our ability to perform on contracts, bill our customers for work performed on our contracts, collect the amounts that have been billed and produce accurate financial statements in a timely manner. We, and the service providers, suppliers and subcontractors on which we rely, are also subject to systems failures, including network, software or hardware failures, whether caused by us, third-party service providers, cybersecurity threats, malicious insiders, natural disasters, power shortages, terrorist attacks, pandemics or other events, which could cause loss of data and interruptions or delays in our business, cause us to incur remediation costs, subject us to claims and damage our reputation. In addition, the failure or disruption of our communications, or those of our service providers, suppliers or subcontractors, could cause us to interrupt or suspend our operations or otherwise adversely affect our business. Our property and business interruption insurance may be inadequate to compensate us for all losses resulting from any system or operational failure or disruption.

Our business is subject to disruption caused by physical or transition risks that could adversely affect our operations, profitability and overall financial position.

We have significant operations, including infrastructure, information technology systems, research facilities, and centers of excellence, located in regions that may be exposed to physical risks, such as hurricanes, earthquakes, other damaging storms, water levels, wildfires and other natural disasters, including places such as Alabama, Florida, California, and Texas. Our subcontractors and suppliers are also subject to physical risks that could affect their ability to deliver or perform under a contract, including as a result of disruptions to their workforce and critical industrial infrastructure needed for normal business operations. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our services to our customers, could decrease demand for our services, could make existing customers unable or unwilling to fulfill their contractual requirements to us, including their payment obligations, and could cause us to incur substantial expense, including expenses or liabilities arising from potential litigation. If insurance or other risk transfer mechanisms are unavailable or insufficient to recover all costs or if we experience a significant disruption to our business due to a natural disaster, it could adversely affect our financial position, results of operations, and cash flows.

There is also an increasing concern over the risks of climate change and related environmental sustainability matters. In addition to physical risks, climate change risks include longer-term shifts in climate patterns, such as extreme heat, rising sea levels, and more frequent and prolonged drought. Such events could disrupt our operations or those of our customers or third parties on which we rely, including direct damage to assets and indirect impacts from supply chain disruption and market volatility. We could also incur significant costs to improve the climate resiliency of our infrastructure and supply chain and otherwise prepare for, respond to, and mitigate the effects of climate change. Additionally, transitioning to a low-carbon economy may entail extensive policy, legal, technology and market initiatives. Such changes could result in laws, regulations or policies that significantly increase our direct and indirect operational and compliance burdens, which could adversely affect our financial condition and results of operations. We monitor developments in climate change-related laws, regulations and policies for their potential effect on us. However, we currently are not able to accurately predict the materiality of any potential costs associated with such developments.

In addition, our reputation and customer relationships may be damaged as a result of our practices related to climate change, including our involvement, or our customers' involvement, in certain industries or projects associated with causing or exacerbating climate change, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change.

Customer systems failures could damage our reputation and adversely affect our revenues and profitability.

Many of the systems and networks that we develop, install and maintain for our customers involve managing and protecting personal information and information relating to national security and other sensitive government functions. While we have programs designed to comply with relevant data privacy and security laws and restrictions, if a system or network that we develop, install, or maintain were to fail or experience a security breach or service interruption, whether caused by us, third-party service providers, cybersecurity threats or other events, we may experience loss of revenue, remediation costs or face claims for damages or contract termination. Any such event could cause serious harm to our reputation and prevent us from having access to or being eligible for further work on such systems and networks. Our errors and omissions liability insurance may be inadequate to compensate us for all of the damages that we may incur, and, as a result, our future results could be adversely affected.

Our success depends, in part, on our ability to work with complex and rapidly changing technologies to meet the needs of our customers.

We design and develop technologically advanced and innovative products and services applied by our customers in various environments. The needs of our customers change and evolve regularly, particularly by complex and rapidly evolving technologies. Our success depends upon our ability to identify emerging technological trends, develop technologically advanced, innovative, and cost-effective products and services, and market these products and services to our customers. Our success also depends on our continued access to suppliers of important technologies and components. Many of our contracts contain performance obligations that require innovative design capabilities, are technologically complex, or depend on factors not wholly within our control. Problems and delays in development or delivery as a result of issues with respect to design, technology, licensing and patent rights, labor, learning curve assumptions, or materials and components could prevent us from achieving such contractual requirements. Failure to meet these obligations could adversely affect our profitability and future prospects. In addition, our offerings cannot be tested and proven in all situations and are otherwise subject to unforeseen problems that could negatively affect revenue and profitability, such as problems with quality and workmanship, country of origin, delivery of subcontractor components or services, unplanned degradation of product performance, and unauthorized use or modifications of our products and services. Among the factors that may affect revenue and profits could be unforeseen costs and expenses not covered by insurance or indemnification from the customer, diversion of management focus in responding to unforeseen problems, loss of follow-on work, and, in the case of certain contracts, repayment to the government customer of contract costs and fee payments we previously received.

We have classified contracts with the U.S. government, which may limit investor insight into portions of our business.

We derive a portion of our revenues from programs with the U.S. government and its agencies that are subject to security restrictions (e.g., contracts involving classified information and classified programs), which preclude the dissemination of information and technology that is classified for national security purposes under applicable law and regulation. In general, access to classified information, technology, facilities, or programs requires appropriate personnel security clearances, is subject to additional contract oversight and potential liability, and may also require appropriate facility clearances and other specialized infrastructure. In the event of a security incident involving classified information, technology, facilities, programs, or personnel holding clearances, we may be subject to legal, financial, operational and reputational harm. We are limited in our ability to provide information about these classified programs, their risks or any disputes or claims relating to such programs. As a result, investors have less insight into our classified business or our business overall. However, historically the business risks associated with our work on classified programs have not differed materially from those of our other government contracts.

PART I***We have made and continue to make acquisitions, investments, joint ventures and divestitures that involve numerous risks and uncertainties.***

From time to time, we pursue strategic acquisitions, investments and joint ventures. We also may enter into relationships with other businesses to expand our products or our ability to provide services. These transactions require a significant investment of time and resources and may disrupt our business and distract our management from other responsibilities. Even if successful, these transactions could result in unfavorable public perception or reduce earnings for a number of reasons, including the amortization of intangible assets, impairment charges, adverse tax consequences, acquired operations that are not yet profitable, or the payment of additional consideration under earn-out arrangements if an acquisition performs better than expected. Acquisitions, investments and joint ventures pose many other risks that could adversely affect our reputation, operations, or financial results, including that:

- we may not be able to identify, compete effectively for or complete suitable acquisitions and investments at prices we consider attractive;
- we may not be able to accurately estimate the financial effect of acquisitions and investments on our business or realize anticipated synergies, business growth, or profitability and may be unable to recover investments in any such acquisitions and investments;
- we may not be able to manage the integration process for acquisitions successfully, and the integration process may divert management time and focus from operating our business, including as a result of incompatible accounting, information management, or other control systems;
- acquired technologies, capabilities, products, and service offerings, particularly those that are still in development when acquired, may not perform as expected, may have defects or may not be integrated into our business as expected;
- we may have trouble retaining key employees and customers of an acquired business;
- we may need to implement or improve controls, procedures and policies at a business that prior to the acquisition may have lacked sufficiently effective controls, procedures and policies, including those relating to financial reporting, revenue recognition or other financial or control deficiencies;
- we may assume legal or regulatory risks, particularly with respect to smaller businesses that have immature business processes and compliance programs, or may be required to comply with additional laws and regulations or to engage in remediation efforts to cause the acquired company to comply with applicable laws and regulations, or result in liabilities resulting from the acquired company's failure to comply with applicable laws or regulations;
- we may face litigation or material liabilities that were not identified or were underestimated as part of our due diligence or for which we are unable to receive a purchase price adjustment or reimbursement through indemnification, including intellectual property claims and disputes or claims from terminated employees, customers, former stockholders or other third parties, or there may be other unanticipated write-offs or charges;
- we may be required to spend a significant amount of cash or to incur debt, resulting in limitations on other potential uses for cash, increased fixed payment obligations or covenants or other restrictions on us, or issue shares of our common stock or convertible debt, resulting in dilution of ownership;
- we may not be able to influence the operations of our joint ventures effectively, or we may be exposed to certain liabilities if our joint venture partners do not fulfill their obligations; and
- if our acquisitions, investments, or joint ventures fail, perform poorly, or their value is otherwise impaired for any reason, including contractions in credit markets and global economic conditions, our business and financial results could be adversely affected.

In addition, we periodically divest businesses, including businesses that are no longer a part of our ongoing strategic plan. These divestitures similarly require a significant investment of time and resources, may disrupt our business, distract management from other responsibilities and may result in losses on disposal or continued financial involvement in the divested business, including through indemnification, guarantee or other financial arrangements, for a period of time following the transaction, which would adversely affect our financial results.

Goodwill and other intangible assets represent significant assets on our balance sheet and any impairment of these assets could negatively impact our results of operations, and shareholders' equity.

As of December 29, 2023, goodwill and intangible assets, net was 53% of our total assets. The amount of our goodwill may substantially increase in the future as a result of any acquisitions that we make. Intangible assets and goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable and at least annually in the case of goodwill and intangible assets with indefinite lives. The impairment test is based on several factors requiring judgment. Examples of events or changes in circumstances indicating that the carrying value of intangible assets may not be recoverable could include a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, adverse contract acquisition performance, loss of key personnel, or a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed. Adverse changes in fiscal and economic conditions, such as those related to federal budget cuts and the nation's debt ceiling, deteriorating market conditions for companies in our industry and unfavorable changes in discount rates could result in an impairment of goodwill and other intangibles. For example, during fiscal 2023, the SES reporting unit refined its portfolio and made strategic business decisions to exit certain product offerings, and cease operations in certain countries in order to align the operations of the reporting unit with its strategic business plan. These decisions, along with the delays in airline travel infrastructure projects and disruptions in and higher than anticipated costs of servicing, contributed to a significant reduction in the reporting unit's forecasted revenue and cash flows. As a result, we conducted a quantitative goodwill impairment analysis, and our estimates led us to determine that the carrying value of the SES reporting unit exceeded its estimated fair value. Accordingly, we recognized a non-cash goodwill impairment charge of \$596 million and had \$308 million of goodwill remaining at the SES reporting unit as of December 29, 2023. Any future impairment of goodwill or other intangible assets could have a negative impact on our results of operations and shareholders' equity in the period in which they are recognized. For additional information on our accounting policies related to impairment of goodwill, see our discussion under "Critical Accounting Estimates" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K, "Note 3—Summary of Significant Accounting Policies" and "Note 8—Goodwill and Intangible Assets" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

We depend on our teaming arrangements and relationships with other contractors and subcontractors. If we are not able to maintain these relationships, or if these parties fail to satisfy their obligations to us or the customer, our revenues, profitability and growth prospects could be adversely affected.

We rely on our teaming relationships with other prime contractors and subcontractors, who are also often our competitors in other contexts, to submit bids for large procurements or other opportunities where we believe the combination of services and products provided by us and other companies will help us to win and perform the contract. Our future revenues and growth prospects could be adversely affected if other contractors eliminate or reduce their contract relationships with us or if the U.S. government terminates or reduces these other contractors' programs, does not award them new contracts, or refuses to pay under a contract. Companies that do not have access to U.S. government contracts may perform services as our subcontractor, and that exposure could enhance such companies' prospect of securing a future position as a prime U.S. government contractor, which could increase competition for future contracts and impair our ability to perform on contracts. We may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, customer concerns about the subcontractor, our failure to extend existing task orders or issue new task orders under a subcontract, our hiring of a subcontractor's personnel or the subcontractor's failure to comply with applicable law. If any of our subcontractors fail to meet their contractual obligations in a timely manner or have regulatory compliance or other problems, our ability to fulfill our obligations as a prime contractor or higher tier subcontractor may be jeopardized. Significant losses could arise in future periods and subcontractor performance deficiencies could result in our termination for default. A termination for default could eliminate a revenue source, expose us to liability and have an adverse effect on our ability to compete for future contracts and task orders, especially if the customer is an agency of the U.S. government.

PART I

Our services and operations, which sometimes involve using, handling, or disposing of hazardous substances, are subject to numerous environmental, health and safety laws and regulations, pursuant to which we could face potentially significant liabilities, costs or obligations.

Our services are subject to numerous environmental, health, and safety laws and regulations. Some of our services and operations involve using, handling, or disposing of hazardous substances. These activities and our operations generally subject us to complex and stringent foreign, federal, state, and local environmental, health, and safety laws and regulations, which have tended to become more stringent over time. Among other things, these laws and regulations require us to incur costs to comply and could impose liability on us for handling or disposing of hazardous substances. For example, we provide infrastructure and site services necessary to accomplish critical waste management and the continued environmental cleanup of the Hanford Site in southeastern Washington. In addition, some of our work sites put our employees and others in close proximity with mechanized equipment, moving vehicles, chemical and manufacturing processes, and highly regulated materials. On some work sites, we may be responsible for safety and have an obligation to implement effective safety procedures. If we fail to implement these procedures, or if the procedures we implement are ineffective, we may suffer the loss of or injury to our employees, as well as expose ourselves to possible litigation.

Failure to comply with these environmental, health and safety laws and regulations could result in civil, criminal, regulatory, administrative, or contractual sanctions, including fines, penalties, or suspension or debarment from contracting with the U.S. government. In addition, our failure to maintain adequate safety standards and equipment could result in reduced profitability and loss of work or customers. Our current and previous ownership and operation of real property also subject us to environmental laws and regulations, some of which hold current or previous owners or operators of businesses and real property jointly and severally liable for hazardous substance releases, even if they did not know of and were not responsible for the releases. Past business practices at companies that we have acquired may also expose us to future unknown environmental liabilities. Liabilities related to environmental contamination or human exposure to hazardous substances, or violations of these laws or regulations, could result in substantial costs to us, including cleanup costs, fines, civil or criminal sanctions, and third-party claims for property damage or personal injury. Our continuing work in the areas governed by these laws and regulations exposes us to the risk of substantial liability and may adversely affect our financial condition and operating results.

We could incur significant liabilities and suffer negative publicity if our inspection or detection systems fail to detect bombs, explosives, weapons, contraband or other threats.

We design, develop, manufacture, sell, service, and maintain various inspection systems and related integration and automation systems designed to assist in detecting bombs, explosives, weapons, contraband, or other threats. In some instances, we also train operators of such systems. Such systems utilize detection technology and software algorithms to interpret data produced by the system and signal to the operator when a dangerous object or substance may be present. Such algorithms are probabilistic in nature and are generally designed to meet requirements established by regulatory agencies. Many of these systems require that an operator interpret an image of suspicious items within a bag, parcel, container, vehicle, or other vessel. Others signal to the operator that further investigation is required, and the training, reliability, and competence of the customer's operator are crucial to the detection of suspicious items. Nevertheless, if such a system were to fail to signal to an operator when an explosive or other contraband was, in fact, present, resulting in significant damage, we could become the subject of significant product liability claims. There are many factors, some of which are beyond our control, that could result in the failure of our products to help detect the presence of bombs, explosives, weapons, contraband, or other threats. Some of these factors could include inherent limitations in our systems and misuse or malfunction of our systems. The failure of our systems to help detect the presence of any of these dangerous materials could lead to injury, death, and extensive property damage and may lead to product liability, professional liability, or other claims against us. Further, if our security and inspection systems fail to, or are perceived to have failed to, help detect a threat, we could experience negative publicity and reputational harm, which could reduce demand for our inspection or detection systems and adversely affect our business.

PART I***Our insurance, customer indemnifications or other liability protections may be insufficient to protect us from product and other liability claims or losses.***

We maintain insurance coverage with third-party insurers as part of our overall risk management strategy and because some of our contracts require us to maintain specific insurance coverage limits. Not every risk or liability is or can be protected by insurance, and for those risks we insure, the limits of coverage that are reasonably obtainable may not be sufficient to cover all actual losses or liabilities incurred. We are limited in the amount of insurance we can obtain to cover certain risks, such as cybersecurity risks and natural hazards, including earthquakes, fires, and extreme weather conditions, some of which can be worsened by climate change and pandemics. If any of our third-party insurers fail, become insolvent, cancel our coverage or otherwise are unable to provide us with adequate insurance coverage or renew our insurance coverage on favorable terms, then our overall risk exposure and our operational expenses would increase, and the management of our business operations would be disrupted. Our insurance may be insufficient to protect us from significant product and other liability claims or losses. Moreover, there is a risk that commercially available liability insurance will not continue to be available to us at a reasonable cost, if at all. In some circumstances, we are entitled to certain legal protections or indemnifications from our customers through contractual provisions, laws, regulations, or otherwise. However, these protections are not always available, can be difficult to obtain, are typically subject to certain terms or limitations, including the availability of funds, and may not be sufficient to cover all losses or liabilities incurred. If liability claims or losses exceed our current or available insurance coverage, customer indemnifications, or other legal protections, our business, financial position, operating results and prospects may be harmed. Any significant claim may have an adverse effect on our industry and market reputation, leading to a substantial decrease in demand for our products and services and reduced revenues, making it more difficult for us to compete effectively, and could affect the cost and availability of insurance coverage at adequate levels in the future.

We face risks associated with our international business.

During fiscal 2023, revenue attributable to our services provided outside of the United States to non-U.S. customers was approximately 9% of our total revenue. Our international business operations may be subject to additional and different risks than our U.S. business. These risks and challenges include:

- failure to comply with U.S. government and foreign laws and regulations applicable to international business, including, without limitation, those related to employment, data privacy and security, taxes, technology transfer, information security, environment, data transfer, import and export controls (including the International Traffic in Arms Regulations (“ITAR”) administered by the U.S. Department of State and the anti-boycott provisions of the Export Administration Regulations (“EAR”) administered by the U.S. Department of Commerce’s Bureau of Industry and Security), sanctions, and other administrative, legislative or regulatory actions that could materially interfere with our ability to offer our products or services in certain countries or have an adverse impact on our business with the U.S. government, and expose us to risks and costs of noncompliance with such laws and regulations, in addition to administrative, civil or criminal penalties;
- increased financial and legal risks arising, for example, from foreign exchange rate variability, imposition of tariffs or additional taxes, inflation, restrictive trade policies, longer payment cycles, delays or failures to collect amounts due to us and differing legal systems, and which may adversely affect the performance of our services, sale of our products or repatriation of our profits;
- political or economic instability, international security concerns and geopolitical conflict in countries where we provide services and products in support of the U.S. government and other customers in countries, which increases the risk of an incident resulting in injury or loss of life, damage or destruction of property, inability to meet our contractual obligations or retaliatory measures taken in respect thereof;
- the ongoing conflict between Russia and Ukraine, which has resulted in the imposition by the U.S. and other nations of restrictive actions against Russia, Belarus and certain banks, companies and individuals; and
- the ongoing Israel/Hamas conflict and its regional effects.

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We are also subject to the U.S. Foreign Corrupt Practices Act (“FCPA”), the U.K. Bribery Act of 2010 (the “U.K. Bribery Act”) and other anti-corruption and anti-bribery laws and regulations in jurisdictions where we do business. These laws and regulations generally prohibit improper payments or offers of improper payments to government officials, political parties, or commercial partners to obtain or retain business or secure an improper business advantage. We have operations, and deal with and make sales to governmental or quasi-governmental entities in non-U.S. countries, including those known to experience corruption, and further expansion of our non-U.S. sales efforts may involve additional regions. In many countries, particularly countries with developing economies, it may be common for businesses to engage in practices prohibited by the FCPA or other applicable laws and regulations. Our activities in these countries pose a heightened risk of unauthorized payments or offers of payments by one of our employees or third-party business partners, representatives, and agents that could violate various laws, including the FCPA. The FCPA, U.K. Bribery Act and other applicable anti-bribery and anti-corruption laws may also hold us liable for acts of corruption and bribery committed by our third-party business partners, representatives, and agents. We and our third-party business partners, representatives, and agents may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities, and we may be held liable for the corrupt or other illegal activities of our employees or such third parties even if we do not explicitly authorize such activities. The FCPA or other applicable laws and regulations also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have implemented policies and procedures to address compliance with such laws, we cannot assure you that our employees or other third parties working on our behalf have not engaged or will not engage in conduct in violation of our policies or applicable law for which we might ultimately be held responsible.

Violations of any of these laws or regulations, including the FCPA and the U.K. Bribery Act, may result in whistleblower complaints, negative media coverage, investigations, imposition of significant legal fees, loss of export privileges, as well as severe criminal or civil sanctions, including suspension or debarment from U.S. government contracting. We may also be subject to other liabilities and adverse effects on our reputation, which could negatively affect our business, results of operations, financial condition, and growth prospects. In addition, responding to any enforcement action may result in a significant diversion of management’s attention and resources and significant defense costs and other professional fees. Although our international operations have historically generated a small proportion of our revenues, we are seeking to grow our international business. Our exposure for violating these laws will increase as our non-U.S. presence expands and as we increase sales and operations in foreign jurisdictions.

For additional information regarding government investigations and reviews we are subject to, see “Government Investigations and Reviews” in “Note 21—Commitments and Contingencies” of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

We have only a limited ability to protect or exploit intellectual property rights, which are important to our success. Our failure to adequately obtain, maintain, protect, defend and enforce our proprietary information and intellectual property rights could adversely affect our competitive position.

We rely on a combination of confidentiality, intellectual property, and other contractual arrangements, including licenses and copyright, trademark, and trade secret law, to protect much of our proprietary information and intellectual property in cases where we do not believe patent protection is appropriate or obtainable. Despite our efforts to protect our intellectual property and other proprietary rights, third parties may attempt to obtain, copy, use, or disclose our intellectual property or other proprietary information or technology without our authorization. In addition to protection under the law and contractual arrangements with our corporate and joint venture partners, employees, consultants, advisors, service providers, suppliers, subcontractors, and customers, we generally attempt to limit access to and distribution of our proprietary information. Although our employees and contractors are subject to confidentiality obligations and use restrictions, this protection may be inadequate to deter or prevent them from infringing, misappropriating, or otherwise violating our confidential information, technology, or other intellectual property or proprietary rights, and can be difficult to enforce. In addition, trade secrets are generally difficult to protect, and some courts inside and outside the United States may be less willing or unwilling to protect trade secrets.

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We may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Our intellectual property rights may be challenged by others, invalidated, narrowed in scope, or held unenforceable through administrative process or litigation in the United States or foreign jurisdictions. We may be required to expend significant resources and efforts to monitor and protect our intellectual property and other proprietary rights, and we may conclude that, in at least some instances, the benefits of protecting our intellectual property or other proprietary rights may be outweighed by the expense or distraction to our management. We may initiate claims or litigation against third parties for infringement, misappropriation, or other violations of our intellectual property or other proprietary rights or to establish the validity of our intellectual property or other proprietary rights, but outcomes in any such litigation can be difficult to predict and could be time-consuming, result in significant expense to us and divert the efforts of our technical and management personnel. Additionally, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. If we are unable to detect or prevent third parties from infringing, misappropriating, or otherwise violating our rights in our patents, copyrights, trademarks, trade secrets or other proprietary rights or information, our competitive position could be adversely affected. Also, in connection with our performance of services for the U.S. government, the U.S. government has certain rights to inventions, data, software codes and related material and intellectual property that we develop under government-funded contracts and subcontracts, which means that the U.S. government may disclose or license our information and intellectual property to third parties, including, in some instances, our competitors. Any exercise of such rights by the U.S. government could adversely affect our competitive position, business, financial condition, results of operations and prospects. We also may be limited in our ability to disclose or license such information and intellectual property to third parties and the U.S. government may also decline to make the intellectual property of others available to us under acceptable terms.

Third parties may also, from time to time, claim that we have infringed the intellectual property rights of others, resulting in claims against our customers or us, or we may face allegations that we or our service providers, suppliers, subcontractors, or customers have violated the intellectual property rights of others. Even if we believe that intellectual property-related claims are without merit, litigation may be necessary to determine the scope and validity of intellectual property or proprietary rights of others or to protect or enforce our intellectual property rights. If, with respect to any claim against us for violation of third-party intellectual property rights, we are unable to prevail in the litigation, retain or obtain sufficient rights, develop non-infringing solutions or otherwise alter our business practices on a timely or cost-efficient basis, our business and competitive position may be adversely affected. Such claims could also subject us to injunctions and significant liability for damages, potentially including treble damages if we are found to have willfully infringed a third party's intellectual property rights. In addition, our contracts generally indemnify our customers for third-party claims for intellectual property infringement by our services and products. Besides the expense and time to defend such claims and the cost of any large indemnity payments, any dispute with a customer with respect to such obligations could also have adverse effects on our relationship with that customer and other existing and new customers, requiring us to pay substantial royalty or licensing fees, and divert management's attention, any of which could harm our business, financial condition and results of operations.

Changes in tax laws and regulations or exposure to additional tax liabilities could adversely affect our financial results.

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Changes in U.S. (federal or state) or foreign tax laws and regulations, or their interpretation and application, including those with retroactive effect, could result in increases in our tax expense and adversely affect our financial results. For example, beginning in 2022, the Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development expenditures immediately in the year incurred and requires taxpayers to amortize such expenditures over five years, which likely will materially decrease our cash from operations unless Congress defers, modifies or repeals this provision with retroactive effect. See "Liquidity and Capital Resources" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" contained within this Annual Report on Form 10-K for additional information on the impact of this change.

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Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by tax authorities. Although we believe that our tax estimates and tax positions are reasonable, they could be materially affected by many factors, including the final outcome of tax audits and related litigation, the introduction of new tax accounting standards, legislation, regulations, and related interpretations, our global mix of earnings, the realizability of deferred tax assets and changes in uncertain tax positions. An increase or decrease in our effective tax rate, or an ultimate determination that we owe more taxes than the amounts previously accrued, could have a material adverse impact on our financial condition and results of operations.

The U.S. government may prefer minority-owned, small and small disadvantaged businesses; therefore, we may have fewer opportunities to bid on certain contracts.

As a result of the Small Business Administration set-aside program, the U.S. government may decide to restrict certain procurements only to bidders that qualify as minority-owned, small, or small disadvantaged businesses. As a result, we would not be eligible to perform as a prime contractor on those programs and would be restricted to a maximum of 49% of the work as a subcontractor on those programs. An increase in the number of procurements under the Small Business Administration set-aside program may impact our ability to bid on new procurements as a prime contractor or restrict our ability to re-compete on incumbent work that is placed in the set-aside program.

We might be adversely impacted by fluctuations in foreign currency exchange rates.

We conduct our business in various currencies, including the U.S. dollar, the British pound and the Australian dollar. Changes in foreign currency exchange rates could reduce our revenues, increase our costs or otherwise adversely affect our financial results reported in U.S. dollars. We may from time to time enter into foreign currency contracts, foreign currency borrowings or other techniques intended to hedge a portion of our foreign currency exchange rate risks. These hedging activities may not completely offset the adverse financial effects of unfavorable movements in foreign currency exchange rates during the time hedges are in place. Any of these risks might have an adverse impact on our business operations and our financial position, results of operations or cash flows.

Risks Relating to Our Stock

We cannot assure you that we will continue to pay or increase dividends on our common stock or to repurchase shares of our common stock.

The timing, declaration, amount, and payment of any future dividends fall within the discretion of our Board and depend on many factors, including our available cash, estimated cash needs, cash deployment alternatives, earnings, financial condition, operating results, and capital requirements, as well as limitations in our contractual agreements, applicable law, regulatory constraints, industry practice and other business considerations that our Board considers relevant. Decreases in asset values or increases in liabilities, including liabilities associated with employee benefit plans and assets and liabilities associated with taxes, can reduce cash, net earnings, and stockholders' equity. In addition, the timing and amount of share repurchases under Board-approved share repurchase plans are within the discretion of management and will depend on many factors, including our ability to generate sufficient cash flows from operations in the future or to borrow money from available financing sources, results of operations, capital requirements, general business conditions, and applicable law. Our payment of dividends and share repurchases could vary from historical practices or our stated expectations. A change in our dividend or share repurchase programs could have an adverse effect on the market price of our common stock.

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Provisions in our charter documents and under Delaware law could delay or prevent transactions that many stockholders may favor.

Some provisions of our certificate of incorporation and bylaws may delay, discourage, or prevent a merger or acquisition that our stockholders may consider favorable, including transactions in which stockholders might receive a premium for their shares. These restrictions, which may also make it more difficult for our stockholders to elect directors not endorsed by our current directors and management, include mergers and certain other business combinations between a related person and us requiring approval by the holders of a majority of the voting power of such securities that are not owned by the related person unless approved by a majority of continuing directors or certain other exceptions; our stockholders may not act by written consent; our Board may issue, without stockholder approval, shares of undesignated preferred stock, the terms of which may be determined by the Board; and we are also subject to certain restrictions on business combinations under Section 203 of the Delaware General Corporation Law, which imposes additional requirements for business combinations, and may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity**Risk Management and Strategy**

Cybersecurity risk management is an integral part of our digital posture and enterprise risk management strategy. Cybersecurity is critical to maintaining the trust of our customers and business partners, and we are committed to protecting our and their confidential and sensitive information, including personal information, and mitigating cybersecurity risks that impact our systems and networks. We maintain technologies, programs and processes designed to assess, identify, manage and mitigate cybersecurity risks. Our efforts include regular monitoring of Leidos-managed programs for internal and external cybersecurity threats, providing cybersecurity training to our employees during the onboarding process and annually, and continually reviewing and refining formal policies and procedures designed to deter, identify and remediate cybersecurity incidents. We regularly perform evaluations of our cybersecurity program and continue to invest in our capabilities to keep our customers, partners, suppliers and information assets in our possession safe. Although we employ service provider due diligence and onboarding procedures to identify potential cybersecurity risk, our ability to monitor the cybersecurity practices of our service providers is limited and there can be no assurance that we can prevent or mitigate the risk of any compromise or failure in the information system, software, networks and other assets owned or controlled by our vendors.

Our Chief Information Security Officer leads our Cybersecurity Intelligence and Response Team (“CSIRT”) whose function is to stay apprised of existing and emerging cyber threats and monitor our global enterprise and proactively identify and protect against cybersecurity risk. The CSIRT uses intelligence collected from various sources, fused with intelligence collected from analysis and response actions, to proactively search for, and address adversary activity against the Leidos network. The CSIRT possesses in-depth knowledge of network, endpoint, perimeter security systems, identity, data protection, threat intelligence, forensics, penetration testing and malware reverse engineering, as well as the functioning of specific applications or underlying information technology infrastructure.

Leidos CSIRT owns the incident response process and provides direction and guidance to users of Leidos computing resources when responding to cybersecurity incidents. Leidos CSIRT also provides intrusion monitoring of networks and information systems and continuously monitors the Leidos computing environments and performs triage and analysis of events to identify potential incidents.

We employ multiple security and monitoring devices and applications throughout the Company to identify, alert, report and log all authorized and unauthorized access to the Leidos enterprise networks. We use an application that collects, correlates, and notifies CSIRT analysts regarding any item meeting an electronic intrusion event. We categorize anomalous cyber events into discrete levels in which cybersecurity matters are escalated to certain levels of management, as well as our Board, based on the severity of the incident, as appropriate. Sharing cyber threat information at these levels supports the Company’s ability to integrate cybersecurity considerations into its overarching risk management system and processes.

We also conduct periodic internal and third-party assessments to test our cybersecurity controls, perform cyber simulations and exercises, and continually evaluate our internal governing policies and procedures to help detect and respond to cybersecurity events in order to reduce harms or impacts from breaches and other information security incidents.

Governance***Management's Responsibilities***

Our global information security program is led by our corporate Chief Information Security Officer, who works closely with key corporate functional and line of business stakeholders. The Chief Information Security Officer partners with these functions for the purpose of identifying, considering and assessing material cybersecurity risks on an ongoing basis, establishing processes to ensure that such potential cybersecurity risks are monitored, implementing appropriate mitigation measures, reporting cybersecurity breaches and other information security incidents, and maintaining our cybersecurity program. The team of senior management officers, who support our information security program, have expertise with cybersecurity, as demonstrated qualifications such as by prior work experience, possession of a cybersecurity certification, degree, or other cybersecurity experience. Our management team receives regular updates on our cybersecurity posture and reviews detailed information about our cybersecurity preparedness. Additionally, we have a Leidos Security Council that is co-chaired by the Chief Information Security Officer and the Chief Security Officer to address “all security hazards” across our global enterprise to ensure cohesion and effectiveness of our combined security governance and risk mitigations.

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Board's Roles and Responsibilities

We have a Technology and Innovation Security Committee, comprised of six board members, with relevant backgrounds and experience, that oversees and advises the Board and management on matters involving the Company's overall strategic direction and significant business risks and opportunities in the areas of technology and information security.

At least quarterly, management provides our Board and the Technology and Information Security Committee with updates about our cybersecurity and related risk exposures, our policies and procedures to mitigate such exposures and the status of projects to strengthen our information security infrastructure and program maturity and defend against and respond to cybersecurity threats. In addition, we use a risk-based escalation process to notify the Board and the Technology and Information Security Committee outside of the regular reporting cycle should we identify a significant emerging risk or potentially material issue that should be brought to their attention.

Cybersecurity Threats

To date, we have not identified any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of our operations, or our financial condition. However, despite our efforts to identify and respond to cybersecurity threats, we cannot eliminate all risks from cybersecurity threats, or provide assurances that we have not experienced an undetected cybersecurity incident. For more information about these risks, please see "Risk Factors – Cybersecurity breaches and other information security incidents could negatively impact our business and financial results, impair our ability to effectively provide our services to our customers and cause harm to our reputation or competitive position" in this Annual Report on Form 10-K.

PART I**Item 2. Properties**

As of December 29, 2023, we conducted our operations in 427 locations in 44 states, the District of Columbia and various foreign countries. We occupy approximately 8.5 million square feet of floor space. Of this amount, we own approximately 1.1 million square feet, and the remaining balance is leased. Our major locations are in the Washington, D.C., metropolitan area, where we occupy a combination of leased and owned floor space of approximately 1.9 million square feet. We also have employees working at customer sites throughout the United States and in other countries.

As of December 29, 2023, we owned the following properties:

Location	Number of buildings	Square footage	Acreage
Huntsville, Alabama	7	801,000	90.7
Columbia, Maryland	1	95,000	7.3
Orlando, Florida	1	85,000	8.5
Oak Ridge, Tennessee	1	83,000	8.4
Decatur, Alabama	1	50,000	5.0

The nature of our business is such that there is no practicable way to relate occupied space to our reportable segments.

Item 3. Legal Proceedings

We have provided information about legal proceedings in which we are involved in "Note 21—Commitments and Contingencies" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

In addition, we are routinely subject to investigations and reviews relating to compliance with various laws and regulations. Additional information regarding such investigations and reviews is set forth in "Note 21—Commitments and Contingencies" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

The following is a list of the names and ages (as of February 13, 2024) of our executive officers, indicating all positions and offices held by each such person and each such person's business experience during at least the past five years. All such persons have been elected to serve until their successors are elected and qualified or until their earlier resignation or removal.

Name of officer	Age	Position(s) with the company and prior business experience
Thomas A. Bell	63	Mr. Bell serves as the Chief Executive Officer of Leidos. He joined Leidos as CEO in May 3, 2023. Mr. Bell has held leadership roles as President – Defense Rolls-Royce plc; Chairman and CEO – Rolls-Royce North America (Rolls-Royce) since February 2018. Prior to that, Mr. Bell was Senior Vice President of global sales and marketing for defense, space and security at The Boeing Company (Boeing) from 2015. Before joining Boeing in 2015, Mr. Bell was President of Rolls-Royce Defense Aerospace, having joined as President, Customer Business, North America in mid-2012.
Christopher R. Cage	52	Mr. Cage has served as Executive Vice President and Chief Financial Officer since July 2021. He has served in several capacities throughout his 25-year tenure with Leidos, including Senior Vice President, Chief Accounting Officer and Corporate Controller, Senior Vice President for Financial Planning and Analysis and Chief Financial Officer for the Health Group.

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Name of officer	Age	Position(s) with the company and prior business experience
Carly E. Kimball	48	Ms. Kimball has served as the Executive Vice President, Chief Performance Officer since January 2024. In addition, she served as Senior Vice President, Chief Accounting Officer and Corporate Controller since July 2021. Ms. Kimball also served as the Company's Assistant Corporate Controller. Ms. Kimball has over 25 years of experience leading large teams and has extensive proficiency in accounting, auditing, financial reporting, acquisitions and integrations, as well as business operations. Prior to joining Leidos, she served as Chief Financial Officer of CACI Products Company Inc. and Senior Manager in Ernst & Young's Aerospace and Defense audit practice.
Gerard A. Fasano	58	Mr. Fasano has served as Executive Vice President, Chief Growth Officer since January 2024. Previously, he served as President for our Defense Group since October 2018. Mr. Fasano also served as the Company's Chief of Business Development and Strategy Officer, and led the separation from the Lockheed Martin Corporation and the integration of the Information Systems & Global Solutions Business into Leidos. Prior to joining Leidos, Mr. Fasano served Lockheed Martin Corporation for over 30 years.
Jerald S. Howe, Jr.	68	Mr. Howe has served as Executive Vice President and General Counsel since July 2017 and as Corporate Secretary since September 2023. Prior to joining Leidos, Mr. Howe was a partner at Fried, Frank, Harris, Shriver & Jacobson LLP, where he served in the firm's litigation, government contracts, mergers and acquisitions and aerospace and defense practices. Prior to joining Fried Frank, Mr. Howe held general counsel positions at TASC, a leading aerospace and defense company, and at Veridian Corporation, a publicly traded company that provided advanced technology services and solutions to the intelligence community, military and homeland defense agencies.
Steve Cook	56	Mr. Cook has served as President for Leidos Dynetics (formerly Dynetics Group) since April 2022. He previously served as Deputy Group President and Operations Manager of the Leidos Innovations Center from February 2020 to March 2022. Mr. Cook joined Dynetics in 2009 as the director of space technologies before leading the Dynetics Space Division and then later overseeing Dynetics' corporate development efforts. Prior to joining Dynetics, he enjoyed a long and successful career at NASA, serving in such roles as the deputy manager of NASA's Marshall Space Transportation Programs and Projects Office as well as the manager of the Ares Projects Office at the Marshall Space Flight Center in Huntsville.
Elizabeth M. Porter	53	Ms. Porter has served as President for the Health and Civil Sector since January 2024. Previously, she served as President for our Health Group since August 2020 and, before that, as Acting Group President for the Health Group since March 2020. Ms. Porter also served as Senior Vice President and Operation Manager for Leidos' Federal Energy and Environment business. Prior to that role, Ms. Porter served as the Department of Defense Information Networks & Mission Partner Program Director. Prior to joining Leidos, Ms. Porter served Lockheed Martin Corporation for over 20 years in several capacities, most recently as Director of Army IT, a portfolio of IT programs for the U.S. Army.
Roy Stevens	55	Mr. Stevens has served as President for the National Security Sector since January 2024. Previously, he served as President for our Intelligence Group since July 2021, and before that, as Chief of Business Development and Strategy. Prior to joining Leidos, Mr. Stevens served Lockheed Martin Corporation in a variety of executive level positions for over 20 years, most recently as Vice President of Global Solutions under the Information Systems & Global Solutions business, and has also been integral to the merger and acquisition of several companies during his career. He serves on the Board of Directors for Cornerstones.

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Name of officer	Age	Position(s) with the company and prior business experience
Thomas C. Sanglier	63	Mr. Sanglier has served as Senior Vice President and Chief Audit Executive since July 2022. Prior to joining Leidos, Mr. Sanglier served as Senior Director, Internal Audit with Raytheon Technologies from November 2016 to June 2022 and as a Partner with Ernst & Young's Advisory practice serving private and public organizations in the technology, manufacturing and professional services industries during June 2008 to December 2010. He previously served as Chair of the North American Board and a member of the Global Board of the Institute of Internal Auditors ("IIA") from April 2022 to March 2023. He has been involved as a volunteer leader with the IIA since becoming a member in 2011. Mr. Sanglier has also served as a member of The IIA's Audit Committee, Guidance Development Committee, North American Publications Advisory Committee and multiple task forces.
Maureen Waterston	59	Ms. Waterston has served as Chief Human Resources Officer for Leidos since March 2022. Ms. Waterston has over 25 years of experience overseeing talent, recruitment, and development; employee and labor relations; compensation and benefits; and diversity and inclusion across a global workforce. Prior to joining Leidos, Ms. Waterston served as Chief Human Resources Officer for Pratt & Whitney from November 2015 to March 2022, Chief Human Resources Officer for United Technologies Building & Industrial Systems and Chief Human Resources Officer for Otis Elevator Company.
James F. Carlini	59	Mr. Carlini has served as Chief Technology Officer of Leidos since June 2019. Prior to joining Leidos, Mr. Carlini founded and operated a national security consultancy from May 2006 to October 2018. Previously, Mr. Carlini served at Northrop Grumman Electronic Systems from July 2002 to May 2006, with his last position being Vice President of Advanced Development Programs. He also served at the Defense Advanced Research Projects Agency (DARPA) for six years, with his last position being Director of the Special Projects Office. Mr. Carlini is a former member of the United States Army Science Board and the United States Air Force Scientific Advisory Board. He is currently a member of the Department of Defense's Defense Science Board.
M. Victoria Schmanske	61	Ms. Schmanske has served as the President of the Commercial and International Sector since January 2024. Previously, she served as the Executive Vice President of Leidos Corporate Operations since July 2021, and before that, as President for the Intelligence Group. Ms. Schmanske has also served as the Leidos Chief Administrative Officer and Deputy President and Chief Operations Officer for the Health Group. Prior to joining Leidos, Ms. Schmanske served Lockheed Martin Corporation for over 30 years, most recently as Vice President for Operations IS&GS. She serves on multiple outside boards to include the University of Virginia School of Data Science Advisory Board, the Virginia Engineering Foundation Board of Directors, and The Women's Center.
Cindy Gruensfelder	58	Ms. Gruensfelder has served as the President of the Defense System Sector since January 2024. Ms. Gruensfelder has extensive Aerospace and Defense leadership expertise, serving for more than 30 years in a variety of leadership roles at Boeing, and its heritage company, McDonnell Douglas. She served as Vice President and General Manager of the Missile and Weapon Systems ("MWS"), division of Boeing Defense, Space & Security, from April 2021 to November 2022, and prior to that role, as Vice President of Weapons for the MWS division from October 2018 to April 2021.
Steve Hull	53	Mr. Hull has served as the President for the Digital Modernization Sector since January 2024. Previously, he served as Executive Vice President and Operations Manager for Enterprise and Cyber Solutions at Leidos from March 2022 through December 2023, and Chief Information Officer ("CIO") at Leidos from August 2016 through March 2022. Prior to joining Leidos, Mr. Hull served as the CIO of the Lockheed Martin Corporation's Information Systems & Global Solutions business area from January 2013 through August 2016, ensuring operations and security of IT systems for over 20,000 employees. Mr. Hull has over 30 years of experience in the IT field.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the New York Stock Exchange ("NYSE") under the ticker symbol "LDOS."

Holders of Common Stock

As of February 6, 2024, there were approximately 19,005 holders of record of Leidos common stock. The number of stockholders of record of our common stock is not representative of the number of beneficial owners due to the fact that many shares are held by depositories, brokers or nominees.

Dividend Policy

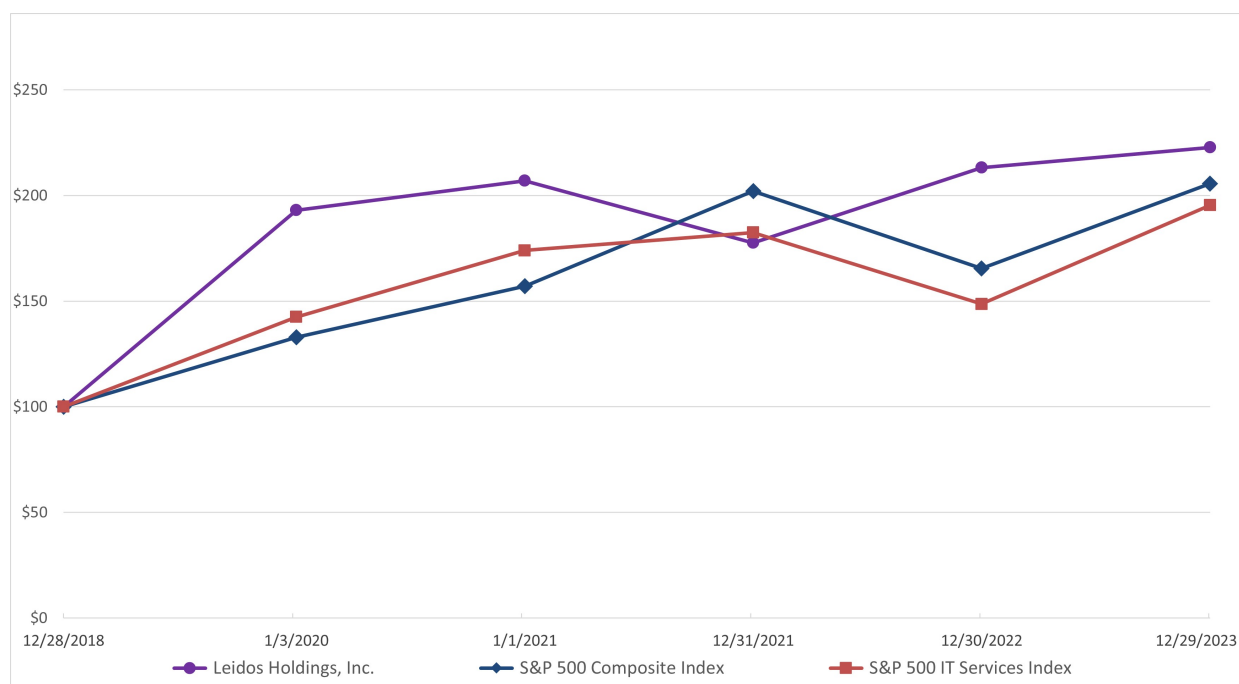
During fiscal 2023 and 2022, we declared and paid quarterly dividends totaling \$1.46 and \$1.44 per share, respectively, of Leidos common stock. We currently intend to continue paying dividends on a quarterly basis, although the declaration of any future dividends will be determined by our Board of Directors and will depend on many factors, including available cash, estimated cash needs, earnings, financial condition, operating results and capital requirements, as well as limitations in our contractual agreements, applicable law, regulatory constraints, industry practice and other business considerations that the Board of Directors considers relevant. Our ability to declare and pay future dividends on Leidos stock may be restricted by the provisions of Delaware law and covenants in our then-existing indebtedness arrangements.

Stock Performance Graph

This stock performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Leidos under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

The following graph compares the total cumulative five-year return on Leidos common stock through December 29, 2023, to two indices: (i) the Standard & Poor's 500 Composite index and (ii) the Standard & Poor's 500 IT Services Industry index. The graph assumes an initial investment of \$100 on December 28, 2018, and that dividends, if any, have been reinvested. The comparisons in the graph are required by the SEC, based upon historical data and are not intended to forecast or be indicative of possible future performance of Leidos common stock.

Comparison of Cumulative Total Return



Company/Market/Peer Group	12/28/2018	1/3/2020	1/1/2021	12/31/2021	12/30/2022	12/29/2023
Leidos Inc.	\$ 100.00	\$ 193.07	\$ 206.95	\$ 177.59	\$ 213.19	\$ 222.79
S&P 500 Composite Index	\$ 100.00	\$ 132.82	\$ 157.02	\$ 202.09	\$ 165.49	\$ 205.59
S&P 500 IT Services Index	\$ 100.00	\$ 142.47	\$ 173.97	\$ 182.45	\$ 148.63	\$ 195.36

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table presents information related to the repurchases of our common stock during the quarter ended December 29, 2023:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Repurchase Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
September 30, 2023	—	\$ —	—	14,934,512
October 1, 2023 - October 31, 2023	—	—	—	14,934,512
November 1, 2023 - November 30, 2023	1,669,887	104.56	1,669,887	13,264,625
December 1, 2023 - December 29, 2023	233,306	107.35	233,306	13,031,319
Total	1,903,193	\$ 104.90	1,903,193	

⁽¹⁾ The total number of shares purchased includes shares surrendered to satisfy statutory tax withholding obligations related to vesting of restricted stock units.

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⁽²⁾ In February 2022, our Board of Directors authorized a share repurchase program of up to 20 million shares of our outstanding common stock. The shares may be repurchased from time to time in one or more open market repurchases or privately negotiated transactions, including accelerated share repurchase transactions. The actual timing, number and value of shares repurchased under the program will depend on a number of factors, including the market price of our common stock, general market and economic conditions, applicable legal requirements, compliance with the terms of our outstanding indebtedness and other considerations. There is no assurance as to the number of shares that will be repurchased, and the repurchase program may be suspended or discontinued at any time at our Board of Directors' discretion. This share repurchase authorization replaces the previous share repurchase authorization announced in February 2018.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of Leidos Holdings, Inc.'s ("Leidos") financial condition, results of operations and quantitative and qualitative disclosures about business environment and trends and market risk should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report on Form 10-K, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties, including those described under the heading "Forward-Looking Statements." You should also review the disclosure under Part I, Item 1A, "Risk Factors" in this Annual Report on Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Unless indicated otherwise, references in this report to "we," "us" and "our" refer collectively to Leidos and its consolidated subsidiaries.

In this section, we discuss our financial condition, changes in financial condition and results of our operations for the year ended December 29, 2023, compared to the year ended December 30, 2022. For a discussion and analysis comparing our results for the year ended December 30, 2022, to the year ended December 31, 2021, see our Annual Report on Form 10-K for the year ended December 30, 2022, filed with the SEC on February 14, 2023, under Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Overview

Leidos, recognized as a member of the Fortune 500®, is a dynamic innovation company that is at the forefront of addressing the world's most challenging issues in national security and health sectors. With a global workforce of approximately 47,000, Leidos is committed to developing smarter technology solutions, particularly for customers in highly regulated industries. We bring domain-specific capabilities and innovations to customers in each of these markets by leveraging five technical core capabilities: digital modernization, cyber operations, mission software systems, integrated systems and mission operations. Our customers include the U.S. Department of Defense ("DoD"), the U.S. Intelligence Community, the U.S. Department of Homeland Security, the Federal Aviation Administration, the Department of Veterans Affairs, National Aeronautics and Space Administration ("NASA") and many other U.S. civilian, state and local government agencies, foreign government agencies and commercial businesses. Approximately 9% of our revenues are generated by entities located outside of the United States. Our business has been aligned in three reportable segments: Defense Solutions, Civil and Health. Additionally, we separately present the unallocable costs associated with corporate functions as Corporate.

For additional information regarding our reportable segments, see "Business" in Part I and "Note 20—Business Segments" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Our significant initiatives include the following:

- achieving annual revenue growth through internal collaboration and better leveraging of key differentiators across our company and the deployment of resources and investments into profitable growth markets;
- continued improvement in our back-office infrastructure and related business processes for greater effectiveness and efficiency across all business functions; and
- disciplined deployment of our cash resources and use of our capital structure to enhance shareholder value while retaining an appropriate amount of financial leverage.

Sales Trend. For fiscal 2023, revenues increased \$1.0 billion, or 7%, compared to fiscal 2022, primarily due to program wins, a net increase in volumes on certain programs and a net increase in revenues attributable to our business acquisitions. The increase was partially offset by the completion of certain contracts.

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Operating Expenses and Income Trend. For fiscal 2023, operating expenses increased by \$1.5 billion, or 11%, compared to fiscal 2022. Operating margin for fiscal 2023 was 4.0% compared to 7.6% for fiscal 2022. Operating income was \$621 million, a \$467 million decrease compared to fiscal 2022. The decrease was primarily attributable to a net increase in impairment charges of \$647 million mainly in our SES reporting unit (see "Note 8—Goodwill and Intangible Assets" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K). The decrease was partially offset by program wins, a net increase in volumes on certain programs and lower amortization expenses.

From a macroeconomic perspective, our industry is under general competitive pressures associated with spending from our largest customer, the U.S. government, and requires a high level of cost management focus to allow us to remain competitive. Although the U.S. Presidential Administration has not indicated a desire to reduce spending in the defense and homeland security sectors, the likelihood, extent and duration of current spending levels in these areas remains unclear. We continue to review our cost structure against our anticipated sales and undertake cost management actions and efficiency initiatives where necessary.

Business Environment and Trends

U.S. Government Markets

We generated approximately 87% of our total revenues from contracts with the U.S. government in fiscal 2023, as compared to 86% of our total revenues from contracts with the U.S. government in fiscal 2022, either as a prime contractor or a subcontractor to other contractors engaged in work for the U.S. government. Revenues under contracts with the DoD and U.S. Intelligence Community, including subcontracts under which the DoD or the U.S. Intelligence Community is the ultimate purchaser, represented approximately 49% and 44% of our total revenues for fiscal 2023 and 2022, respectively. Accordingly, our business performance is affected by the overall level of U.S. government spending, especially national security, homeland security and intelligence spending, and the alignment of our service and product offerings and capabilities with current and future budget priorities of the U.S. government.

On January 18, 2024, Congress passed a third continuing resolution ("CR") to avoid a federal government shutdown. The resolution is structured in two tiers with the first deadline being March 1, 2024, for Military Construction-VA, Agriculture, Energy-Water, and Transportation-HUD funding bills. The eight remaining bills have a March 8, 2024, deadline. The CR gives lawmakers extra time to consider the appropriations bills for government fiscal year ("GFY") 2024. Failure to pass the appropriations bills or another CR by March 1 and March 8, 2024, will result in a partial or complete federal government shutdown.

Trends in the U.S. government contracting process, including a shift towards multiple-awards contracts, in which certain contractors are preapproved using IDIQ and U.S. General Services Administration ("GSA") contract vehicles, have increased competition for U.S. government contracts, reduced backlogs by shortening periods of performance on contracts and increased pricing pressure. We expect that a majority of the business that we seek in the foreseeable future will be awarded through a competitive bidding process. For more information on these risks and uncertainties, see "Risk Factors" in Part I of this Annual Report on Form 10-K.

International Markets

Sales to customers in international markets represented approximately 9% of total revenues for fiscal 2023, as compared to 8% of total revenues for fiscal 2022. Our international customers include foreign governments and their agencies. Our international business increases our exposure to international markets and the associated international regulatory, foreign currency exchange rate and geopolitical risks.

Changes in international trade policies, including higher tariffs on imported goods and materials, may increase our procurement costs of certain IT hardware used both on our contracts and for internal use. However, we expect to recover certain portions of these higher tariffs through our cost-plus contracts. While we evaluate the impact of higher tariffs, currently, we do not expect tariffs to have a significant impact to our business.

Key Performance Measures

The primary financial performance measures we use to manage our business and monitor results of operations are revenue, operating income, cash flows from operations and diluted earnings per share. Bookings and backlog are also useful measures for management and investors to evaluate our performance and potential future revenues. In addition, we consider business performance by contract type to be useful to management and investors when evaluating our operating income and margin performance.

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Results of Operations

Our results of operations for the periods presented were as follows:

	Year Ended		2023 to 2022	
	December 29, 2023	December 30, 2022	Dollar change	Percent change
	(dollars in millions)			
Revenues	\$ 15,438	\$ 14,396	\$ 1,042	7 %
Cost of revenues	13,194	12,312	882	7 %
Selling, general and administrative expenses	942	951	(9)	(1)%
Acquisition, integration and restructuring costs	24	17	7	41 %
Goodwill impairment charges	596	—	596	NM
Asset impairment charges	91	40	51	128 %
Equity earnings of non-consolidated subsidiaries	(30)	(12)	(18)	150 %
Operating income	621	1,088	(467)	(43)%
Non-operating expense, net	(218)	(202)	(16)	8 %
Income before income taxes	403	886	(483)	(55)%
Income tax expense	(195)	(193)	(2)	1 %
Net income	208	693	(485)	(70)%
Less: net income attributable to non-controlling interest	9	8	1	13 %
Net income attributable to Leidos common stockholders	\$ 199	\$ 685	\$ (486)	(71)%
<i>Operating margin</i>	<i>4.0 %</i>	<i>7.6 %</i>		

NM - Not meaningful

Segment and Corporate Results

Defense Solutions	Year Ended		2023 to 2022	
	December 29, 2023	December 30, 2022	Dollar change	Percent change
	(dollars in millions)			
Revenues	\$ 8,732	\$ 8,244	\$ 488	6 %
Operating income	636	541	95	18 %
<i>Operating margin</i>	<i>7.3 %</i>	<i>6.6 %</i>		

The increase in revenues for fiscal 2023 as compared to fiscal 2022 was primarily attributable to program wins, a net increase in volumes on certain programs and a \$94 million net increase in revenues related to our Cobham Special Mission acquisition made in the last quarter of fiscal 2022. The increase was partially offset by the completion of certain contracts and an unfavorable net impact from exchange rate movements.

The increase in operating income for fiscal 2023 as compared to fiscal 2022 was primarily attributable to program wins, a net increase in volumes, improved cost control and net write-ups on certain contracts, partially offset by the completion of certain contracts.

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Civil	Year Ended		2023 to 2022	
	December 29, 2023	December 30, 2022	Dollar change	Percent change
	(dollars in millions)			
Revenues	\$ 3,664	\$ 3,464	\$ 200	6 %
Operating (loss) income	(413)	234	(647)	(276)%
Operating margin	(11.3)%	6.8 %		

The increase in revenues for fiscal 2023 as compared to fiscal 2022 was primarily attributable to a net increase in volumes on certain programs and program wins.

The decrease in operating income for fiscal 2023 as compared to fiscal 2022 was primarily attributable to a net increase in impairment charges of \$665 million, restructuring charges of \$10 million and higher margin offerings on certain programs in the prior year. The decrease was partially offset by \$19 million in legal reserves and fees resulting from an adverse arbitration ruling in the prior year.

Health	Year Ended		2023 to 2022	
	December 29, 2023	December 30, 2022	Dollar change	Percent change
	(dollars in millions)			
Revenues	\$ 3,042	\$ 2,688	\$ 354	13 %
Operating income	528	421	107	25 %
Operating margin	17.4 %	15.7 %		

The increase in revenues for fiscal 2023 as compared to fiscal 2022 was primarily attributable to a net increase in volumes on certain programs, program wins and increased earnings from incentive awards. The increase was partially offset by completion of certain contracts and a net decrease in the recovery of expenditures in the medical examination business.

The increase in operating income for fiscal 2023 as compared to fiscal 2022 was primarily attributable to increased earnings from incentive awards and a net increase in volumes on certain programs, partially offset by a net decrease in the recovery of expenditures in the medical examination business.

Corporate	Year Ended		2023 to 2022	
	December 29, 2023	December 30, 2022	Dollar change	Percent change
	(dollars in millions)			
Operating loss	\$ (130)	\$ (108)	\$ (22)	20 %

The increase in operating loss for fiscal 2023 as compared to fiscal 2022 was primarily attributable to higher legal costs, increased expenses in integration and restructuring activities, partially offset by the impact of foreign payroll tax reserves.

Non-Operating Expense, Net

Non-operating expense, net increased by \$16 million for fiscal 2023 as compared to fiscal 2022, primarily due to a net increase in interest expense driven by higher interest rates and refinancing activities.

Provision for Income Taxes

Our effective tax rate was 48.4% and 21.8% in fiscal 2023 and 2022, respectively. The effective tax rate for fiscal 2023 was unfavorably impacted primarily by non tax deductible goodwill impairments. The effective tax rate for fiscal 2022 was favorably impacted primarily by federal research tax credits and excess tax benefits related to employee stock-based payment transactions.

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Beginning in 2022, the Tax Cuts and Jobs Act of 2017 ("TCJA") eliminated the option to currently deduct certain research and development costs for tax purposes and requires taxpayers to capitalize and amortize research costs over five years. The actual impact will depend on the amount of research and development costs the Company will incur, whether Congress modifies or repeals this provision and whether new guidance and interpretive rules are issued by the U.S. Treasury, among other factors.

In December 2021, the Organization for Economic Cooperation and Development ("OECD") enacted model rules for a new 15% global minimum tax framework ("Pillar Two"). Many governments around the world have enacted or are in the process of enacting Pillar Two legislation. We are evaluating the potential impact of the rules but currently do not expect them to have a material impact.

Bookings and Backlog

We had net bookings of \$16.5 billion and \$15.4 billion during fiscal 2023 and 2022, respectively. Net bookings represent the estimated amount of revenue to be earned in the future from funded and unfunded contract awards that were received during the year, net of any adjustments to previously awarded backlog amounts. We calculate net bookings as the year's ending backlog, plus the year's revenues, less the prior year's ending backlog and any impacts from foreign currency or acquisitions and divestitures.

Backlog represents the estimated amount of future revenues to be recognized under negotiated contracts. We segregate our backlog into two categories as follows:

- **Funded Backlog.** Funded backlog for contracts with the U.S. government represents the value on contracts for which funding is appropriated less revenues previously recognized on these contracts. Funded backlog for contracts with non-U.S. government entities and commercial customers represents the estimated value on contracts, which may cover multiple future years, under which we are obligated to perform, less revenues previously recognized on the contracts.
- **Negotiated Unfunded Backlog.** Negotiated unfunded backlog represents estimated amounts of revenue to be earned in the future from contracts for which funding has not been appropriated and unexercised priced contract options. Negotiated unfunded backlog does not include unexercised option periods and future potential task orders expected to be awarded under IDIQ, GSA Schedule or other master agreement contract vehicles, with the exception of certain IDIQ contracts where task orders are not competitively awarded and separately priced but instead are used as a funding mechanism, and where there is a basis for estimating future revenues and funding on future anticipated task orders.

The estimated value of our total backlog for the periods presented was as follows:

Segment	Year ended					
	December 29, 2023			December 30, 2022		
	Funded	Unfunded	Total	Funded	Unfunded	Total
	(in millions)					
Defense Solutions	\$ 4,541	\$ 14,783	\$ 19,324	\$ 4,442	\$ 14,155	\$ 18,597
Civil	2,182	9,475	11,657	1,876	8,790	10,666
Health	2,073	3,908	5,981	2,064	4,455	6,519
Total	\$ 8,796	\$ 28,166	\$ 36,962	\$ 8,382	\$ 27,400	\$ 35,782

Bookings and backlog fluctuate from period to period depending on our success rate in winning contracts and the timing of contract awards, renewals, modifications and cancellations, as well as foreign currency movements. Contract awards may be negatively impacted by ongoing industry-wide delays in procurement decisions and budget cuts by the U.S. government as discussed in "Business Environment and Trends" in this Annual Report on Form 10-K.

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We expect to recognize a substantial portion of our funded backlog as revenues within the next 12 months. However, the U.S. government may cancel any contract at any time through a termination for the convenience of the U.S. government. In addition, certain contracts with commercial or non-U.S. government customers may include provisions that allow the customer to cancel at any time. Most of our contracts have cancellation terms that would permit us to recover all or a portion of our incurred costs and fees for work performed.

Contract Types

Our earnings and profitability may vary materially depending on changes in the proportionate amount of revenues derived from each type of contract. For a discussion of the types of contracts under which we generate revenues, see “Business—Contract Types” in Part I of this Annual Report on Form 10-K. Revenues by contract type as a percentage of our total revenues for the periods presented were as follows:

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
Cost-reimbursement and fixed-price-incentive-fee	48 %	50 %	50 %
Firm-fixed-price	39 %	38 %	37 %
Time-and-materials and fixed-price-level-of-effort	13 %	12 %	13 %
Total	100 %	100 %	100 %

Liquidity and Capital Resources**Overview of Liquidity**

As of December 29, 2023, we had \$777 million in cash and cash equivalents. In March 2023, we entered into a senior unsecured revolving credit facility which can provide up to \$1.0 billion in additional borrowing, if required. This new credit facility replaced the previous senior unsecured revolving credit facility. As of December 29, 2023, and December 30, 2022, there were no borrowings outstanding under any revolving credit facility.

At December 29, 2023, and December 30, 2022, we had outstanding debt of \$4.7 billion and \$4.9 billion, respectively. In February 2023, we issued and sold \$750 million 5.75% fixed-rate senior notes. The annual interest rate is payable on a semi-annual basis. In March 2023, we entered into a Credit Agreement with certain financial institutions, which provided for a senior unsecured term loan facility in an aggregate principal amount of \$1.0 billion (the “Term Loan Facility”). The proceeds of the Term Loan Facility and cash on hand were used to repay in full all indebtedness, terminate all commitments and discharge all guarantees existing in connection with a predecessor \$1.9 billion senior unsecured term loan facility and a senior unsecured revolving facility.

As of December 29, 2023, borrowings under our Credit Agreement were based on a Term Secured Overnight Financing Rate (“SOFR”) with a 0.10% Term SOFR adjustment and an applicable margin range from 1.00% to 1.50%. At December 29, 2023, the applicable margin for SOFR-denominated borrowings was 1.25%.

We have a commercial paper program in which we may issue short-term unsecured commercial paper notes (“Commercial Paper Notes”) that have maturities of up to 397 days from the date of issuance (see “Note 13—Debt”). On May 26, 2023, we increased the size of the commercial paper program by \$250 million, or not to exceed \$1.0 billion. As of December 29, 2023, and December 30, 2022, we did not have any commercial paper notes outstanding.

We made principal payments, excluding the impacts of our Commercial Paper Notes, on our debt of \$2,045 million, \$545 million and \$106 million during fiscal 2023, 2022 and 2021, respectively. The activity for fiscal 2023 included a \$1,210 million payment to discharge the existing Term Loan Facility, a \$498 million payment to discharge the \$500 million 2.95% notes, due May 2023, and a principal repayment of \$320 million to discharge the 364-day term loan credit agreement.

Our credit facility, term loan facility, commercial paper notes and notes outstanding as of December 29, 2023, contain financial covenants and customary restrictive covenants. We were in compliance with all covenants as of December 29, 2023.

We paid dividends of \$201 million for fiscal 2023 and \$199 million for both fiscal 2022 and 2021.

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We may from time to time seek to retire or purchase our outstanding debt through cash purchases in the open market, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Stock repurchases of Leidos common stock may be made on the open market or in privately negotiated transactions with third parties including through accelerated share repurchase ("ASR") agreements. Whether repurchases are made and the timing and actual number of shares repurchased depends on a variety of factors including price, corporate capital requirements, other market conditions and regulatory requirements. The repurchase program may be accelerated, suspended, delayed or discontinued at any time.

During fiscal 2023 and 2021, we made open market repurchases of our common stock for an aggregate purchase price of \$225 million and \$237 million, respectively. There were no open market share repurchases in fiscal 2022.

In fiscal 2022, we entered into an ASR with a financial institution to repurchase shares of our outstanding common stock. We paid \$500 million to the financial institution and received 4.8 million shares (see "Note 16—Earnings Per Share" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K). All shares delivered were immediately retired.

Beginning in 2022, a provision in the TCJA which eliminated the option to currently deduct research and development costs for tax purposes, requiring taxpayers to capitalize and amortize the costs over five years became effective. Our tax cash payments increased by approximately \$260 million in fiscal 2023, primarily to cover both the fiscal 2022 and 2023 tax obligations related to this provision and we anticipate an increase of approximately \$60 million in the fiscal year ending January 3, 2025, ("fiscal 2024"). The actual impact will depend on the amount of research and development costs the Company incurs, whether Congress modifies or repeals this provision and whether new guidance and interpretive rules are issued by the U.S. Treasury, among other factors.

For the next 12 months, we anticipate that we will be able to meet our liquidity needs, including servicing our debt, through cash generated from operations, available cash balances, borrowings from our commercial paper program and, if needed, sales of accounts receivable and borrowings from our revolving credit facility.

Summary of Cash Flows

The following table summarizes cash flow information for the periods presented:

	Year Ended	
	December 29, 2023	December 30, 2022
	(in millions)	
Net cash provided by operating activities ⁽¹⁾	\$ 1,165	\$ 992
Net cash used in investing activities	(211)	(313)
Net cash used in financing activities	(715)	(865)

(1) Net cash provided by operating activities during the year ended December 30, 2022, was recast to present the effect of foreign exchange rate changes on cash, cash equivalents and restricted cash as a separate line in the consolidated statements of cash flows.

Net cash provided by operating activities increased \$173 million for fiscal 2023 as compared to fiscal 2022. The increase was primarily due to faster collections on receivables and favorable timing of customer advance payments, partially offset by higher tax payments of \$260 million mainly in connection with the TCJA provision.

Net cash used in investing activities decreased \$102 million for fiscal 2023 as compared to fiscal 2022. The decrease was primarily due to \$190 million of cash paid in connection with our Cobham Special Mission acquisition from the prior year, partially offset with higher capital expenditures of \$78 million in the current year.

Net cash used in financing activities decreased \$150 million for fiscal 2023 as compared to fiscal 2022. The decrease was primarily due a net decrease of \$296 million in stock repurchases driven by the accelerated share repurchase agreement in the prior year and an increase of \$1.4 billion in proceeds received from the issuance of debt in the current year, partially offset by an increase of \$1.5 billion in payments of debt.

Off-Balance Sheet Arrangements

We have outstanding performance guarantees and cross-indemnity agreements in connection with certain aspects of our business. We have letters of credit outstanding principally related to performance guarantees on contracts and surety bonds outstanding principally related to performance and subcontractor payment bonds as described in "Note 21—Commitments and Contingencies" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K. These arrangements have not had, and management does not believe it is likely that they will in the future have, a material effect on our liquidity, capital resources, operations or financial condition.

Contractual Obligations

Our future contractual obligations are related to debt, finance and operating leases, long-term liabilities under deferred compensation arrangements, purchase obligations for long-term purchases and service agreements and other liabilities. For more information, see "Note 10—Leases", "Note 13—Debt", "Note 19—Retirement Plans" and "Note 21—Commitments and Contingencies" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

We have interest payments related to our outstanding debt and finance leases. As of December 29, 2023, future scheduled interest payments on our outstanding debt and finance leases were \$242 million, expected to be paid in fiscal 2024 and \$1.3 billion expected to be paid thereafter.

As of December 29, 2023, future payments on our deferred compensation arrangements and purchase obligations for long-term purchases and service agreements were \$51 million, expected to be paid in fiscal 2024, and \$157 million expected to be paid thereafter. Our future payments do not include \$114 million of income tax liabilities, primarily as a result of uncertain tax positions, and the timing of such payments, if any, cannot be reasonably estimated. For additional information, see "Note 18—Income Taxes" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Guarantors and Issuers of Guaranteed Securities

Leidos Holdings, Inc. (“Guarantor”) has fully and unconditionally guaranteed the debt securities of its subsidiary, Leidos, Inc. (“Issuer”), that were issued pursuant to transactions that were registered under the Securities Act of 1933, as amended (collectively, the “Registered Notes”). The following is a list of the Registered Notes guaranteed by Leidos Holdings, Inc.

Senior unsecured Registered Notes:

\$500 million 3.625% notes, due May 2025

\$750 million 4.375% notes, due May 2030

\$1,000 million 2.300% notes, due February 2031

\$750 million 5.750% notes, due March 2033

Leidos Holdings, Inc. has also fully and unconditionally guaranteed debt securities of Leidos, Inc. that were issued pursuant to transactions that were not registered under the Securities Act of 1933, as amended. The following is a list of unregistered debt securities guaranteed by Leidos Holdings, Inc.

Senior unsecured unregistered debt securities issued by Leidos, Inc.:

\$250 million 7.125% notes, due July 2032

\$300 million 5.500% notes, due July 2033

Additionally, Leidos, Inc. has fully and unconditionally guaranteed debt securities of Leidos Holding, Inc. that were issued pursuant to transactions that were not registered under the Securities Act of 1933, as amended. The following is a list of unregistered debt securities guaranteed by Leidos, Inc.

Senior unsecured unregistered debt securities issued by Leidos Holdings, Inc.:

\$300 million 5.950% notes, due December 2040

The following summarized financial information includes the assets, liabilities and results of operations for the Guarantor and Issuer of the Registered Notes described above. Intercompany balances and transactions between the Issuer and Guarantor have been eliminated from the financial information below. Investments in the consolidated subsidiaries of the Issuer and Guarantor that do not guarantee the senior unsecured notes have been excluded from the financial information. Intercompany payables represent amounts due to non-guarantor subsidiaries of the Issuer.

Balance Sheet Information for the Guarantor and Issuer of Registered Notes

	December 29, 2023
	(in millions)
Total current assets	\$ 2,464
Goodwill	5,517
Other long-term assets	1,241
Total assets	\$ 9,222
Total current liabilities	\$ 1,983
Long-term debt, net of current portion	4,663
Intercompany payables	2,523
Other long-term liabilities	599
Total liabilities	\$ 9,768

Statement of Operations Information for the Guarantor and Issuer of Registered Notes

	December 29, 2023
	(in millions)
Revenues, net	\$ 10,382
Operating income	538
Net income attributable to Leidos common stockholders	8

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Management evaluates these estimates and assumptions on an ongoing basis. Our estimates and assumptions have been prepared by management on the basis of the most current and best available information. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates under different assumptions and conditions.

We have identified the following accounting policies as critical because they require significant judgments and assumptions about highly complex and inherently uncertain matters and the use of reasonably different estimates and assumptions could have a material impact on our results of operations or financial condition.

- Revenue Recognition
- Goodwill and Intangible Assets

Revenue Recognition

We perform work under various types of contracts, which include FFP, T&M, FP-LOE, cost-plus-fixed-fee, cost-plus-award-fee, cost-plus-incentive-fee and fixed-price-incentive-fee contracts.

On FFP contracts requiring system integration and cost-plus contracts with variable consideration, revenue is generally recognized over time using a method that measures the extent of progress towards completion of a performance obligation, principally using a cost-input method (referred to as the cost-to-cost method). Under the cost-to-cost method, revenue is recognized based on the proportion of total costs incurred to estimated total costs-at-completion ("EAC"), which require us to use estimates of the revenue and cost associated with the design, manufacture and delivery of our offerings and services. A performance obligation's EAC includes all direct costs such as materials, labor, subcontract costs, overhead and a ratable portion of general and administrative costs. If the estimated cost of a performance obligation whose associated revenue is recognized using the cost-to-cost method exceeds the estimated transaction price, the entire amount of the loss is recognized in operations in the period the loss is known.

Some of our cost-plus and fixed-price contracts contain award fees, incentive fees or other provisions that may either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or cost targets and can be based upon customer discretion. We estimate variable consideration at the most probable amount that we expect to be entitled to, based on the assessment of the contractual variable fee criteria, complexity of work and related risks, extent of customer discretion, amount of variable consideration received historically and the potential of significant reversal of revenue.

We allocate the transaction price of a contract to its performance obligations proportionately based upon the individual selling prices. The standalone selling price of the performance obligations is generally based on an expected cost-plus margin approach. For certain product sales, prices from other standalone sales are used. Substantially all of our contracts do not contain a significant financing component, which would require an adjustment to the transaction price of the contract.

PART II

For the impacts of changes in estimates on our contracts, see "Note 3—Summary of Significant Accounting Policies" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Goodwill and Intangible Assets

Goodwill represents the excess of the fair value of consideration transferred, plus the fair value of any non-controlling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. We recognize purchased intangible assets in connection with our business acquisitions at fair value on the acquisition date.

Goodwill is not amortized, but instead is tested annually, at the beginning of the fourth quarter, for impairment at the reporting unit level and may be tested more frequently if events or circumstances indicate that the carrying value may not be recoverable. Intangible assets with indefinite lives are not amortized but are assessed for impairment at the beginning of the fourth quarter and whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Goodwill and intangible assets, net, collectively represent 53% and 59% of our total assets as of December 29, 2023, and December 30, 2022, respectively.

We may perform qualitative or quantitative analysis to test for impairment. Qualitative factors include macroeconomic, industry and market considerations, overall financial performance, industry, legal and other relevant events and factors affecting the reporting unit.

Our quantitative analysis utilizes discounted cash flow models and market multiple valuation methods to estimate reporting unit fair values. Discounted cash flow analyses rely on significant judgment and assumptions about expected future cash flows, weighted-average cost of capital, discount rates, expected long-term growth rates and operating margins. These assumptions are based on estimates of future sales and earnings after considering such factors as general market conditions, customer budgets, existing firm and future orders, changes in working capital, long term business plans and recent operating performance. Market multiple analyses incorporate significant judgments and assumptions related to the selection of guideline public companies, our forecast earnings before interest, taxes, depreciation and amortization ("EBITDA"), forecast EBITDA of guideline public companies and control premium estimates.

Operations of the Security Enterprise Solutions ("SES") reporting unit rely heavily on the sales and servicing of security and detection products, which continue to be negatively impacted due to delays in airline travel infrastructure projects as customer budgets recover from the pandemic.

During the third quarter of fiscal 2023, the SES reporting unit refined its portfolio and made strategic business decisions to exit certain product offerings, as well as cease operations in certain countries in order to align the operations of the reporting unit with its strategic business plan. These decisions, along with the delays in airline travel infrastructure projects and higher than anticipated servicing costs, contributed to a significant reduction in the reporting unit's forecasted revenue and cash flows.

As a result, we conducted an interim quantitative goodwill impairment analysis and our estimates led us to determine that the carrying value of the SES reporting unit exceeded its estimated fair value (see "Note 11—Fair Value Measurements" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K).

Accordingly, we recognized a non-cash goodwill impairment charge of \$596 million for fiscal 2023 (see "Note 8—Goodwill and Intangible Assets" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K).

We performed our annual test for impairment as of September 30, 2023, which resulted in no further impairments being identified.

Our strategic decisions regarding SES' product offerings and operating regions caused certain technology and In-process research and development intangible assets to be abandoned and the carrying values of certain program intangible assets to become unrecoverable. As a result, we recognized intangible asset impairment charges of \$79 million for fiscal 2023 (see "Note 8—Goodwill and Intangible Assets" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K).

Commitments and Contingencies

We are subject to a number of reviews, investigations, claims, lawsuits, other uncertainties and future obligations related to our business. For a discussion of these items, see "Note 10—Leases" and "Note 21—Commitments and Contingencies" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Recently Adopted and Issued Accounting Pronouncements

For a discussion of these items, see "Note 2—Accounting Standards" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks in the normal course of business. Our current market risk exposures are primarily related to interest rates and foreign currency fluctuations. The following information about our market sensitive financial instruments contains forward-looking statements.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to long-term debt obligations and derivatives. Our policy authorizes, with Board of Directors' approval, the limited use of derivative instruments to hedge specific interest rate risks.

Debt and derivatives

At December 29, 2023, and December 30, 2022, we had \$4.7 billion and \$4.9 billion, respectively, of debt, which included \$1.0 billion and \$1.5 billion, respectively, related to our senior unsecured term loans that have a variable stated interest rate that is determined based on the Secured Overnight Financing Rate ("SOFR") plus a margin. As a result, we may experience fluctuations in interest expense.

We have interest rate swap agreements to hedge the cash flows of a portion of our variable rate senior unsecured term loan ("Variable Rate Loan"). During fiscal 2023, we modified our interest rate swap agreements to receive monthly variable interest payments based on the one-month SOFR rate, and we will continue to pay interest at a fixed rate. We applied the guidance of Accounting Standards Codification 848 which permits the continuation of hedge accounting for such modification. As of December 29, 2023, the notional value of the interest rate swap agreements was \$500 million. The interest rate swap agreements effectively converted a portion of our variable rate borrowing to a fixed rate borrowing. The fair value of our interest rate swap agreements with respect to our Variable Rate Loan was an asset of \$11 million and \$20 million as of December 29, 2023, and December 30, 2022, respectively.

The counterparties to these agreements are financial institutions. We do not hold or issue derivative financial instruments for trading or speculative purposes. We cannot predict future market fluctuations in interest rates and their impact on our interest rate swaps. A net hypothetical 10% movement in the one-month SOFR rate would not have a significant impact on our annual interest expense. For additional information related to our interest rate swap agreements and debt, see "Note 12—Derivative Instruments" and "Note 13—Debt," respectively, of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Cash and Cash Equivalents

As of December 29, 2023, and December 30, 2022, our cash and cash equivalents included investments in several large institutional money market accounts. For fiscal 2023 and fiscal 2022, a hypothetical 10% interest rate movement would not have a significant impact on the value of our holdings or on interest income.

Foreign Currency Risk

Although the majority of our transactions are denominated in U.S. dollars, some of our transactions are denominated in foreign currencies. Our foreign currency exchange rate risk relates to receipts from customers, payments to suppliers and certain intercompany transactions denominated in currencies other than our (or one of our subsidiaries') functional currency. Our foreign operations represented 9% of total revenues for fiscal 2023 and 8% for both fiscal 2022 and 2021.

Item 8. *Financial Statements and Supplementary Data*LEIDOS HOLDINGS, INC.
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Financial statement schedules are omitted because they are not applicable or the required information is presented in the consolidated financial statements or the notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Leidos Holdings, Inc.
Reston, Virginia

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Leidos Holdings, Inc. and subsidiaries (the "Company") as of December 29, 2023 and December 30, 2022, the related consolidated statements of operations, comprehensive income, equity, and cash flows, for the fiscal years ended December 29, 2023, December 30, 2022, and December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 29, 2023 and December 30, 2022, and the results of its operations and its cash flows for the fiscal years ended December 29, 2023, December 30, 2022, and December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 29, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 13, 2024, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

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

Goodwill Valuation – Security Enterprise Solutions Reporting Unit - Refer to Note 3 and Note 8 to the financial statements

Critical Audit Matter Description

The Company's accounting policy is to test goodwill for impairment on the first day of the fourth quarter of each year and more frequently if events or circumstances indicate that the carrying value may not be recoverable. During the third quarter of fiscal year 2023, the Security Enterprise Solutions ("SES") reporting unit refined its business portfolio and made strategic business decisions to exit certain product offerings, as well as cease operations in certain countries in order to align the operations of the reporting unit with its strategic business plan. These decisions, along with the continued delays in airline travel infrastructure projects and higher than anticipated servicing costs, contributed to a significant reduction in the reporting unit's forecasted revenue and cash flows. As a result, the Company performed an interim quantitative impairment analysis of goodwill for the SES reporting unit by comparing the estimated fair value of the reporting unit to its carrying value. The Company's determination of the estimated fair value of the reporting unit was based on a blended approach, including discounted cash flow-models and market earnings multiple. Estimating the fair value of a reporting unit requires the exercise of significant judgment and assumptions including judgments about expected future cash flows, weighted-average cost of capital, and growth rates in revenue and margins. Changes in these assumptions could have a significant impact on the fair value of the reporting unit, the amount of any goodwill impairment charge, or both. As a result of the quantitative assessment, the Company concluded that the carrying value of the reporting unit exceeded the fair value and recognized a goodwill impairment charge of \$596 million for the year ended December 29, 2023.

We identified goodwill for the SES reporting unit as a critical audit matter due to the significant judgments made by management to estimate the fair value of the reporting unit and the sensitivity of the fair value to changes in these estimates. Performing audit procedures to evaluate the reasonableness of management's estimate required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the selection of the discount rate, terminal growth rate and forecasts of future revenues and cash flows for the Security Enterprise Solutions reporting unit included the following, among others:

- We tested the effectiveness of controls over management's goodwill impairment evaluation, including those over the selection of the discount, and terminal growth rates and management's development of forecasted revenues and cash flows, including the completeness, accuracy and reasonableness of the forecasted amounts.
- We performed a sensitivity analysis of the forecasts of future revenue, earnings before interest, taxes, depreciation and amortization ("EBITDA") and capital expenditures, which included their impact on the fair value of the SES reporting unit.
- We evaluated management's ability to accurately forecast future SES reporting unit revenue and operating income, comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's SES reporting unit revenue growth rates, EBITDA projections and timing of future cash flows by comparing the forecasts to:
 - Historical results and current performance.
 - Internal communications to management and the Board of Directors.
 - Forecasted information included in industry reports considering macroeconomic factors.
- With the assistance of our fair value specialists, we evaluated (1) the valuation methodology utilized, including testing mathematical accuracy of calculations and (2) the projections of future revenue growth rates, the discount rate and the determination of market multiples by either testing the underlying source information, or by developing a range of independent estimates and comparing those to the rate selected by management.

Revenues — Refer to Note 3 and Note 4 to the financial statements

Critical Audit Matter Description

The Company recognized certain customer contract revenue over time using a method that measures the extent of progress towards completion of a performance obligation, principally using a cost-input method (referred to as the cost-to-cost method). Under the cost-to-cost method, revenue is recognized based on the proportion of total costs incurred to estimated total costs-at-completion (EAC). A performance obligation's EAC includes all direct costs such as materials, labor, subcontract costs, overhead and a ratable portion of general and administrative costs. The accounting for these contracts involves judgment, particularly as it relates to the process of estimating total costs for the performance obligation. In addition, an EAC of a performance obligation includes future losses estimated to be incurred on onerous contracts, as and when known.

Given the judgments necessary to determine whether multiple promises within a single contract represent a single performance obligation, whether or not the Company is acting as principal in the fulfillment of the identified performance obligations on certain contracts, and estimates of total costs for the performance obligations that recognize revenue using the cost-to-cost method, auditing such accounting conclusions and estimates required extensive audit effort due to the volume and complexity of these contracts and a high degree of auditor judgment when performing audit procedures and evaluating the results of those procedures.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's conclusions regarding whether multiple promises within a single contract represent a single performance obligation, whether the Company is acting as a principal or an agent in fulfilling identified performance obligations on certain contracts, and estimates of total costs for the performance obligations that recognize revenue using the cost-to-cost method included the following, among others:

- We tested the effectiveness of controls over contract revenue, including management's controls over the initial setup of new contract arrangements and the estimates of total costs and revenues for identified performance obligations.
- We developed an expectation of revenue and compared it to the recorded balance.
- For a selection of contracts, we performed the following for each contract:
 - Evaluated the terms and conditions of each contract and the appropriateness of the accounting treatment in accordance with accounting principles generally accepted in the United States of America, by:
 - Inspecting the executed contract to verify that the facts on which management's conclusions were reached were consistent with the actual terms and conditions of the contract.
 - Evaluating the contract within the context of the five-step model and that management's conclusions were appropriate by evaluating the nature of the promises within the contract, the interrelationship of the promised services and/or products provided, the pattern by which obligations are fulfilled, the number of performance obligations identified, and which party is acting as principal in the fulfillment of the identified performance obligations.
 - Evaluating the appropriateness and consistency of the methods and assumptions used by management to develop estimates of future revenues that will be recognized and costs that will be incurred.
 - Tested the mathematical accuracy of management's calculation of revenue for the performance obligation.
- We analyzed cumulative adjustments recorded during the year and tested those with characteristics of audit interest to determine that the adjustments were the result of changes in facts and circumstances and not estimates that were previously inaccurate.

/s/ Deloitte & Touche LLP

McLean, Virginia

February 13, 2024

We have served as the Company's auditor since fiscal 2000.

LEIDOS HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

	December 29, 2023	December 30, 2022
	(in millions, except share and per share data)	
Assets:		
Cash and cash equivalents	\$ 777	\$ 516
Receivables, net	2,429	2,350
Inventory, net	310	287
Other current assets	489	490
Total current assets	4,005	3,643
Property, plant and equipment, net	961	847
Intangible assets, net	667	952
Goodwill	6,112	6,696
Operating lease right-of-use assets, net	512	545
Other long-term assets	438	388
Total assets	<u>\$ 12,695</u>	<u>\$ 13,071</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,277	\$ 2,254
Accrued payroll and employee benefits	695	701
Short-term debt and current portion of long-term debt	18	992
Total current liabilities	2,990	3,947
Long-term debt, net of current portion	4,664	3,928
Operating lease liabilities	516	570
Deferred tax liabilities	3	40
Other long-term liabilities	264	233
Total liabilities	<u>\$ 8,437</u>	<u>\$ 8,718</u>
Commitments and contingencies (Note 21)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value, 10,000,000 shares authorized and no shares issued and outstanding at December 29, 2023 and December 30, 2022	—	—
Common stock, \$0.0001 par value, 500,000,000 shares authorized, 135,766,419 and 136,926,990 shares issued and outstanding at December 29, 2023, and December 30, 2022, respectively	—	—
Additional paid-in capital	1,885	2,005
Retained earnings	2,364	2,367
Accumulated other comprehensive loss	(48)	(73)
Total Leidos stockholders' equity	4,201	4,299
Non-controlling interest	57	54
Total stockholders' equity	4,258	4,353
Total liabilities and stockholders' equity	<u>\$ 12,695</u>	<u>\$ 13,071</u>

See accompanying notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
	(in millions, except per share data)		
Revenues	\$ 15,438	\$ 14,396	\$ 13,737
Cost of revenues	13,194	12,312	11,723
Selling, general and administrative expenses	942	951	851
Acquisition, integration and restructuring costs	24	17	27
Goodwill impairment charges	596	—	—
Asset impairment charges	91	40	4
Equity earnings of non-consolidated subsidiaries	(30)	(12)	(20)
Operating income	621	1,088	1,152
Non-operating expense:			
Interest expense, net	(212)	(199)	(184)
Other expense, net	(6)	(3)	(1)
Income before income taxes	403	886	967
Income tax expense	(195)	(193)	(208)
Net income	208	693	759
Less: net income attributable to non-controlling interest	9	8	6
Net income attributable to Leidos common stockholders	\$ 199	\$ 685	\$ 753
Earnings per share:			
Basic	\$ 1.45	\$ 5.00	\$ 5.34
Diluted	1.44	4.96	5.27

See accompanying notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
	(in millions)		
Net income	\$ 208	\$ 693	\$ 759
Foreign currency translation adjustments	34	(95)	(8)
Unrecognized (loss) gain on derivative instruments	(8)	54	29
Pension adjustments	(1)	(20)	13
Total other comprehensive income (loss), net of taxes	25	(61)	34
Comprehensive income	233	632	793
Less: net income attributable to non-controlling interest	9	8	6
Comprehensive income attributable to Leidos common stockholders	<u>\$ 224</u>	<u>\$ 624</u>	<u>\$ 787</u>

See accompanying notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF EQUITY

	Shares of common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Leidos stockholders' equity	Non- controlling interest	Total stockholders' equity
(in millions, except for per share data)							
Balance at January 1, 2021	142	\$ 2,580	\$ 1,328	\$ (46)	\$ 3,862	\$ 9	\$ 3,871
Net income	—	—	753	—	753	6	759
Other comprehensive income, net of taxes	—	—	—	34	34	—	34
Issuances of stock	1	46	—	—	46	—	46
Repurchases of stock and other	(3)	(270)	—	—	(270)	—	(270)
Dividends of \$1.40 per share	—	—	(201)	—	(201)	—	(201)
Stock-based compensation	—	67	—	—	67	—	67
Net capital contributions from non-controlling interest	—	—	—	—	—	38	38
Balance at December 31, 2021	140	2,423	1,880	(12)	4,291	53	4,344
Net income	—	—	685	—	685	8	693
Other comprehensive loss, net of taxes	—	—	—	(61)	(61)	—	(61)
Issuances of stock	1	51	—	—	51	—	51
Repurchases of stock and other	(4)	(542)	—	—	(542)	—	(542)
Dividends of \$1.44 per share	—	—	(198)	—	(198)	—	(198)
Stock-based compensation	—	73	—	—	73	—	73
Net capital distributions to non-controlling interest	—	—	—	—	—	(7)	(7)
Balance at December 30, 2022	137	2,005	2,367	(73)	4,299	54	4,353
Net income	—	—	199	—	199	9	208
Other comprehensive income, net of taxes	—	—	—	25	25	—	25
Issuances of stock	1	53	—	—	53	—	53
Repurchases of stock and other	(2)	(247)	—	—	(247)	—	(247)
Dividends of \$1.46 per share	—	—	(202)	—	(202)	—	(202)
Stock-based compensation	—	77	—	—	77	—	77
Net capital distributions to non-controlling interest	—	(3)	—	—	(3)	(6)	(9)
Balance at December 29, 2023	136	\$ 1,885	\$ 2,364	\$ (48)	\$ 4,201	\$ 57	\$ 4,258

See accompanying notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
	(in millions)		
Cash flows from operations:			
Net income	\$ 208	\$ 693	\$ 759
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	331	333	325
Stock-based compensation	77	73	67
Goodwill impairment charges	596	—	—
Asset impairment charges	91	40	4
Deferred income taxes	(109)	(211)	(26)
Other	28	26	(7)
Change in assets and liabilities, net of effects of acquisitions and dispositions:			
Receivables	(65)	(174)	(5)
Other current assets and other long-term assets	140	160	143
Accounts payable and accrued liabilities and other long-term liabilities	31	(143)	(210)
Accrued payroll and employee benefits	(5)	98	(32)
Income taxes receivable/payable	(158)	97	15
Net cash provided by operating activities	1,165	992	1,033
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	(6)	(192)	(622)
Payments for property, equipment and software	(207)	(129)	(104)
Proceeds from disposition of businesses	2	15	—
Net proceeds from sale of assets	—	6	—
Other	—	(13)	(4)
Net cash used in investing activities	(211)	(313)	(730)
Cash flows from financing activities:			
Proceeds from debt issuance	1,743	380	380
Repayments of borrowings	(2,045)	(545)	(106)
Payments for debt issuance and modification costs	(7)	—	—
Dividend payments	(201)	(199)	(199)
Repurchases of stock and other	(246)	(542)	(270)
Proceeds from issuances of stock	50	48	44
Net capital (distributions to) contributions from non-controlling interests	(9)	(7)	38
Net cash used in financing activities	(715)	(865)	(113)
Effect of foreign exchange rate changes on cash and cash equivalents	6	(6)	(2)
Net increase (decrease) in cash, cash equivalents and restricted cash	245	(192)	188
Cash, cash equivalents and restricted cash at beginning of year	683	875	687
Cash, cash equivalents and restricted cash at end of year	928	683	875
Less: restricted cash at end of year	151	167	148
Cash and cash equivalents at end of year	\$ 777	\$ 516	\$ 727

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS [CONTINUED]

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
(in millions)			
Supplementary cash flow information:			
Cash paid for interest	\$ 207	\$ 195	\$ 182
Cash paid for income taxes, net of refunds	435	217	221
Non-cash investing activity:			
Property, plant and equipment additions	\$ 2	\$ 7	\$ 4
Non-cash financing activity:			
Finance lease obligations	\$ 65	\$ 1	\$ 51

See accompanying notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Nature of Operations and Basis of Presentation***Nature of Operations and Basis of Presentation***

Leidos Holdings, Inc. ("Leidos"), a Delaware corporation, is a holding company whose direct 100%-owned subsidiary and principal operating company is Leidos, Inc. Leidos, recognized as a member of the Fortune 500®, is a dynamic innovation company that is at the forefront of addressing the world's most challenging issues in national security and health sectors. With a global workforce of approximately 47,000, Leidos is committed to developing smarter technology solutions, particularly for customers in highly regulated industries. Leidos' customers include the U.S. Department of Defense ("DoD"), the U.S. Intelligence Community, the U.S. Department of Homeland Security, the Federal Aviation Administration, the Department of Veterans Affairs and many other U.S. civilian, state and local government agencies, foreign government agencies and commercial businesses. Unless indicated otherwise, references to "we," "us" and "our" refer collectively to Leidos Holdings, Inc. and its consolidated subsidiaries. Our business has been aligned into three reportable segments: Defense Solutions, Civil and Health. Additionally, we separately present the unallocable costs associated with corporate functions as Corporate.

We have an 88% controlling interest in Mission Support Alliance, LLC ("MSA"), a joint venture with Centerra Group, LLC, which includes 41% purchased from Jacobs Group, LLC on January 26, 2018. MSA's contract ended on January 24, 2021. We also have a 53% controlling interest in Hanford Mission Integration Solutions, LLC ("HMIS"), the legal entity for the follow-on contract to MSA's contract and a joint venture with Centerra Group, LLC and Parsons Government Services, Inc. We consolidate the financial results for MSA and HMIS into our consolidated financial statements.

The consolidated financial statements also include the balances of all voting interest entities in which Leidos has a controlling voting interest ("subsidiaries") and a variable interest entity ("VIE") in which Leidos is the primary beneficiary. The consolidated balances of the VIE are not material to the consolidated financial statements for the periods presented. Intercompany accounts and transactions between consolidated companies have been eliminated in consolidation.

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. We combined "Credit losses (recoveries), net" into "Selling, general and administrative expenses" on the consolidated statements of operations. We have certain entities where the functional currency is not the U.S. dollar and have separately presented the effect of exchange rate changes on cash, cash equivalents and restricted cash held in foreign currencies as a separate line in the consolidated statements of cash flows.

Note 2—Accounting Standards***Accounting Standards Updates Adopted***Accounting Standards Updates ("ASU") 2020-04, ASU 2021-01, and ASU 2022-06 Reference Rate Reform

In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-04, which provides companies with optional expedients and exceptions to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. This update provides optional expedients for applying accounting guidance to contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of the reference rate reform. The amendments in this update are effective for all entities as of March 2020 and can be adopted using a prospective approach no later than December 31, 2022.

In January 2021, the FASB issued ASU 2021-01 which amends the scope of ASU 2020-04. The amendments in this update are elective and provide optional relief for entities with hedge accounting and contract modifications affected by the transition from LIBOR through December 31, 2022. In December 2022, the FASB issued ASU 2022-06 which extend the deadline for application of ASU 2021-01 through December 31, 2024. Under this relief, entities may continue to account for contract modifications as a continuation of the existing contract and the continuation of the hedge accounting arrangement. In the first half of fiscal 2023, we adopted certain practical expedients available under Accounting Standards Codification ("ASC") 848. Our term loans are based on a Secured Overnight Financing Rate ("SOFR") rate (see "Note 13—Debt"). In fiscal 2023, we modified our interest rate swap agreements to reference SOFR (see "Note 12—Derivative Instruments") in conformity with the relief available under ASC 848. The standard did not have a material impact on our financial position, results of operations or earnings per share.

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Accounting Standards Updates Issued But Not Yet Adopted**ASU 2023-07 Segment Reporting**

In November 2023, the FASB issued ASU 2023-07, to improve reportable segment disclosure requirements. This update requires companies to disclose significant segment expense categories that are regularly provided to the chief operating decision maker ("CODM") on an interim and annual basis and disclosures about a reportable segment's profit or loss and assets that are currently required annually on an interim basis. Companies must also disclose how segment measures of profit or loss are used by the CODM.

The amendments in this update are effective for public entities as of November 2023 and should be adopted retrospectively for annual periods beginning after December 15, 2023, and interim periods beginning after December 15, 2024. We are evaluating the impact of the update and plan to adopt the amendments for annual disclosures in fiscal 2024.

ASU 2023-09 Income Taxes

In December 2023, the FASB issued ASU 2023-09, to enhance the transparency and usefulness of income tax disclosures. The update requires enhancements to the annual rate reconciliation, including disclosure of specific categories and additional information for reconciling items meeting a quantitative threshold. The update also requires disclosure of income taxes paid disaggregated by federal, state and foreign taxes, and individual jurisdictions meeting a quantitative threshold.

The amendments in this update are effective for public business entities for annual periods beginning after December 15, 2024, and may be adopted on a prospective or retrospective basis. Early adoption is permitted. We are currently evaluating the impacts of this update and plan to adopt these amendments using the prospective approach for annual disclosures in fiscal year 2025.

Note 3—Summary of Significant Accounting Policies**Reporting Periods**

Leidos' fiscal year ends on the Friday nearest the end of December. Fiscal 2023 ended December 29, 2023, fiscal 2022 ended December 30, 2022, and fiscal 2021 ended December 31, 2021. Each fiscal year included 52 weeks.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Management evaluates these estimates and assumptions on an ongoing basis, including those relating to estimated profitability of long-term contracts, indirect billing rates, allowances for doubtful accounts, inventories, right-of-use ("ROU") assets and lease liabilities, fair value and impairment of intangible assets and goodwill, income taxes, pension benefits, stock-based compensation expense and contingencies. These estimates have been prepared by management on the basis of the most current and best available information; however, actual results could differ materially from those estimates.

Operating Cycle

Our operating cycle for long-term contracts may be greater than one year and is measured by the average time intervening between the inception and the completion of those contracts.

Business Combinations, Investments and Variable Interest Entities**Business Combinations**

The accounting for business combinations requires management to make judgments and estimates related to the fair value of assets acquired, including the identification and valuation of intangible assets, as well as liabilities and contingencies assumed. Such judgments and estimates directly impact the amount of goodwill recognized in connection with an acquisition. Estimating the fair value of acquired assets and assumed liabilities, including intangibles, requires judgments about expected future cash flows, weighted-average cost of capital, discount rates and expected long-term growth rates.

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Investments

Investments in entities and corporate joint ventures where we have a non-controlling ownership interest but over which we have the ability to exercise significant influence, are accounted for under the equity method of accounting. We recognize our proportionate share of the entities' net income or loss and do not consolidate the entities' assets and liabilities.

Equity investments in entities over which we do not have the ability to exercise significant influence and whose securities do not have a readily determinable fair value are carried at cost or cost net of other-than-temporary impairments.

Variable Interest Entities

We occasionally form joint ventures and/or enter into arrangements with special purpose limited liability companies for the purpose of bidding and executing on specific projects. We analyze each such arrangement to determine whether it represents a VIE. If the arrangement is determined to be a VIE, we assess whether we are the primary beneficiary of the VIE and are consequently required to consolidate the VIE.

Divestitures

From time-to-time, we may dispose (or management may commit to plans to dispose) of strategic or non-strategic components of the business. Divestitures representing a strategic shift that has (or will have) a major effect in operations and financial results are classified as discontinued operations, whereas non-strategic divestitures remain in continuing operations.

Restructuring Expenses

Restructuring expenses are incurred in connection with programs aimed at reducing our costs. Restructuring costs may include employee severance benefits, costs to terminate contracts and other permanent exit costs to consolidate or close facilities directly related to the restructuring program.

One-time involuntary termination benefits with a required service period of less than 60 days are recognized when the benefits have been communicated to employees and one-time termination benefits with a required service period in excess of 60 days are recognized over the requisite period. Ongoing termination benefit arrangements are recognized at estimated fair value when it is probable that they will be incurred and are reasonably estimable. Costs associated with exit or disposal activities, including the related one-time and ongoing involuntary termination benefits, are included as "Acquisition, integration and restructuring costs" on the consolidated statements of operations.

Revenue Recognition

Our revenues from contracts with customers are from offerings including digital modernization, cyber operations, mission software systems, integrated systems and mission operations, primarily with the U.S. government and its agencies. We also serve various state and local governments, foreign governments and commercial customers.

We perform under various types of contracts, which include firm-fixed-price ("FFP"), time-and-materials ("T&M"), fixed-price-level-of-effort ("FP-LOE"), cost-plus-fixed-fee ("CPFF"), cost-plus-award-fee, cost-plus-incentive-fee and fixed-price-incentive-fee ("FP-IF") contracts.

To determine the proper revenue recognition, we first evaluate whether we have a duly approved and enforceable contract with a customer, in which the rights of the parties and payment terms are identified, and collectability is probable. We also evaluate whether two or more contracts should be combined and accounted for as a single contract, including the task orders issued under an indefinite delivery/indefinite quantity ("IDIQ") award. In addition, we assess contract modifications to determine whether changes to existing contracts should be accounted for as part of the original performance obligation or as a separate performance obligation. Contract modifications generally relate to changes in contract specifications and requirements and do not add distinct services, and therefore are accounted for as part of the original performance obligation. If contract modifications add distinct goods or services and increase the contract value by an amount that reflects the standalone selling price, those modifications are accounted for as separate contracts.

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Most of our contracts contain multiple promises including the design and build of software-based systems, integration of hardware and software solutions, running and maintaining of IT infrastructure and procurement services. In all cases, we assess if the multiple promises should be accounted for as separate performance obligations or combined into a single performance obligation. We generally separate multiple promises in a contract as separate performance obligations if those promises are distinct, both individually and in the context of the contract. If multiple promises in a contract are highly interrelated or require significant integration or customization within a group, they are combined and accounted for as a single performance obligation.

Our contracts with the U.S. government often contain options to renew existing contracts for an additional period of time (generally a year at a time) under the same terms and conditions as the original contract, and generally do not provide the customer any material rights under the contract. We account for renewal options as separate performance obligations when they include distinct goods or services at standalone selling prices.

Certain cost-plus and fixed-price contracts contain award fees, incentive fees or other provisions that may either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or cost targets and can be based upon customer discretion. We estimate variable consideration at the most probable amount that we expect to be entitled to, based on the assessment of the contractual variable fee criteria, complexity of work and related risks, extent of customer discretion, amount of variable consideration received historically and the potential of significant reversal of revenue.

Contracts with the U.S. government are subject to the Federal Acquisition Regulation ("FAR") and priced on estimated or actual costs of providing the goods or services. The FAR provides guidance on types of costs that are allowable in establishing prices for goods and services provided to the U.S. government and its agencies. Each contract is competitively priced and bid separately. Pricing for non-U.S. government agencies and commercial customers is based on specific negotiations with each customer. We allocate the transaction price of a contract to its performance obligations based on their respective standalone selling prices. The performance obligation's standalone selling price is generally based on an expected cost-plus margin approach. For certain product sales, prices from other standalone sales are used. Substantially all of our contracts do not contain a significant financing component, which would require an adjustment to the transaction price of the contract. Any taxes collected or imposed when determining the transaction price are excluded.

We recognize revenue on our service-based contracts primarily over time as there is continuous transfer of control to the customer over the duration of the performance period as the work is performed. For U.S. government contracts, continuous transfer of control to the customer is evidenced by clauses in the contract that allow the customer to unilaterally terminate the contract for convenience, pay for costs incurred plus a reasonable profit and take control of any work-in-process. Similarly, for non-U.S. government contracts, the customer typically controls the work-in-process as evidenced by rights to payment for work performed to date plus a reasonable profit to deliver products or services for which we do not have an alternate use. Anticipated losses on service-based revenue contracts are recognized when incurred over the contract term while the full amount of anticipated losses on other contracts are recognized during the period in which the losses are determined. In certain product sales, where the products have an alternate use, revenue is recognized at a point in time when the customer takes control of the asset usually denoted by possession, transfer of legal title and acceptance by the customer.

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On performance obligations that require system integration and capability development efforts or contain variable consideration, revenue is recognized over time generally using a method that measures the extent of progress towards completion of a performance obligation, principally using a cost-input method (referred to as the cost-to-cost method). Under the cost-to-cost method, revenue is recognized based on the proportion of total costs incurred to estimated total costs-at-completion ("EAC"). A performance obligation's EAC includes all direct costs such as materials, labor, subcontract costs, overhead and a ratable portion of general and administrative costs. In addition, an EAC of a performance obligation includes future losses estimated to be incurred on onerous contracts, as and when known.

On certain other performance obligations, principally associated with T&M, FP-LOE and CPFF contracts, revenue is generally recognized using the right-to-invoice practical expedient as we are contractually able to invoice the customer based on the control transferred to the customer. Additionally, on maintenance (generally FFP) performance obligations, revenue is recognized over time using a straight-line method as the control of the services is provided to the customer evenly over the period of performance.

For certain performance obligations where we are not primarily responsible for fulfilling the promise to provide the goods or service to the customer, do not have inventory risk and do not have discretion in establishing the price for the goods or service, we recognize revenue on a net basis.

Contract Costs

Contract costs generally include direct costs such as labor, materials, subcontract costs and indirect costs identifiable with or allocable to a specific contract. Costs are expensed as incurred unless they qualify for deferral and capitalization. Contract costs incurred for U.S. government contracts, including indirect costs, are subject to audit and adjustment by the Defense Contract Audit Agency ("DCAA") (see "Note 21—Commitments and Contingencies").

Pre-contract Costs

Certain eligible costs incurred prior to the start of a project are deferred as assets when we are required to incur costs prior to contract execution in order to be able to perform on the contract and it is probable that we will recover the costs when the contract is issued. Pre-contract costs are amortized over the requisite service period for which the cost relates.

Transition Costs

Under certain service contracts, costs are incurred at the beginning of the contract to transition services, employees, and equipment to or from the customer or from a prior contractor. These costs are generally capitalized as deferred assets and amortized on a straight-line basis over the anticipated term of the contract or a specified period of performance, including unexercised option periods that are reasonably certain of being exercised.

Project Assets

Purchases of assets used to fulfill a specific contract with a customer that do not constitute other specific asset classes are capitalized as project assets when the costs are generally expected to be recovered, we maintain ownership of the asset and the benefit is received over a period of time. Project assets include prepaid services and maintenance agreements, certain material purchases and other costs incurred on contracts. Project assets are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the expected contract period of performance.

Changes in Estimates on Contracts

Changes in estimates related to contracts accounted for using the cost-to-cost method of accounting are recognized in the period in which such changes are made for the inception-to-date effect of the changes, with the exception of contracts acquired through a business combination, where the adjustment is made for the period commencing from the date of acquisition.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Changes in estimates on contracts for the periods presented were as follows:

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
	(in millions, except for per share amounts)		
Favorable impact	\$ 140	\$ 146	\$ 149
Unfavorable impact	(100)	(113)	(102)
Net favorable impact to income before income taxes	<u>\$ 40</u>	<u>\$ 33</u>	<u>\$ 47</u>
Impact on diluted EPS attributable to Leidos common stockholders	<u>\$ 0.22</u>	<u>\$ 0.17</u>	<u>\$ 0.25</u>

The impact on diluted earnings per share ("EPS") attributable to Leidos common stockholders is calculated using our statutory tax rate.

Revenue Recognized from Prior Obligations

During fiscal 2023, 2022 and 2021, revenue recognized from performance obligations satisfied in previous periods was \$8 million, \$9 million and \$26 million, respectively. The changes primarily relate to revisions of variable consideration, including award and incentive fees, and revisions to estimates at completion resulting from changes in contract scope, mitigation of contract risks or due to true-ups of contract estimates at the end of contract performance.

Selling, General and Administrative Expenses

We classify indirect costs incurred within or allocated to our U.S. government customers as overhead (included in "Cost of revenues") or general and administrative expenses in the same manner as such costs are defined in our disclosure statements under U.S. government Cost Accounting Standards.

Selling, general and administrative expenses include general and administrative, bid and proposal, company-funded research and development expenses, and legal fees and settlements.

We conduct research and development activities under customer-funded contracts and with company-funded research and development funds. Company-funded research and development expense was \$128 million, \$116 million and \$109 million for fiscal 2023, 2022 and 2021, respectively. Expenses for research and development activities performed under customer contracts are charged directly to cost of revenues for those contracts.

Income Taxes

We account for income taxes under the asset and liability method in accordance with the accounting standard for income taxes. The asset and liability method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. Under this method, changes in tax rates and laws are recognized in income in the period such changes are enacted.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent results of operations. If we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount or would no longer be able to realize our deferred income tax assets in the future as currently recorded, we would make an adjustment to the valuation allowance which would decrease or increase the provision for income taxes.

The provision for federal, state, foreign and local income taxes is calculated on income before income taxes based on current tax law and includes the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provision differs from the amounts currently payable because certain items of income and expense are recognized in different reporting periods for financial reporting purposes than for income tax purposes.

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We record liabilities for uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. We recognize interest and penalties related to uncertain tax positions in our income tax expense.

Cash and Cash Equivalents

Our cash equivalents are primarily comprised of investments in several large institutional money market accounts, with original maturity of three months or less. Outstanding payments are included within "Cash and cash equivalents" and "Accounts payable and accrued liabilities" correspondingly on the consolidated balance sheets. At December 29, 2023, and December 30, 2022, \$136 million and \$158 million, respectively, of outstanding payments were included within "Cash and cash equivalents."

Restricted Cash

We have restricted cash balances, primarily representing advances from customers that are restricted as to use for certain expenditures related to that customer's contract. Restricted cash balances are included within "Other current assets" on the consolidated balance sheets. Our restricted cash balances were \$151 million and \$167 million at December 29, 2023, and December 30, 2022, respectively.

Receivables

Receivables include amounts billed and currently due from customers, amounts billable where the right to consideration is unconditional and amounts unbilled. Billable and unbilled amounts are recognized at estimated realizable value and consist of costs and fees, most of which are expected to be billed and collected generally within one year. Unbilled amounts also include rate variances that are billable upon negotiation of final indirect rates with the Defense Contract Management Agency.

Cost-reimbursable and T&M contracts are generally billed as costs are incurred. FFP contracts are billed either based on milestones, which are the achievement of specific events as defined in the contract, or based on progress payments, which are interim payments up to a designated amount of costs incurred as work progresses. On certain contracts, the customer withholds a certain percentage of the contract price (retainage). These withheld amounts are included within unbilled receivables and are billed upon contract completion or the occurrence of a specified event, typically after negotiation of final indirect rates with the U.S. government. Based on our historical experience, the write-offs of retention balances have not been significant.

When events or conditions indicate that amounts outstanding from customers may become uncollectible, an allowance is estimated and recorded. This estimate is based on the age of outstanding receivables or specific identification of balances at risk of becoming uncollectible.

Amounts billed and collected on contracts but not yet recorded as revenue because we have not performed our obligation under the arrangement with a customer are deferred and included within "Accounts payable and accrued liabilities" or "Other long-term liabilities" on the consolidated balance sheets.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk primarily consist of accounts receivable and derivatives. Since our receivables are primarily with the U.S. government, we do not have exposure to material credit risk. We manage our credit risk related to derivatives through the use of multiple counterparties with high credit standards.

Inventories

Inventories are valued at the lower of cost or estimated net realizable value. Generally, raw material inventory is valued using the moving average cost method. Work-in-process inventory may include material costs, labor and allocable overhead costs. The majority of finished goods inventory consists of technology and security products, inspection systems, baggage scanning equipment and small glide munitions. Inventory is evaluated against historical or planned usage to determine appropriate provisions for obsolete inventory.

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Goodwill

Goodwill represents the excess of the fair value of consideration transferred, plus the fair value of any non-controlling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill is not amortized, but is tested for impairment at the reporting unit level on an annual basis and more frequently if events or circumstances indicate that the carrying value of the reporting unit may not be recoverable. Our policy is to perform our annual goodwill impairment evaluation as of the first day of the fourth quarter of our fiscal year. During both fiscal 2023 and 2022, we had seven reporting units for the purpose of testing goodwill for impairment.

Goodwill is evaluated for impairment either under a qualitative assessment option or a quantitative approach, which depends on the facts and circumstances of a reporting unit, consideration of the excess of a reporting unit's fair value over its carrying amount in previous assessments and changes in business environment.

When performing a qualitative assessment, we consider factors including, but not limited to, current macroeconomic conditions, industry and market conditions, cost factors, financial performance and other relevant events to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If we determine that it is more likely than not that a reporting unit's fair value is less than its carrying value, a quantitative goodwill impairment test is performed.

When performing a quantitative goodwill impairment test, the reporting unit carrying value is compared to its fair value. Goodwill is deemed impaired if, and the impairment loss is recognized for the amount by which, the reporting unit carrying value exceeds its fair value.

We estimate the fair value of each reporting unit using Level 3 inputs when a quantitative analysis is performed. These analyses rely on significant judgments and assumptions about expected future cash flows, weighted-average cost of capital, discount rates, expected long-term growth rates, operating margins and on the selection of guideline public companies.

Intangible Assets

Acquired intangible assets with finite lives and internally developed software are amortized using the method that best reflects how their economic benefits are utilized or, if a pattern of economic benefits cannot be reliably determined, on a straight-line basis over their estimated useful lives. Program intangible assets are amortized over their respective estimated useful lives in proportion to the pattern of economic benefit based on expected future discounted cash flows. Backlog and trade name intangible assets are amortized on a straight-line basis over their estimated useful lives. Customer relationships and software and technology intangible assets are amortized either on a straight-line basis over their estimated useful lives or over their respective estimated useful lives in proportion to the pattern of economic benefit based on expected future discounted cash flows, as deemed appropriate.

Intangible assets with finite lives are amortized over the following periods:

	Estimated useful lives (in years)
Backlog	1
Customer relationships	8-10
Programs	4-13
Software and technology	3-15
Trade names	3

Intangible assets with finite lives are assessed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets with indefinite lives are not amortized but are assessed for impairment at the beginning of the fourth quarter and whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Property, Plant and Equipment

Purchases of property, plant and equipment, including purchases of software and software licenses, as well as costs associated with major renewals and improvements are capitalized. Maintenance, repairs and minor renewals and improvements are expensed as incurred.

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Construction-in-progress ("CIP") is used to accumulate all costs for projects that are not yet complete. CIP balances are transferred to the appropriate asset account when the asset is capitalized and ready for its intended use.

When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is recognized. Depreciation is recognized using the methods and estimated useful lives as follows:

	Depreciation method	Estimated useful lives (in years)
Computers and other equipment	Straight-line or declining-balance	2-15
Buildings	Straight-line	Not to exceed 40
Building improvements and leasehold improvements	Straight-line	Shorter of useful life of asset or remaining lease term
Vehicles and transportation equipment	Straight-line	3-15
Office furniture and fixtures	Straight-line or declining-balance	6-9

We evaluate our long-lived assets for potential impairment whenever there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable and the carrying value of the asset exceeds its estimated fair value.

Leases

Lessee

We have facilities and equipment lease arrangements. An arrangement is determined to be a lease at inception if it conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. Right-of-use ("ROU") assets represent the right to use an underlying asset over the lease term and lease liabilities represent the obligation to make lease payments arising from the lease.

ROU assets and lease liabilities are recorded on the consolidated balance sheet at lease commencement date based on the present value of the future minimum lease payments over the lease term. We generally do not know the discount rate implicit in our leases; therefore, the discount rate used is our incremental borrowing rate which is determined based on the rate of interest that we would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term. A ROU asset is initially measured by the present value of the remaining lease payments, plus initial direct costs and prepaid lease payments, less any lease incentives received before commencement. The remaining lease cost is allocated over the remaining lease term on a straight-line basis unless another systematic or rational basis is more representative of the pattern in which the underlying asset is expected to be used.

Certain facility leases contain options to renew or extend the terms of the lease which are included in the determination of the ROU assets and lease liabilities when it is reasonably certain that we will exercise the option. Leases may also include variable lease payments such as an escalation clause based on consumer price index rates, maintenance costs and utilities. Variable lease payments that depend on an index or a rate are included in the determination of ROU assets and lease liabilities using the index or rate at the lease commencement date, whereas variable lease payments that do not depend on an index or rate are recorded as lease expense in the period incurred. At December 29, 2023, certain of the Company's equipment leases include residual value guarantees.

We use the practical expedient to not separate non-lease components from lease components and instead account for both components as a single lease. The practical expedient is applied to all material classes of leased assets except for aircraft, for which we account for the lease component and non-lease component separately.

The related lease payments on short-term facility and equipment leases are recognized as expense on a straight-line basis over the lease term.

ROU assets are evaluated for impairment in a manner consistent with the treatment of other long-lived assets. ROU assets are assessed for potential impairment whenever there is evidence that events or changes in circumstances indicate that the carrying value of the asset may not be recoverable and the carrying amount of the asset exceeds its estimated fair value. This includes an establishment of a plan of abandonment, which occurs when we have committed to a plan to abandon the lease before the end of its previously estimated useful life and there is no expectation that we will re-enter or re-purpose the space.

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Lessor

We are a lessor on certain equipment sales-type and operating lease arrangements with our customers. To be considered lease revenue, the contract must contain a specified asset, we must not have a substantive substitution right, the customer must have the right to direct the use of the specified asset during the period of use and the customer must have the right to obtain substantially all of the economic benefit of the specified asset.

Certain arrangements may contain variable payments that depend on an index or rate and are measured using the index or rate on the commencement date. Variable payments that are not included in the net investments are recorded as revenue as incurred. Arrangements may also contain options to renew or extend the performance period. Option periods are included in the lease term if we determine that it is reasonably certain the customer will exercise an option.

We have arrangements that contain both lease and non-lease components. We account for them as one unit of account if the timing and pattern of transfer is identical for both the lease and the non-lease components and the lease component would be classified as an operating lease if accounted for separately. If both criteria are met and the predominant component is a lease, then the entire arrangement will be accounted for in accordance with ASC 842. If we account for an arrangement both as a lease and non-lease component, then the allocation of consideration for each component will be based on the relative standalone sales price.

Fair Value Measurements

The accounting standard for fair value measurements establishes a three-level fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: observable inputs such as quoted prices in active markets (Level 1); inputs other than quoted prices in active markets for identical assets or liabilities that are observable either directly or indirectly or quoted prices that are not active (Level 2); and unobservable inputs in which there is little or no market data (e.g., discounted cash flow and other similar pricing models), which requires us to develop our own assumptions about the assumptions that market participants would use in pricing the asset or liability (Level 3).

The accounting guidance for fair value measurements requires that we maximize the use of observable inputs and minimize the use of unobservable inputs in determining fair value. The accounting guidance provides for the irrevocable option to elect, on a contract-by-contract basis, to measure certain financial assets and liabilities at fair value at inception of the contract and record any subsequent changes in fair value in earnings. We have not made fair value option elections on any of our financial assets and liabilities.

The fair value of financial instruments is determined based on quoted market prices, if available, or management's best estimate (see "Financial Instruments" below).

Management evaluates its investments for impairment at each balance sheet date. When testing long-term investments for recovery of carrying value, the fair value of long-term investments is determined using various valuation techniques and factors, such as market prices of comparable companies (Level 2 input) and discounted cash flow models (Level 3 input). If management determines that an other-than-temporary decline in the fair value of an investment has occurred, an impairment loss is recognized to reduce the investment to its estimated fair value.

Our non-financial instruments measured at fair value on a non-recurring basis include goodwill, indefinite-lived intangible assets and long-lived tangible assets. The valuation methods used to determine fair value require a significant degree of management judgment to determine the key assumptions. As such, we generally classify non-financial instruments as either Level 2 or Level 3 fair value measurements.

Financial Instruments

We are exposed to certain market risks which are inherent in certain transactions entered into during the normal course of business. These transactions include sales or purchase contracts denominated in foreign currencies and exposure to changing interest rates. We manage our risk to changes in interest rates and foreign currency exchange rates through the use of derivative instruments.

For variable rate borrowings, we use fixed interest rate swaps, effectively converting a portion of the variable interest rate payments to fixed interest rate payments. These swaps are designated as cash flow hedges. The fair value of these interest rate swaps is determined based on observed values for the underlying interest rates (Level 2).

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We enter into foreign currency forward contracts in order to mitigate fluctuations in our earnings and cash flows due to changes in foreign currency exchange rates. The foreign currency forward contracts are not designated as hedges and hedge accounting does not apply. We do not hold derivative instruments for trading or speculative purposes.

Our defined benefit plan assets consist of investments in pooled funds that contain investments with values based on quoted market prices, but for which the pools are not valued on a daily quoted market basis (Level 2).

Stock-Based Compensation

We account for stock-based compensation at the grant date based on the fair value of the award and recognize expense over the requisite service period, which is generally the vesting period, net of an estimated forfeiture rate.

The fair value of restricted stock awards and performance-based stock awards is based on the closing price of Leidos common stock on the last business day prior to the grant date. The fair value of performance-based stock awards with market conditions is based on using a Monte Carlo simulation.

The fair value of stock option awards granted is based on using the Black-Scholes-Merton option pricing model. The estimation of stock option fair value requires management to make estimates and judgments about, among other things, employee exercise behavior, forfeiture rates and the expected volatility of Leidos common stock over the expected option term. These judgments directly affect the amount of compensation expense that will ultimately be recognized.

Foreign Currency

The financial statements of consolidated international subsidiaries, for which the functional currency is not the U.S. dollar, are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted average exchange rate over the reporting period for revenues, expenses, gains and losses. Translation adjustments are recorded as accumulated other comprehensive loss in stockholders' equity. Gains and losses due to movements in foreign currency exchange rates are recognized as "Other expense, net" on the consolidated statements of operations.

Note 4—Revenues

Remaining Performance Obligations

Remaining performance obligations ("RPO") represent the expected value of exercised contracts, both funded and unfunded, less revenue recognized to date. RPO does not include unexercised option periods and future potential task orders expected to be awarded under IDIQ contracts, General Services Administration Schedule or other master agreement contract vehicles, with the exception of certain IDIQ contracts where task orders are not competitively awarded and separately priced but instead are used as a funding mechanism, and where there is a basis for estimating future revenues and funding on future anticipated task orders.

As of December 29, 2023, we had \$15.4 billion of RPO and expect to recognize approximately 62% and 79% over the next 12 months and 24 months, respectively, with the remaining to be recognized thereafter.

Disaggregation of Revenues

We disaggregate revenues by customer-type, contract-type and geographic location for each of our reportable segments. These categories represent how the nature, timing and uncertainty of revenues and cash flows are affected.

Disaggregated revenues by customer-type were as follows:

	Year Ended December 29, 2023			
	Defense Solutions	Civil	Health	Total
	(in millions)			
DoD and U.S. Intelligence Community	\$ 6,480	\$ 97	\$ 1,000	\$ 7,577
Other U.S. government agencies ⁽¹⁾	1,009	2,773	1,952	5,734
Commercial and non-U.S. customers	1,239	701	88	2,028
Total	<u>\$ 8,728</u>	<u>\$ 3,571</u>	<u>\$ 3,040</u>	<u>\$ 15,339</u>

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	Year Ended December 30, 2022			
	Defense Solutions	Civil	Health	Total
	(in millions)			
DoD and U.S. Intelligence Community	\$ 6,027	\$ 84	\$ 999	\$ 7,110
Other U.S. government agencies ⁽¹⁾	1,004	2,660	1,576	5,240
Commercial and non-U.S. customers	1,211	618	108	1,937
Total	\$ 8,242	\$ 3,362	\$ 2,683	\$ 14,287

	Year Ended December 31, 2021			
	Defense Solutions	Civil	Health	Total
	(in millions)			
DoD and U.S. Intelligence Community	\$ 5,939	\$ 54	\$ 756	\$ 6,749
Other U.S. government agencies ⁽¹⁾	964	2,447	1,681	5,092
Commercial and non-U.S. customers	1,126	543	107	1,776
Total	\$ 8,029	\$ 3,044	\$ 2,544	\$ 13,617

⁽¹⁾ Includes federal government agencies other than the DoD and U.S. Intelligence Community, as well as state and local government agencies.

The majority of our revenues are generated from U.S. government contracts, either as a prime contractor or as a subcontractor to other contractors. Revenues from the U.S. government can be adversely impacted by spending caps or changes in budgetary priorities of the U.S. government, as well as delays in program start dates or the award of a contract.

Disaggregated revenues by contract-type were as follows:

	Year Ended December 29, 2023			
	Defense Solutions	Civil	Health	Total
	(in millions)			
Cost-reimbursement and fixed-price-incentive-fee	\$ 4,793	\$ 1,900	\$ 648	\$ 7,341
Firm-fixed-price	2,855	1,105	2,004	5,964
Time-and-materials and fixed-price-level-of-effort	1,080	566	388	2,034
Total	\$ 8,728	\$ 3,571	\$ 3,040	\$ 15,339

	Year Ended December 30, 2022			
	Defense Solutions	Civil	Health	Total
	(in millions)			
Cost-reimbursement and fixed-price-incentive-fee	\$ 4,620	\$ 1,781	\$ 712	\$ 7,113
Firm-fixed-price	2,642	1,077	1,683	5,402
Time-and-materials and fixed-price-level-of-effort	980	504	288	1,772
Total	\$ 8,242	\$ 3,362	\$ 2,683	\$ 14,287

	Year Ended December 31, 2021			
	Defense Solutions	Civil	Health	Total
	(in millions)			
Cost-reimbursement and fixed-price-incentive-fee	\$ 4,792	\$ 1,576	\$ 508	\$ 6,876
Firm-fixed-price	2,290	1,020	1,661	4,971
Time-and-materials and fixed-price-level-of-effort	947	448	375	1,770
Total	\$ 8,029	\$ 3,044	\$ 2,544	\$ 13,617

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Cost-reimbursement and FP-IF contracts are generally lower risk and have lower profits. T&M and FP-LOE contracts are also lower risk, but profits may vary depending on actual labor costs compared to negotiated contract billing rates. FFP contracts offer the potential for higher profits while increasing the exposure to risk of cost overruns.

Disaggregated revenues by geographic location were as follows:

	Year Ended December 29, 2023			
	Defense Solutions	Civil	Health	Total
	(in millions)			
United States	\$ 7,594	\$ 3,381	\$ 3,040	\$ 14,015
International	1,134	190	—	1,324
Total	\$ 8,728	\$ 3,571	\$ 3,040	\$ 15,339

	Year Ended December 30, 2022			
	Defense Solutions	Civil	Health	Total
	(in millions)			
United States	\$ 7,212	\$ 3,203	\$ 2,683	\$ 13,098
International	1,030	159	—	1,189
Total	\$ 8,242	\$ 3,362	\$ 2,683	\$ 14,287

	Year Ended December 31, 2021			
	Defense Solutions	Civil	Health	Total
	(in millions)			
United States	\$ 7,045	\$ 2,880	\$ 2,544	\$ 12,469
International	984	164	—	1,148
Total	\$ 8,029	\$ 3,044	\$ 2,544	\$ 13,617

Our international business operations, primarily located in Australia and the U.K., are subject to additional and different risks than our U.S. business. Failure to comply with U.S. government laws and regulations applicable to international business, such as the Foreign Corrupt Practices Act or U.S. export control regulations, could have an adverse impact on our business with the U.S. government.

In some countries, there is an increased chance for economic, legal or political changes that may adversely affect the performance of our services, sales of products or repatriation of profits. International transactions can also involve increased financial and legal risks arising from foreign exchange variability, imposition of tariffs or additional taxes and restrictive trade policies and delays or failure to collect amounts due to differing legal systems.

Revenues by contract-type, customer-type and geographic location exclude lease income of \$99 million, \$109 million and \$120 million for fiscal 2023, 2022 and 2021, respectively (see "Note 10—Leases").

Contract Assets and Liabilities

Performance obligations are satisfied either over time as work progresses or at a point in time. Firm-fixed-price contracts are typically billed to the customer using milestone payments while cost-reimbursable and time and materials contracts are typically billed to the customer on a monthly or bi-weekly basis as indicated by the negotiated billing terms and conditions of the contract. As a result, the timing of revenue recognition, customer billings and cash collections for each contract results in a net contract asset or liability at the end of each reporting period.

Contract assets consist of unbilled receivables, which is the amount of revenue recognized that exceeds the amount billed to the customer. Unbilled receivables exclude amounts billable where the right to consideration is solely subject to the passage of time. Contract liabilities consist of deferred revenue, which represents cash advances received prior to performance for programs and billings in excess of revenue recognized.

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The components of contract assets and contract liabilities consisted of the following:

Balance sheet line item	December 29, 2023	December 30, 2022
	(in millions)	
Contract assets - current:		
Unbilled receivables	\$ 1,041	\$ 1,010
Contract liabilities - current:		
Deferred revenue ⁽¹⁾	\$ 442	\$ 380
Contract liabilities - non-current:		
Deferred revenue ⁽¹⁾	\$ 21	\$ 29

⁽¹⁾ Certain contracts record revenue on a net contract basis, and therefore, the respective deferred revenue balance will not fully convert to revenue.

The increase in deferred revenue was primarily due to the timing of advanced payments from customers, offset by revenue recognized during the period.

Revenue recognized during fiscal 2023 and 2022 of \$232 million and \$270 million, respectively, was included as a contract liability at December 30, 2022, and December 31, 2021, respectively.

There were no impairment losses recognized on contract assets during fiscal 2023, 2022 and 2021.

Note 5—Acquisitions and Divestitures

Acquisitions

We may acquire businesses as part of our growth strategy to provide new or enhance existing capabilities and offerings to customers. During fiscal 2022, we completed the acquisition of Cobham Aviation Services Australia's Special Mission business ("Cobham Special Mission"). During fiscal 2021, we completed the acquisitions of Gibbs & Cox, 1901 Group, LLC ("1901 Group") and an immaterial strategic acquisition.

Cobham Special Mission Acquisition

On October 30, 2022 (the "Agreement Date"), we completed the acquisition of Cobham Special Mission for purchase consideration of \$298 million Australian dollars, net of \$10 million of Australian dollars acquired, or \$192 million United States dollars, net of \$6 million of cash acquired. Cobham Special Mission provides airborne border surveillance and search and rescue services to the Australian Federal Government.

In the third quarter of fiscal 2023, we completed the determination of fair values of the assets acquired and liabilities assumed. The final goodwill recognized of \$22 million represents intellectual capital and the acquired assembled workforce, neither of which qualify for recognition as a separate intangible asset. None of the goodwill recognized is tax deductible.

In connection with this acquisition, we acquired property, plant and equipment with a fair value of \$148 million at the Agreement Date. The following table summarizes the fair value of intangible assets acquired at the Agreement Date and the related weighted average amortization period:

	Weighted average amortization period (in years)	Fair value (in millions)
Programs	11	\$ 19
Technology	10	5
Total	11	\$ 24

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For fiscal 2023 and 2022, \$115 million and \$21 million, respectively, of revenues related to the Cobham Special Mission acquisition were recognized within the Defense Solutions reportable segment.

Gibbs & Cox Acquisition

On May 7, 2021 (the "Purchase Date"), we completed the acquisition of Gibbs & Cox for purchase consideration of approximately \$375 million, net of \$1 million of cash acquired. Gibbs & Cox is an independent engineering and design firm specializing in naval architecture, marine engineering, management support and engineering consulting.

The final goodwill recognized of \$276 million represents intellectual capital and the acquired assembled workforce, neither of which qualify for recognition as a separate intangible asset. All of the goodwill recognized is tax deductible.

The following table summarizes the fair value of intangible assets acquired at the Purchase Date and the related weighted average amortization period:

	Weighted average amortization period (in years)	Fair value (in millions)
Programs	12	\$ 89

For fiscal 2023, 2022 and 2021, \$129 million, \$114 million and \$98 million, respectively, of revenues related to the Gibbs & Cox acquisition were recognized within the Defense Solutions reportable segment.

1901 Group Acquisition

On January 14, 2021 (the "Closing Date"), we completed the acquisition of 1901 Group for purchase consideration of \$212 million, net of \$2 million of cash acquired.

The final goodwill recognized of \$123 million represents intellectual capital and the acquired assembled workforce, none of which qualify for recognition as separate intangible assets. Of the goodwill recognized, \$118 million is tax deductible.

The following table summarizes the fair value of intangible assets acquired at the Closing Date and the related weighted average amortization period:

	Weighted average amortization period (in years)	Fair value (in millions)
Technology	8	\$ 43
Programs	10	37
Backlog	1	6
Total	8	\$ 86

For fiscal 2023, 2022 and 2021, \$46 million, \$40 million and \$47 million, respectively, of revenues related to the 1901 Group acquisition were recognized within the Defense Solutions reportable segment.

Strategic Business Acquisition

On September 21, 2021, we completed an immaterial strategic business acquisition for purchase consideration of approximately \$36 million. In connection with the transaction, the Company recognized an \$8 million program intangible asset and goodwill of \$25 million.

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Acquisition and Integration Costs

The following expenses were incurred related to the Company's acquisitions:

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
	(in millions)		
Acquisition costs	\$ —	\$ —	\$ 4
Integration costs	19	16	20
Total acquisition and integration costs	\$ 19	\$ 16	\$ 24

These acquisition and integration costs have been primarily recorded within Corporate and presented in "Acquisition, integration and restructuring costs" on the consolidated statement of operations.

Divestitures

Immaterial Divestiture

On October 20, 2023, we disposed of an immaterial business within our Defense Solutions reportable segment. The preliminary sales price was approximately \$2 million and net assets of \$7 million were divested as a result of the transaction.

Aviation & Missile Solutions LLC ("AMS")

On November 22, 2021, our Defense Solutions reportable segment signed a definitive agreement to dispose of its AMS business in order to focus on leading-edge and technologically advanced services, solutions and products. The divestiture was completed on April 29, 2022. The net sales price was \$15 million and net assets of \$19 million were divested. The loss was recorded within "Other expense, net" on the consolidated statements of operations. This disposition did not meet the criteria to be classified as a discontinued operation in the financial statements.

Note 6—Receivables

The components of receivables, net consisted of the following:

	December 29, 2023	December 30, 2022
		(in millions)
Billed and billable receivables	\$ 1,416	\$ 1,368
Unbilled receivables	1,041	1,010
Allowance for credit losses	(28)	(28)
	\$ 2,429	\$ 2,350

Sale of Accounts Receivable

We have entered into purchase agreements with a financial institution which provide us the election to sell accounts receivable at a discount. The receivables sold are typically collectable from our customers within 30 days of the sale date. During fiscal 2022 and 2021, we sold \$209 million and \$693 million, respectively, of accounts receivable under the agreements and received proceeds of \$209 million and \$693 million, respectively. These activities are classified as operating activities in the consolidated statements of cash flows. There were no sales of accounts receivable during fiscal 2023.

These transfers have been recognized as a sale, as the receivables had been legally isolated from Leidos, the financial institution had the right to pledge or exchange the assets received and we did not maintain effective control over the transferred accounts receivable. As of December 30, 2022, and December 31, 2021, all sold receivables had been remitted to the financial institution.

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Note 7—Inventory

The components of inventory, net consisted of the following:

	December 29, 2023	December 30, 2022
	(in millions)	
Raw materials	\$ 190	\$ 180
Work-in-process	48	34
Finished goods	72	73
	<u>\$ 310</u>	<u>\$ 287</u>

Note 8—Goodwill and Intangible Assets
Goodwill

The following table presents changes in the carrying amount of goodwill by reportable segment:

	Defense Solutions	Civil	Health	Total
	(in millions)			
Goodwill at December 31, 2021 ⁽¹⁾	\$ 3,681	\$ 2,097	\$ 966	\$ 6,744
Acquisitions of businesses	26	—	—	26
Divestiture of a business	(6)	—	—	(6)
Foreign currency translation adjustments	(37)	(31)	—	(68)
Goodwill at December 30, 2022 ⁽¹⁾	3,664	2,066	966	6,696
Goodwill impairment	—	(596)	—	(596)
Acquisitions of a business ⁽²⁾	(4)	—	—	(4)
Foreign currency translation adjustments	9	7	—	16
Goodwill at December 29, 2023⁽³⁾	\$ 3,669	\$ 1,477	\$ 966	\$ 6,112

⁽¹⁾ Carrying amount includes accumulated impairment losses of \$369 million and \$117 million within the Health and Civil segments, respectively.

⁽²⁾ Adjustment to goodwill resulting from a measurement period purchase accounting adjustment.

⁽³⁾ Carrying amount includes accumulated impairment losses of \$369 million and \$713 million within the Health and Civil segments, respectively.

Operations of the Security Enterprise Solutions (“SES”) reporting unit rely heavily on the sales and servicing of security and detection products, which continue to be negatively impacted due to delays in airline travel infrastructure projects as customer budgets recover from the pandemic. During the third quarter of fiscal 2023, the SES reporting unit refined its portfolio and made strategic business decisions to exit certain product offerings, and cease operations in certain countries in order to align the operations of the reporting unit with its strategic business plan. These decisions, along with the delays in airline travel infrastructure projects and higher than anticipated servicing costs, contributed to a significant reduction in the reporting unit’s forecasted revenue and cash flows.

As a result, in fiscal 2023, we conducted a quantitative goodwill impairment analysis and our estimates led us to determine that the carrying value of the SES reporting unit exceeded its estimated fair value (see “Note 11—Fair Value Measurements”). Accordingly, we recognized a non-cash goodwill impairment charge of \$596 million and had \$308 million of goodwill remaining at the SES reporting unit as of December 29, 2023. The impairment was recorded within the Civil reportable segment in the consolidated statements of operations.

In the fourth quarter of fiscal 2023, we performed a qualitative analysis for certain reporting units which determined that it was more likely than not that the fair values of these reporting units were in excess of the individual reporting units’ carrying values. We performed a second quantitative analysis for the SES reporting unit and concluded that no incremental impairment was necessary as the fair value of the reporting unit exceeded the carrying value as of the fourth quarter of fiscal 2023. In the event that there are significant unfavorable changes to the forecasted cash flows, forecasted revenue, terminal growth rates or the cost of capital used in the fair value estimates, we may be required to record an additional impairment of goodwill at a future date.

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In the fourth quarter of fiscal 2022 and 2021, we performed a qualitative analysis for certain reporting units which determined that it was more likely than not that the fair values of these reporting units were in excess of the individual reporting units' carrying values. We performed a quantitative analysis for certain reporting units and concluded that these reporting units were not impaired as their fair values exceeded their carrying values.

Intangible Assets

Intangible assets, net consisted of the following:

	December 29, 2023			December 30, 2022		
	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
	(in millions)					
Finite-lived intangible assets:						
Programs	\$ 1,689	\$ (1,175)	\$ 514	\$ 1,721	\$ (1,016)	\$ 705
Software and technology	263	(144)	119	225	(136)	89
Customer relationships	52	(22)	30	87	(25)	62
Trade names	—	—	—	1	(1)	—
Total finite-lived intangible assets	2,004	(1,341)	663	2,034	(1,178)	856
Indefinite-lived intangible assets:						
In-process research and development	—	—	—	92	—	92
Trade names	4	—	4	4	—	4
Total indefinite-lived intangible assets	4	—	4	96	—	96
Total intangible assets	\$ 2,008	\$ (1,341)	\$ 667	\$ 2,130	\$ (1,178)	\$ 952

⁽¹⁾ IPR&D intangible assets are indefinite-lived at the acquisition date until placed into service, at which time such assets will be reclassified to a finite-lived amortizable intangible asset. During fiscal 2023, \$59 million was placed into service and reclassified to software and technology intangible assets.

Our strategic decisions regarding SES' product offerings and operating regions (see the goodwill discussion above) caused certain technology, customer relationships and IPR&D intangible assets to be abandoned and the carrying values of certain program intangible assets to become unrecoverable. As a result, we recognized intangible asset impairment charges of \$79 million for fiscal 2023, which included \$33 million for IPR&D intangible assets. The impairment was recorded to "Asset impairment charges" in the consolidated statements of operations within the Civil reportable segment. In the event that we are required to make an additional impairment of goodwill at a future date for any of the reasons identified in our discussion of goodwill or if other events occur that negatively impact these intangible assets, we may also be required to record an additional impairment of intangible assets at that time.

Amortization expense related to intangible assets was \$202 million, \$230 million and \$228 million for fiscal 2023, 2022 and 2021, respectively.

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The estimated annual amortization expense related to finite-lived intangible assets as of December 29, 2023, is as follows:

Fiscal Year Ending	(in millions)
2024	\$ 148
2025	120
2026	99
2027	72
2028	62
2029 and thereafter	162
	<u>\$ 663</u>

Actual amortization expense in future periods could differ from these estimates as a result of future acquisitions, divestitures, impairments and other factors.

Note 9—Property, Plant and Equipment

Property, plant and equipment, net consisted of the following:

	December 29, 2023	December 30, 2022
	(in millions)	
Computers and other equipment	\$ 455	\$ 399
Leasehold improvements	455	404
Vehicles and transportation equipment	277	210
Buildings and improvements	137	138
Office furniture and fixtures	66	64
Land	17	17
Construction-in-progress	172	147
	<u>1,579</u>	<u>1,379</u>
Less: accumulated depreciation and amortization	<u>(618)</u>	<u>(532)</u>
	<u>\$ 961</u>	<u>\$ 847</u>

Depreciation expense was \$129 million, \$103 million and \$97 million for fiscal 2023, 2022 and 2021, respectively.

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Note 10—Leases
Lessee

ROU assets and lease liabilities consisted of the following:

	Balance sheet line item	December 29, 2023	December 30, 2022
(in millions)			
ROU assets:			
Finance leases	Property, plant and equipment, net	\$ 89	\$ 43
Operating leases	Operating lease right-of-use assets, net	512	545
		<u>\$ 601</u>	<u>\$ 588</u>
Current lease liabilities:			
Finance leases	Short-term debt and current portion of long-term debt	\$ 18	\$ 6
Operating leases	Accounts payable and accrued liabilities	136	130
		<u>\$ 154</u>	<u>\$ 136</u>
Non-current lease liabilities:			
Finance leases	Long-term debt, net of current portion	\$ 73	\$ 38
Operating leases	Operating lease liabilities	516	570
		<u>\$ 589</u>	<u>\$ 608</u>

In fiscal 2022, the Company entered into a Master Lease Agreement whereby we agreed to lease two aircraft from the time each aircraft is accepted through June 30, 2027. In March 2023, we took possession of both aircraft and recognized a \$64 million finance lease obligation and a corresponding ROU asset.

During fiscal 2022, we reduced our leased space by exiting and consolidating underutilized buildings as part of an ongoing facility rationalization effort. We used discounted cash flow models to estimate the fair values of the affected assets and as a result, we recorded impairments of ROU and other assets in the amount of \$37 million. The impairment charges were allocated across our reportable segments and to Corporate.

Total lease cost for the periods presented consisted of the following:

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
(in millions)			
Finance lease cost:			
Amortization of ROU assets	\$ 18	\$ 9	\$ 11
Interest on lease liabilities	4	1	1
	<u>22</u>	<u>10</u>	<u>12</u>
Operating lease cost ⁽¹⁾	148	161	172
Variable lease cost	35	42	90
Short-term lease cost	2	3	4
Less: Sublease income	—	(6)	(8)
Total lease cost	<u>\$ 207</u>	<u>\$ 210</u>	<u>\$ 270</u>

⁽¹⁾ Includes ROU lease expense of \$124 million, \$134 million and \$150 million for fiscal 2023, 2022 and 2021, respectively.

Lease costs and sublease income are included in "Cost of revenues" and "Selling, general and administrative expenses" within the consolidated statements of operations.

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Lease terms and discount rates related to leases were as follows:

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
Weighted-average remaining lease term (in years):			
Finance leases	5.2	8.2	8.4
Operating leases	7.3	7.5	6.8
Weighted-average discount rate:			
Finance leases	4.8 %	2.6 %	2.5 %
Operating leases	3.7 %	3.3 %	3.2 %

Other information related to leases was as follows:

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
(in millions)			
Cash paid for amounts included in measurement of lease liabilities:			
Operating cash related to finance leases	\$ 4	\$ 1	\$ 1
Operating cash related to operating leases	167	168	174
Financing cash flows related to finance leases	17	9	11
ROU assets obtained in exchange for lease liabilities:			
Finance lease liabilities	\$ 63	\$ 1	\$ 51
Operating lease liabilities	97	122	161

The change in operating ROU assets and lease liabilities are presented within cash flows from operations on the consolidated statements of cash flows.

Future minimum lease commitments of our finance and operating leases on an undiscounted basis, reconciled to the respective lease liability at December 29, 2023, were as follows:

Fiscal Year Ending	Finance lease commitments	Operating lease commitments
	(in millions)	
2024	\$ 22	\$ 158
2025	22	119
2026	22	95
2027	15	70
2028	5	68
2029 and thereafter	15	237
Total undiscounted cash flows	101	747
Less: imputed interest	(10)	(95)
Lease liability as of December 29, 2023	\$ 91	\$ 652

As of December 29, 2023, we have approximately \$195 million of facility lease commitments that have not yet commenced. The leases are expected to commence in fiscal 2024 with lease terms ranging from 12 to 16 years.

Lessor

As of December 29, 2023 and December 30, 2022, we had a total net investment in sales-type leases, which relates to lease payment receivables, of \$100 million and \$103 million, respectively. The current and non-current portions of net investment in sales-type leases are included within "Other current assets" and "Other long-term assets", respectively, on the consolidated balance sheets.

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The components of lease income were as follows:

	Statement of operations line item	Year Ended		
		December 29, 2023	December 30, 2022	December 31, 2021
(in millions)				
Sales-type leases:				
Selling price at lease commencement	Revenues	\$ 51	\$ 65	\$ 80
Cost of underlying asset	Cost of revenues	(41)	(52)	(60)
Operating income		10	13	20
Interest income on lease receivables	Revenues	9	9	8
		19	22	28
Operating lease income	Revenues	39	35	32
Total lease income		\$ 58	\$ 57	\$ 60

As of December 29, 2023, undiscounted cash flows for sales-type and operating leases for the next five years are as follows:

Fiscal Year Ending	Sales-type leases		Operating leases	
	(in millions)			
2024	\$ 44	\$ 20		
2025	32	5		
2026	18	—		
2027	8	—		
2028	5	—		
Total undiscounted cash flows	\$ 107	\$ 25		
Present value of lease payments as lease receivables	100			
Difference between undiscounted cash flows and discounted cash flows	\$ 7			

Note 11—Fair Value Measurements

Financial instruments measured on a recurring basis at fair value consisted of the following:

	December 29, 2023		December 30, 2022	
	Carrying value	Fair value	Carrying value	Fair value
(in millions)				
Financial assets:				
Derivatives	\$ 11	\$ 11	\$ 20	\$ 20

As of December 29, 2023, and December 30, 2022, our derivatives primarily consisted of the cash flow interest rate swaps on \$500 million and \$1.0 billion, respectively, of the variable rate senior unsecured term loan (see "Note 12—Derivative Instruments"). The fair value of the cash flow interest rate swaps is determined based on observed values for underlying interest rates on the one-month SOFR rate as of December 29, 2023 and the LIBOR yield curve as of December 30, 2022 (Level 2 inputs).

Financial instruments measured on a recurring basis at fair value also include our defined benefit plan assets (Level 2 inputs). See "Note 19—Retirement Plans" for further details on these investments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The carrying amounts of our financial instruments, other than derivatives, which include cash equivalents, accounts receivable, accounts payable and accrued expenses, are reasonable estimates of their related fair values. The carrying value of our notes receivable of \$12 million as of both December 29, 2023, and December 30, 2022, approximates fair value as the stated interest rates within the agreements are consistent with the current market rates used in notes with similar terms in the market (Level 2 inputs).

As of December 29, 2023, and December 30, 2022, the fair value of debt was \$4.6 billion for both periods, and the carrying amount was \$4.7 billion and \$4.9 billion, respectively (see "Note 13—Debt"). The fair value of debt is determined based on current interest rates available for debt with terms and maturities similar to our existing debt arrangements (Level 2 inputs).

In fiscal 2023, we recorded impairment charges of SES' goodwill (see "Note 8—Goodwill and Intangible Assets"). The fair values of the assets and liabilities of the SES reporting unit were determined using a blended approach, including discounted cash flow models and market earnings multiples. The market approach estimates fair value based on profitability and valuation metrics for peer companies and applies a multiple to the reporting unit's operating performance. The income approach estimates fair value by discounting the reporting unit's estimated future cash flows using a weighted-average cost of capital reflecting current market conditions as well as the risk profile of the reporting unit. Future cash flows are based on estimates of economic and market assumptions made using the best judgment of management, including growth rates in revenue and margins, and future changes in tax rates and cash expenditures. Other significant assumptions and estimates include estimates of future capital expenditures, terminal value growth rates, and changes in future working capital requirements. The fair value of the SES reporting unit was determined using Level 3 inputs.

On October 30, 2022, non-financial instruments measured at fair value on a non-recurring basis were recorded in connection with the acquisition of Cobham Special Mission. The fair values of the assets acquired and liabilities assumed were determined using Level 3 inputs. See "Note 5—Acquisitions and Divestitures" for further details on this acquisition. As of December 29, 2023, and December 30, 2022, we did not have any assets or liabilities measured at fair value on a non-recurring basis.

Note 12—Derivative Instruments

The fair value of the interest rate swaps was as follows:

Balance sheet line item	December 29, 2023	December 30, 2022
	(in millions)	
Cash flow interest rate swaps	\$ 11	\$ 20

The cash flows associated with the interest rate swaps are classified as operating activities in the consolidated statements of cash flows.

Cash Flow Hedges

We have interest rate swap agreements to hedge the cash flows of \$500 million of the variable rate senior unsecured term loan (the "Variable Rate Loan"). These interest rate swap agreements have a maturity date of August 2025 and a fixed interest rate of 2.96%. The objective of these instruments is to reduce variability in the forecasted interest payments of the Variable Rate Loan. During fiscal 2023, we modified our interest rate swap agreements to receive monthly variable interest payments based on the one-month SOFR rate as compared to LIBOR, and we will continue to pay interest at a fixed rate. We applied the guidance of ASC 848 which permits the continuation of hedge accounting for such modification.

The interest rate swap transactions are accounted for as cash flow hedges. The gain/loss on the swaps is reported as a component of other comprehensive income (loss) and is reclassified into earnings when the interest payments on the underlying hedged items impact earnings. A qualitative assessment of hedge effectiveness is performed on a quarterly basis, unless facts and circumstances indicate the hedge may no longer be highly effective.

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The effect of the cash flow hedges on other comprehensive income (loss) and earnings for the periods presented was as follows:

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
	(in millions)		
Total interest expense, net presented in the consolidated statements of operations in which the effects of cash flow hedges are recorded	\$ 212	\$ 199	\$ 184
Amount recognized in other comprehensive income	6	59	18
Amount reclassified from accumulated other comprehensive income (loss) to interest expense, net	(15)	11	19

We expect to reclassify net gains of \$10 million from accumulated other comprehensive loss into earnings during the next 12 months.

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Note 13—Debt

Debt consisted of the following:

	Stated interest rate	Effective interest rate	December 29, 2023	December 30, 2022
(in millions)				
Short-term debt and current portion of long-term debt:				
Senior unsecured term loans:				
\$380 million term loan, due May 2023	6.08 %	6.17 %	\$ —	\$ 320
Current portion of long-term debt			18	672
Total short-term debt and current portion of long-term debt			\$ 18	\$ 992
Long-term debt:				
Senior unsecured term loans:				
\$1,925 million term loan, due January 2025	5.77 %	6.09 %	\$ —	\$ 1,211
\$1,000 million term loan, due March 2028	6.71 %	6.89 %	1,000	—
Senior unsecured notes:				
\$500 million notes, due May 2023	2.95 %	3.17 %	—	500
\$500 million notes, due May 2025	3.63 %	3.76 %	500	500
\$750 million notes, due May 2030	4.38 %	4.50 %	750	750
\$750 million notes, due March 2033	5.75 %	5.81 %	750	—
\$1,000 million notes, due February 2031	2.30 %	2.38 %	1,000	1,000
\$250 million notes, due July 2032	7.13 %	7.43 %	250	250
\$300 million notes, due July 2033	5.50 %	5.88 %	161	161
\$300 million notes, due December 2040	5.95 %	6.03 %	218	218
Finance leases due on various dates through fiscal 2032	Various	1.84%-6.31%	91	44
Less: unamortized debt discounts and deferred debt issuance costs			(38)	(34)
Total long-term debt			4,682	4,600
Less: current portion			(18)	(672)
Total long-term debt, net of current portion			\$ 4,664	\$ 3,928

Term Loans and Revolving Credit Facility

On March 10, 2023 (the “Closing Date”), we entered into a Credit Agreement (the “Credit Agreement”) with certain financial institutions, which provided for a senior unsecured term loan facility in an aggregate principal amount of \$1.0 billion (the “Term Loan Facility”) and a \$1.0 billion senior unsecured revolving facility (the “Revolving Facility”) and, together with the Term Loan Facility, the “Credit Facilities”). The Credit Facilities will mature in March 2028. The Revolving Facility permits two additional one-year extensions subject to lender consent. As of December 29, 2023, there were no borrowings outstanding under the Revolving Facility.

The proceeds of the Term Loan Facility and cash on hand on the Closing Date were used to repay in full all indebtedness, terminate all commitments and discharge all guarantees existing in connection with a predecessor \$1.9 billion senior unsecured term loan facility and a \$750 million senior unsecured revolving facility. As of December 30, 2022, there were no borrowings outstanding under the predecessor senior unsecured revolving facility.

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Borrowings under the Credit Agreement bear interest at a rate determined, at our option, based on either an alternate base rate or a Term SOFR rate with a 0.10%, per annum Term SOFR adjustment, plus, in each case, an applicable margin that varies depending on our credit rating. The applicable margin range for Term SOFR-denominated borrowings is from 1.00% to 1.50%. Based on our current ratings, the applicable margin for Term SOFR-denominated borrowings is 1.25%. Principal payments are made quarterly on the Term Loan Facility beginning in March 2025, with the majority of the principal due at maturity. Interest on the Term Loan Facility for Term SOFR-denominated borrowings is payable on a periodic basis, which must be at least quarterly.

The financial covenants in the Term Loan Agreement require that we maintain, as of the last day of each fiscal quarter, a ratio of adjusted consolidated total debt to consolidated EBITDA of not more than 3.75 to 1.00, subject to increases to 4.50 to 1.00 following a material acquisition, and a ratio of EBITDA to consolidated interest expense of not less than 3.50 to 1.00.

On May 6, 2022, we entered into a 364-day term loan credit agreement with certain financial institutions, which provided for a senior unsecured term loan facility in an aggregate principal amount of \$380 million, and was repaid in fiscal 2023. The proceeds of the term loan were used to repay the \$380 million senior unsecured term loan entered into on May 7, 2021.

Senior Notes

On February 28, 2023, we issued and sold \$750 million aggregate principal amount of fixed-rate senior notes (the "Notes") maturing in March 2033. The Notes are senior unsecured obligations issued by Leidos, Inc. and guaranteed by Leidos Holdings, Inc. The annual interest rate for the Notes is 5.75% and is payable on a semi-annual basis. In connection with the issuance of the Notes, \$11 million of debt issuance costs and debt discounts were recognized, which were recorded as an offset against the carrying value of debt. The proceeds from the Notes were used to repay all of the outstanding obligations in respect of principal, interest and fees on the \$500 million 2.95% notes, due May 2023, the majority of which were retired on February 28, 2023. The remaining proceeds from the Notes were used to repay \$210 million of the outstanding balance on the predecessor \$1.9 billion senior unsecured term loan facility, due January 2025, and fund general corporate purposes.

Commercial Paper

We have a commercial paper program in which the Company may issue short-term unsecured commercial paper notes ("Commercial Paper Notes"). On May 26, 2023, we increased the size of the commercial paper program by \$250 million, or not to exceed \$1.0 billion. The proceeds will be used for general corporate purposes, including working capital, capital expenditures, acquisitions and share repurchases.

The Commercial Paper Notes are issued in minimum denominations of \$0.25 million and have maturities of up to 397 days from the date of issuance. The Commercial Paper Notes will bear either a stated or floating interest rate, if interest bearing, or will be sold at a discount from the face amount. As of December 29, 2023, and December 30, 2022, we did not have any Commercial Paper Notes outstanding.

The Credit Facilities, Commercial Paper Notes, senior unsecured term loans and notes are fully and unconditionally guaranteed and contain certain customary restrictive covenants, including among other things, restrictions on our ability to create liens and enter into sale and leaseback transactions under certain circumstances. We were in compliance with all covenants as of December 29, 2023.

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Principal Payments

Future minimum payments of debt are as follows:

Fiscal Year Ending	(in millions)
2024	\$ 18
2025	619
2026	120
2027	114
2028	705
2029 and thereafter	3,144
Total principal payments	4,720
Less: unamortized debt discount and issuance costs	(38)
Total short-term and long-term debt	\$ 4,682

Note 14—Accumulated Other Comprehensive Income (Loss)

Changes in the components of Accumulated Other Comprehensive Income (Loss) ("AOCI") were as follows:

	Foreign currency translation adjustments	Unrecognized gain (loss) on derivative instruments	Pension adjustments	Total AOCI
	(in millions)			
Balance at January 1, 2021	\$ 30	\$ (70)	\$ (6)	\$ (46)
Other comprehensive income (loss)	(3)	18	17	32
Taxes	(5)	(8)	(4)	(17)
Reclassification from AOCI	—	19	—	19
Balance at December 31, 2021	22	(41)	7	(12)
Other comprehensive income (loss)	(108)	59	(27)	(76)
Taxes	13	(16)	7	4
Reclassification from AOCI	—	11	—	11
Balance at December 30, 2022	(73)	13	(13)	(73)
Other comprehensive income (loss)	36	6	(1)	41
Taxes	(2)	1	—	(1)
Reclassification from AOCI	—	(15)	—	(15)
Balance at December 29, 2023	\$ (39)	\$ 5	\$ (14)	\$ (48)

Reclassifications for unrecognized gain (loss) on derivative instruments are associated with outstanding debt are recorded in "Interest expense, net" on the consolidated statements of operations. See "Note 12—Derivative Instruments" for more information on our interest rate swap agreements.

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Note 15—Composition of Certain Financial Statement Captions

Balance Sheets	December 29, 2023	December 30, 2022
	(in millions)	
Other current assets:		
Transition costs and project assets ⁽¹⁾	\$ 101	\$ 132
Other ⁽²⁾	388	358
	<u>\$ 489</u>	<u>\$ 490</u>
Other long-term assets:		
Transition costs and project assets ⁽¹⁾	\$ 37	\$ 74
Long-term deferred tax assets	102	28
Other ⁽²⁾	299	286
	<u>\$ 438</u>	<u>\$ 388</u>
Accounts payable and accrued liabilities:		
Accrued liabilities	\$ 826	\$ 772
Accounts payable	736	733
Deferred revenue	442	380
Other ⁽²⁾	273	369
	<u>\$ 2,277</u>	<u>\$ 2,254</u>
Accrued payroll and employee benefits:		
Accrued vacation	\$ 380	\$ 356
Salaries, bonuses and amounts withheld from employees' compensation	315	345
	<u>\$ 695</u>	<u>\$ 701</u>

⁽¹⁾ During the year ended December 29, 2023, and December 30, 2022, \$417 million and \$489 million, respectively, of amortization was recognized related to transition costs and project assets.

⁽²⁾ Balance represents items that are not individually significant to disclose separately.

Note 16—Earnings Per Share ("EPS")

Basic EPS is computed by dividing net income attributable to Leidos common stockholders by the basic weighted average number of shares outstanding. Diluted EPS is calculated to give effect to all potentially dilutive common shares that were outstanding during the reporting period. The dilutive effect of outstanding equity-based compensation awards is reflected in diluted EPS by application of the treasury stock method, only in periods in which such effect would have been dilutive for the period.

We issue unvested stock awards that have forfeitable rights to dividends or dividend equivalents. These stock awards are dilutive common share equivalents subject to the treasury stock method.

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The weighted average number of shares used to compute basic and diluted EPS attributable to Leidos stockholders were:

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
	(in millions)		
Basic weighted average number of shares outstanding	137	137	141
Dilutive common share equivalents—stock options and other stock awards	1	1	2
Diluted weighted average number of shares outstanding	<u>138</u>	<u>138</u>	<u>143</u>

Anti-dilutive stock-based awards are excluded from the weighted average number of shares outstanding used to compute diluted EPS. The total outstanding stock options and vesting stock awards that were anti-dilutive were 1 million for each of the periods presented above.

Share Repurchases

During fiscal 2023 and 2021, we made open market repurchases of our common stock for an aggregate purchase price of \$225 million and \$237 million, respectively. There were no open market share repurchases in fiscal 2022.

In fiscal 2022, we entered into Accelerated Share Repurchase agreement with a financial institution to repurchase shares of our outstanding common stock. We paid \$500 million to the financial institution and received 4.8 million shares.

The repurchases were recorded to "Additional paid-in capital" in the consolidated balance sheets. All shares delivered were immediately retired.

Note 17—Stock-Based Compensation

Plan Summaries

As of December 29, 2023, we had stock-based compensation awards outstanding under the following plans: the 2017 Omnibus Incentive Plan, the 2006 Equity Incentive Plan, as amended, and the 2006 Employee Stock Purchase Plan, as amended ("ESPP"). We issue new shares upon the vesting of stock units or exercising of stock options under these plans.

The 2017 Omnibus Incentive Plan provides Leidos and its affiliates' employees, directors and consultants the opportunity to receive various types of stock-based compensation awards, such as stock options, restricted stock units and performance-based awards, as well as cash awards. We grant service-based awards that generally vest or become exercisable 33% a year over three years, 25% a year over four years or cliff vest in three years. As of December 29, 2023, 3.8 million shares of Leidos' stock were reserved for future issuance under the 2017 Omnibus Incentive Plan and the 2006 Equity Incentive Plan.

We offer eligible employees the opportunity to defer restricted stock units into an equity-based deferred equity compensation plan, the Key Executive Stock Deferral Plan ("KESDP"). Prior to 2013, we offered an additional opportunity for deferrals into the Management Stock Compensation Plan ("MSCP"). Benefits from these plans are payable in shares of Leidos' stock that are held in a trust for the purpose of funding shares to the plans' participants. Restricted stock units deferred under the KESDP are counted against the total shares available for future issuance under the 2017 Omnibus Incentive Plan. All awards under the MSCP are fully vested and the plan does not provide for a maximum number of shares available for future issuance.

Our ESPP allows eligible employees to purchase shares of Leidos' stock at a discount of up to 15% of the fair market value on the date of purchase. During fiscal 2023, 2022 and 2021, the discount was 10% of the fair market value on the date of purchase. During fiscal 2023, 2022 and 2021, \$48 million, \$45 million and \$39 million, respectively, was received from ESPP plan participants for the issuance of Leidos' stock. A total of 2.3 million shares remain available for future issuance under the ESPP.

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Stock-based compensation and related tax benefits recognized under all plans were as follows:

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
	(in millions)		
Total stock-based compensation expense	\$ 77	\$ 73	\$ 67
Tax benefits recognized from stock-based compensation	17	16	17

Stock Options

Stock options are granted with exercise prices equal to the fair market value of Leidos' common stock using the closing price on the business day prior to the grant date and for terms not greater than ten years. Stock options have a term of seven years and a vesting period of three or four years, except for stock options granted to our outside directors, which have a vesting period of the earlier of one year from grant date or the next annual meeting of stockholders following grant date.

The fair value of the stock option awards is estimated on the date of grant using the Black-Scholes-Merton option-pricing model. The fair value of the stock option awards to employees are expensed on a straight-line basis over the vesting period of three or four years, except for stock options granted to our outside directors, which is recognized over the vesting period of one year or less.

During fiscal 2023, 2022 and 2021, we used a blended approach to measure expected volatility that is based on our weighted average historical and implied volatilities.

The risk-free rate is derived using the yield curve of a zero-coupon U.S. Treasury bond with a maturity equal to the expected term of the stock option on the grant date. To determine the expected term, we use the midpoint scenario with a one-year grant date filter assumption for outstanding options and we use historical data to estimate forfeitures. The weighted average grant-date fair value and assumptions used to determine fair value of stock options granted for the periods presented were as follows:

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
Weighted average grant-date fair value	\$ 25.21	\$ 24.67	\$ 20.23
Expected term (in years)	4.7	4.7	4.6
Expected volatility	28.6 %	29.5 %	29.6 %
Risk-free interest rate	4.0 %	1.6 %	0.7 %
Dividend yield	1.4 %	1.6 %	1.3 %

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Stock option activity for each of the periods presented was as follows:

	Shares of stock under stock options (in millions)	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2021	2.2	\$ 56.01	3.5	\$ 108
Options granted	0.3	90.25		
Options forfeited or expired	—	85.42		
Options exercised	(0.4)	38.79		27
Outstanding at December 31, 2021	2.1	\$ 65.18	3.5	\$ 54
Options granted	0.3	105.01		
Options forfeited or expired	—	92.10		
Options exercised	(0.6)	39.26		41
Outstanding at December 30, 2022	1.8	\$ 81.45	3.9	\$ 42
Options granted	0.3	92.71		
Options forfeited or expired	—	95.05		
Options exercised	(0.2)	53.78		9
Outstanding at December 29, 2023	1.9	\$ 86.22	3.7	\$ 41
Exercisable at December 29, 2023	1.1	\$ 78.73	2.6	\$ 32
Vested and expected to vest in the future as of December 29, 2023	1.8	\$ 86.14	3.7	\$ 41

As of December 29, 2023, there was \$7 million of unrecognized compensation cost, net of estimated forfeitures, related to stock options, which is expected to be recognized over a weighted-average period of 1.8 years. Tax benefits from stock options exercised for fiscal 2023, 2022 and 2021 were \$2 million, \$9 million and \$6 million, respectively.

Restricted Stock Units and Awards

Compensation expense is measured at the grant date fair value and generally recognized over the vesting period of three or four years based upon required service conditions and in some cases revenue or EPS-based performance conditions.

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Restricted stock units and awards activity for each of the periods presented was as follows:

	Shares of stock under stock awards	Weighted average grant- date fair value
	(in millions)	
Unvested stock awards at January 1, 2021	1.3	\$ 79.05
Awards granted	0.7	91.09
Awards forfeited	(0.1)	89.56
Awards vested	(0.5)	71.60
Unvested stock awards at December 31, 2021	1.4	\$ 88.89
Awards granted	0.5	104.78
Awards forfeited	(0.1)	99.38
Awards vested	(0.5)	74.20
Unvested stock awards at December 30, 2022	1.3	\$ 98.52
Awards granted	0.6	95.82
Awards forfeited	(0.1)	97.18
Awards vested	(0.4)	97.65
Unvested stock awards at December 29, 2023	1.4	\$ 97.71

As of December 29, 2023, there was \$57 million of unrecognized compensation cost, net of estimated forfeitures, related to restricted stock units, which is expected to be recognized over a weighted average period of 1.8 years. The fair value of restricted stock units that vested in fiscal 2023, 2022 and 2021 was \$40 million, \$52 million and \$48 million, respectively.

Performance-Based Stock Awards

Performance-based stock awards vest and the stock is issued at the end of a three-year period based upon the achievement of specific performance criteria, with the number of shares ultimately awarded, if any, ranging up to 200% of the specified target awards. If performance is below the threshold level of performance, no shares will be issued.

For awards granted during fiscal 2023, 2022 and 2021, the target number of shares of stock granted under the awards will vest and the stock will be issued at the end of a three-year period based on a three-year cycle performance period and the actual number of shares to be issued will be based upon the achievement of the three-year cycle's performance criteria. Also, during fiscal 2023, 2022 and 2021, we granted performance-based awards with market conditions. These market conditions grants represent the target number of shares and the actual number of shares to be awarded upon vesting may be higher or lower depending upon the achievement of the relevant market conditions. The target number of shares granted under the market conditions grants will vest and the stock will be issued at the end of a three-year period based on the attainment of certain total shareholder return performance measures and the employee's continued service through the vest date.

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Performance-based stock award activity for each of the periods presented was as follows:

	Expected number of shares of stock to be issued under performance-based stock awards (in millions)	Weighted average grant- date fair value
Unvested at January 1, 2021	0.5	\$ 80.20
Awards granted	0.2	86.88
Awards forfeited	—	89.65
Awards vested	(0.2)	65.30
Unvested at December 31, 2021	0.5	\$ 88.72
Awards granted	0.2	114.98
Awards forfeited	—	103.06
Awards vested	(0.2)	67.79
Unvested at December 30, 2022	0.5	\$ 106.70
Awards granted	0.2	99.34
Awards forfeited	—	104.90
Awards vested	(0.1)	116.37
Unvested at December 29, 2023	0.6	\$ 102.22

The weighted average grant date fair value for performance-based stock, excluding those with a market condition, during fiscal 2023, 2022 and 2021 was \$93.90, \$105.07 and \$89.26, respectively. The weighted average grant date fair value for performance-based stock with market conditions that were granted during fiscal 2023, 2022 and 2021 was \$108.38, \$129.42 and \$88.21, respectively, and was calculated using the Monte Carlo simulation.

The Monte Carlo simulation assumptions used for the periods presented were as follows:

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
Expected volatility	26.35 %	33.18 %	32.86 %
Risk free rate of return	4.33 %	1.61 %	0.29 %
Weighted average grant date stock price	\$ 93.90	\$ 107.67	\$ 90.85

As of December 29, 2023, there was \$18 million of unrecognized compensation cost, net of estimated forfeitures, which is expected to be recognized over a weighted average period of 1.6 years. The fair value of performance-based stock awards that vested in fiscal 2023, 2022 and 2021 was \$12 million, \$17 million, and \$19 million, respectively.

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Note 18—Income Taxes

The provision for income taxes for the periods presented included the following:

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
	(in millions)		
Current:			
Federal	\$ 212	\$ 290	\$ 156
State	68	80	49
Foreign	23	33	29
Deferred:			
Federal	(75)	(169)	(20)
State	(20)	(36)	(3)
Foreign	(13)	(5)	(3)
Total	\$ 195	\$ 193	\$ 208

A reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate to income before income taxes for the periods presented was as follows:

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
	(in millions)		
Amount computed at the statutory federal income tax rate	\$ 85	\$ 186	\$ 203
State income taxes, net of federal tax benefit	26	36	34
Goodwill	104	—	—
Research and development credits	(19)	(31)	(23)
Excess tax benefits from stock-based compensation	(2)	(13)	(11)
Change in valuation allowance for deferred tax assets	3	3	5
Impact of foreign operations	(13)	2	4
Dividends paid to employee stock ownership plan	(2)	(2)	(2)
Change in accruals for uncertain tax positions	14	(1)	1
Other	(1)	13	(3)
Total	\$ 195	\$ 193	\$ 208
Effective income tax rate	48.4 %	21.8 %	21.5 %

The effective tax rate for fiscal 2023 was unfavorably impacted primarily by non tax deductible goodwill impairments. The effective tax rates for both fiscal 2022 and fiscal 2021 were favorably impacted primarily by federal research tax credits and excess tax benefits related to employee stock-based payment transactions.

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Deferred income taxes are recorded for differences in the basis of assets and liabilities for financial reporting purposes and tax reporting purposes. Deferred tax assets (liabilities) were comprised of the following:

	December 29, 2023	December 30, 2022
	(in millions)	
Capitalized research and development	\$ 290	\$ 228
Operating lease liabilities	156	190
Accrued vacation and bonuses	95	87
Reserves	33	40
Deferred compensation	39	32
Credits and net operating losses carryovers	36	32
Vesting stock awards	29	27
Accumulated other comprehensive loss	—	2
Other	18	13
Total deferred tax assets	<u>696</u>	<u>651</u>
Valuation allowance	(27)	(24)
Deferred tax assets, net of valuation allowance	\$ 669	\$ 627
Purchased intangible assets	\$ (347)	\$ (415)
Operating lease right-of-use assets	(126)	(140)
Property, plant and equipment	(90)	(75)
Deferred revenue	(3)	(4)
Other	(4)	(5)
Total deferred tax liabilities	<u>(570)</u>	<u>(639)</u>
Net deferred tax assets (liabilities)	<u>\$ 99</u>	<u>\$ (12)</u>

At December 29, 2023, we had state net operating losses of \$92 million. These will begin to expire in fiscal 2023, however, we expect to utilize \$76 million of these state net operating losses. We had foreign tax credits of \$21 million that will begin to expire in fiscal 2030. We expect to utilize \$6 million of these foreign tax credits. We also had foreign net operating losses of \$34 million, which do not expire. We expect to utilize \$2 million of these foreign net operating losses.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income tax balance sheet items are included in the accompanying consolidated balance sheets as follows:

	December 29, 2023	December 30, 2022
	(in millions)	
Other current assets:		
Prepaid income taxes and tax refunds receivable	\$ 40	\$ 11
Other long-term assets:		
Deferred tax assets	\$ 102	\$ 28
Accounts payable and accrued liabilities:		
Income taxes payable	\$ 3	\$ 135
Deferred tax liabilities	\$ 3	\$ 40
Other long-term liabilities:		
Unrecognized tax benefits	\$ 114	\$ 92

Unrecognized tax benefits are primarily related to certain recurring deductions customary for our industry. The changes in the unrecognized tax benefits were as follows:

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
	(in millions)		
Unrecognized tax benefits at beginning of year	\$ 92	\$ 2	\$ 6
Additions for tax positions related to current year	58	91	—
Additions for tax positions related to prior years	15	—	2
Reductions for tax positions related to current year	(1)	—	—
Reductions for tax positions related to prior years	(54)	—	(2)
Settlements with taxing authorities	—	—	(3)
Lapse of statute of limitations	—	(1)	(1)
Unrecognized tax benefits at end of year	\$ 110	\$ 92	\$ 2
Unrecognized tax benefits that, if recognized, would affect the effective income tax rate	\$ 15	\$ —	\$ 2

At December 29, 2023, December 30, 2022, and December 31, 2021, the balance of unrecognized tax benefits included liabilities for uncertain tax positions of \$110 million, \$92 million and \$2 million, respectively, which were classified as other long-term liabilities on the consolidated balance sheets.

For fiscal 2023, unrecognized tax benefits decreased \$54 million for tax positions related to prior years, primarily as a result of completing a detailed study of our capitalized research and development costs and considering recent guidance issued by the Internal Revenue Service. In addition, unrecognized tax benefits increased \$58 million for tax positions related to the current year, primarily as a result of capitalized research and development costs.

At December 29, 2023, accrued interest and penalties totaled \$4 million. At December 30, 2022, and December 31, 2021, accrued interest and penalties were immaterial. For fiscal 2023, \$4 million of interest and penalties were recognized in the Company's consolidated statements of operations. For fiscal 2022 and 2021, the amount of interest and penalties was immaterial.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We file income tax returns in the United States and various state and foreign jurisdictions. For the years ended December 30, 2022, and December 29, 2023, we are participating in the Internal Revenue Service ("IRS") Compliance Assurance Process ("CAP"), a real-time audit of our consolidated federal corporate income tax returns. The IRS has examined our consolidated federal income tax returns through the year ended January 3, 2020. For the years ended January 1, 2021, and December 31, 2021, we were selected to participate in the phase of CAP reserved for taxpayers whose risk of noncompliance does not warrant use of IRS resources. We believe that participation in CAP should reduce tax-related uncertainties, if any. Additionally, with a few exceptions, as of December 29, 2023, we were no longer subject to state, local, or foreign examinations by the tax authorities for fiscal years ended on or before January 3, 2020.

During the next 12 months, we expect our balance of unrecognized tax benefits to decrease by \$22 million related to capitalized research and development costs. While we believe we have adequate accruals for uncertain tax positions, the tax authorities may determine that we owe taxes in excess of recorded accruals or the recorded accruals may be in excess of the final settlement amounts agreed to by tax authorities.

Note 19—Retirement Plans

Defined Contribution Plans

We sponsor various defined contribution plans in which most employees are eligible to participate. These plans allow eligible participants to contribute a portion of their income through payroll deductions and Leidos may also make discretionary contributions. Company contributions were \$148 million, \$145 million and \$131 million for fiscal 2023, 2022 and 2021, respectively.

Deferred Compensation Plans

We maintain three deferred compensation plans, the Keystaff Deferral Plan ("KDP"), the KESDP and the MSCP (the "Deferred Compensation Plans"), for the benefit of certain management or highly compensated employees or members of the Board of Directors. The Deferred Compensation Plans allow eligible participants to elect to defer a portion of their salary, and all or a portion of certain bonuses, including restricted stock unit awards. Directors may also elect to defer their cash compensation in addition to their restricted stock unit awards. Balances in the Deferred Compensation Plans are paid in lump sum or installments upon retirement, termination or the elected specified date.

We do not make any contributions to the KDP but maintain participant accounts for deferred amounts and investments. We maintain a rabbi trust for the purpose of funding benefit payments to the KDP participants. Participants may allocate deferred salary and cash bonus amounts into a variety of designated investment options, with gains and losses based on the elected investment option performance with the participant assuming all risks related to future returns of their contributions.

Under the KESDP, eligible participants may elect to defer in share units all or a portion of certain cash bonuses and restricted stock unit awards granted under the previous 2006 Equity Incentive Plan and the current 2017 Omnibus Incentive Plan (see "Note 17—Stock-Based Compensation"). Under the MSCP, restricted stock share units are fully vested and no further deferrals into the plan are made. We do not make any contributions to the accounts of KESDP or MSCP participants. Benefits from the KESDP and MSCP are payable in shares of Leidos common stock held in a rabbi trust for the purpose of funding benefit payments to KESDP and MSCP participants.

Defined Benefit Plans

We sponsor two frozen defined benefit pension plans ("the Defined Benefit Plans"), one in the United Kingdom ("UK") for former employees on an expired customer contract and another assumed as a result of the Gibbs & Cox acquisition.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On May 20, 2022, the trustee of our UK defined benefit pension plan (the "Plan") invested the assets of the Plan in a bulk purchase annuity policy to fully insure the benefits payable to the members of the Plan. As the buy-in transaction insured the defined benefit obligation, we do not anticipate material future contributions. The bulk purchase annuity policy is structured to enable the Plan to move to a full buy-out, at which time the insurer would become directly responsible for all pension payments and we would be relieved of our obligations under the Plan. At this future date, a settlement loss will be recognized for an amount equal to any unamortized loss associated with the Plan recorded within AOCI and any remaining net plan assets of the Plan will be remitted to the Company. As of December 29, 2023, and December 30, 2022, the unamortized loss within AOCI related to the Plan was \$21 million and \$20 million, respectively. As of December 29, 2023, and December 30, 2022, the Plan had net assets of \$8 million and \$7 million, respectively.

The projected benefit obligation of the Defined Benefit Plans as of December 29, 2023, and December 30, 2022, was \$99 million and \$101 million, respectively. The decrease in the projected benefit obligation was primarily due to assumption changes, offset by exchange rate movements.

The fair value of the Defined Benefit Plans assets as of December 29, 2023, and December 30, 2022, was \$103 million and \$101 million, respectively. The decrease was primarily driven by assumption changes to reflect the fair value of the annuity contract and return on plan assets. The UK Plan funding status was overfunded \$8 million and \$7 million as of December 29, 2023, and December 30, 2022, respectively. The Gibbs & Cox defined benefit pension plan funding status was underfunded \$4 million and \$7 million as of December 29, 2023, and December 30, 2022, respectively. The fair value of Plans assets has been included within "Other long-term liabilities" on the consolidated balance sheets.

Other

We also sponsor multiemployer defined benefit pension plans and defined contribution plans (401(k) plans) (the "Sponsored Plans") for employees working on two U.S. government contracts. As part of the contractual agreements, the customers reimburse Leidos for contributions made to these Sponsored Plans as these costs are allowable under government contract cost accounting requirements. If we were to cease being the contractor as a result of a recompetition process, the defined benefit pension plans and related plan assets and liabilities would transfer to the new contractor. If the contract expires or is terminated with no transfer of the pension plan to a successor contractor, any amount by which the plan liabilities exceed plan assets, as of that date, will be reimbursed by the U.S. government customer. Since we are not responsible for the current or future funded status of the pension plans, no assets or liabilities arising from their funded status are recorded in the consolidated financial statements and no amounts associated with these pension plans are included in the defined benefit plan disclosures above.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20—Business Segments

Our operations and reportable segments are organized around the customers and markets we serve. We define our reportable segments based on the way the CODM, currently the Chief Executive Officer, manages the operations for purposes of allocating resources and assessing performance.

Our business has been aligned into three reportable segments (Defense Solutions, Civil and Health). Additionally, we separately present the unallocable costs associated with corporate functions as Corporate.

Defense Solutions has provided leading-edge and technologically advanced services, solutions and products to a broad customer base. Our ever-changing technologies and innovations cover a wide spectrum of markets with primary areas of concentration in digital modernization, mission systems and integration, Command, Control, Computers, Communications, Intelligence, Surveillance and Reconnaissance ("C4ISR") technologies and services, maritime solutions, transformative software, analytics, intelligence analysis, mission support and logistics services, weapons systems and space systems and solutions. We are dedicated to delivering cost-effective solutions backed by innovation-generating research and development to meet the evolving missions of our customers. We provide a diverse portfolio of national security solutions and systems for air, land, sea, space and cyberspace for the U.S. Intelligence Community, the DoD, the Space Development Agency, the National Aeronautics and Space Administration, Defense Information Systems Agency, military services, government agencies of U.S. allies abroad and other federal and commercial customers in the national security industry. We are heavily engaged in the top defense Research Development Test and Evaluation priorities that are driven by critical evolving threat-driven needs. Our solutions deliver innovative technology, large-scale systems, command and control platforms, data analytics, logistics and cybersecurity solutions, as well as intelligence analysis and operations support to critical missions around the world.

Our Civil business has been focused on modernizing infrastructure, systems and security for government and commercial customers both domestically and internationally. By applying leading science, innovative technologies and business acumen, our talented employees help customers achieve their missions and take on the connected world with data-driven insights, improved efficiencies and technological advantages in the areas of digital modernization, energy infrastructure, integrated missions, transportation applications and security detection.

Our Health business has been focused on delivering effective and affordable solutions to federal and commercial customers that are responsible for the health and well-being of people worldwide, including service members and veterans. Our solutions enable customers to deliver on the health mission of providing high-quality, cost-effective care, and are accomplished through the integration of information technology, engineering, life sciences, health services, clinical insights and health policy. The capabilities we provide predominantly fall in four major areas of activity: health information management services, managed health services, digital modernization and life sciences research and development.

Corporate includes the operations of various corporate activities, certain corporate expense items that are not reimbursed by our U.S. government customers and certain other expense items excluded from a reportable segment's performance.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes business segment information for the periods presented:

	Year Ended		
	December 29, 2023	December 30, 2022	December 31, 2021
(in millions)			
Revenues:			
Defense Solutions	\$ 8,732	\$ 8,244	\$ 8,032
Civil	3,664	3,464	3,157
Health	3,042	2,688	2,548
Total revenues	\$ 15,438	\$ 14,396	\$ 13,737
Operating income (loss):			
Defense Solutions	\$ 636	\$ 541	\$ 569
Civil	(413)	234	248
Health	528	421	442
Corporate	(130)	(108)	(107)
Total operating income	\$ 621	\$ 1,088	\$ 1,152
Amortization of intangible assets:			
Defense Solutions	\$ 117	\$ 130	\$ 121
Civil	62	70	73
Health	23	30	34
Total amortization of intangible assets	\$ 202	\$ 230	\$ 228

The statement of operations performance measures used to evaluate segment performance are revenues and operating income. As a result, "Interest expense, net," "Other expense, net," and "Income tax expense," as reported in the consolidated financial statements are not allocated to our segments. Under U.S. government Cost Accounting Standards, indirect costs including depreciation expense are collected in indirect cost pools, which are then collectively allocated out to the reportable segments based on a representative causal or beneficial relationship of the costs in the pool to the costs in the base. While depreciation expense is a component of the allocated costs, the allocation process precludes depreciation expense from being specifically identified by the individual reportable segments. For this reason, depreciation expense by reportable segment has not been reported above.

Asset information by segment is not a key measure of performance used by the CODM.

We generated approximately 87% of our total revenues in fiscal 2023, 86% in fiscal 2022 and 87% in fiscal 2021 from contracts with the U.S. government, either as a prime contractor or a subcontractor to other contractors engaged in work for the U.S. government. Revenues under contracts with the DoD and U.S. Intelligence Community, including subcontracts under which the DoD or the U.S. Intelligence Community is the ultimate purchaser, represented approximately 49% of our total revenues for fiscal 2023 and 44% of total revenues for both fiscal 2022 and 2021.

Approximately 9% of our revenues in fiscal 2023, and 8% in both fiscal 2022 and 2021, are generated by entities outside of the United States. As such, additional financial information by geographic location is not presented.

Note 21—Commitments and Contingencies

Legal Proceedings

We are involved in various claims and lawsuits arising in the normal conduct of our business, none of which, in the opinion of management, based upon current information, will likely have a material adverse effect on our financial position, results of operations or cash flows.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies*VirnetX, Inc. ("VirnetX")*

On April 10, 2018, a jury trial concluded in an additional patent infringement case brought by VirnetX against Apple, referred to as the Apple II case, in which the jury returned a verdict against Apple for infringement and awarded VirnetX damages in the amount of over \$502 million. On April 11, 2018, in a second phase of the Apple II trial, the jury found Apple's infringement to be willful. On August 30, 2018, the federal trial court in the Eastern District of Texas entered a final judgment and rulings on post-trial motions in the Apple II case. The court affirmed the jury's verdict of over \$502 million and granted VirnetX's motions for supplemental damages, a sunset royalty and royalty rate of \$1.20 per infringing device, along with pre-judgment and post-judgment interest and costs. The court denied VirnetX's motions for enhanced damages, attorneys' fees and an injunction. The court also denied Apple's motions for judgment as a matter of law and for a new trial. An additional sum of over \$93 million for costs and pre-judgment interest was subsequently agreed upon pursuant to a court order, bringing the total award to VirnetX in the Apple II case to over \$595 million. Apple filed an appeal of the judgment in the Apple II case with the U.S. Court of Appeals for the Federal Circuit, and on November 22, 2019, the Federal Circuit affirmed in part, reversed in part and remanded the Apple II case back to the District Court. The Federal Circuit affirmed that Apple infringed two of the patents at issue in the case, and ruled that Apple is precluded from making certain patent invalidity arguments. However, the Federal Circuit reversed the judgment that Apple infringed two other patents at issue, vacated the prior damages awarded in the Apple II case, and remanded the Apple II case back to the District Court for further proceedings regarding damages. On April 23, 2020, the District Court ordered a new trial on damages in the Apple II case, which was delayed by the coronavirus pandemic and started on October 26, 2020. On October 30, 2020, the jury awarded VirnetX \$503 million in damages and specified a royalty rate of \$0.84 per infringing device. In January 2021, the District Court entered final judgment affirming the jury award and the parties separately agreed on additional costs and interest of over \$75 million, subject to Apple's appeal. On February 4, 2021, Apple filed a notice of appeal with the U.S. Court of Appeals for the Federal Circuit in the Apple II case.

Under our agreements with VirnetX, Leidos would receive 25% of the proceeds obtained by VirnetX after reduction for attorneys' fees and costs. However, the verdict in the Apple II case remains subject to the ongoing and potential future proceedings and appeals. In addition, the patents at issue in these cases are subject to U.S. Patent and Trademark Office ("USPTO") post-grant inter partes review and/or reexamination proceedings and related appeals, which may result in all or part of these patents being invalidated or the claims of the patents being limited. On March 30, 2023, the U.S. Court of Appeals for the Federal Circuit issued a ruling affirming prior decisions of the USPTO's Patent Trial and Appeal Board finding certain claims of the patents at issue in the Apple II case to be unpatentable. On March 31, 2023, the Federal Circuit issued a decision vacating the District Court's judgment in the Apple II case and remanding it back to the District Court with instructions to dismiss the case as moot. These Federal Circuit decisions remain subject to potential motions and/or appeals by VirnetX, including potentially seeking rehearing or certiorari review. On May 1, 2023, VirnetX filed a petition for panel rehearing on the Apple II litigation decision at the Federal Circuit, but this petition was denied by the Federal Circuit on June 27, 2023. On June 5, 2023, VirnetX filed a petition for panel rehearing on the Federal Circuit's decision finding the patents at issue in the Apple II case to be unpatentable, but this petition was denied by the Federal Circuit on June 22, 2023. On September 20, 2023, VirnetX filed a petition for a writ of certiorari with the Supreme Court of the United States to review the Federal Circuit decisions.

Thus, no assurances can be given when or if we will receive any proceeds in connection with the Apple II case. In addition, if Leidos receives any proceeds, we are required to pay a royalty to the customer who paid for the development of the technology.

Government Investigations and Reviews

We are routinely subject to investigations and reviews relating to compliance with various laws and regulations with respect to our role as a contractor to federal, state and local government customers and in connection with performing services in countries outside of the United States. Adverse findings could have a material effect on our business, financial position, results of operations and cash flows due to our reliance on government contracts.

LEIDOS HOLDINGS, INC.
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Defense Contract Audit Agency

As of December 29, 2023, active indirect cost audits by the DCAA remain open for fiscal 2021 and subsequent fiscal years. Although we have recorded contract revenues based upon an estimate of costs that we believe will be approved upon final audit or review, we cannot predict the outcome of any ongoing or future audits or reviews and adjustments and, if future adjustments exceed estimates, our profitability may be adversely affected. As of December 29, 2023, we believe we have adequately reserved for potential adjustments from audits or reviews of contract costs.

Other Government Investigations and Reviews

Through its internal processes, the Company discovered, in late 2021, activities by its employees, third party representatives and subcontractors, raising concerns related to a portion of our business that conducts international operations. The Company is conducting an internal investigation, overseen by an independent committee of the Board of Directors, with the assistance of external legal counsel, to determine whether the identified conduct may have violated the Company's Code of Conduct and potentially applicable laws, including the U.S. Foreign Corrupt Practices Act ("FCPA"). The Company has voluntarily self-reported this investigation to the Department of Justice and the Securities and Exchange Commission and is cooperating with both agencies. Because the investigation is ongoing, the Company cannot anticipate the timing, outcome or possible impact of the investigation, although violations of the FCPA and other applicable laws may result in criminal and civil sanctions, including monetary penalties, and reputational damage. In September 2022, the Company received a Federal Grand Jury Subpoena related to the criminal investigation by the U.S. Attorney's Office for the Southern District of California, in conjunction with the U.S. Department of Justice's Fraud Division. The subpoena requests documents relating to the conduct that is the subject of the Company's internal investigation. The Company has responded to the subpoena. In February 2023, a former employee of the Company who was terminated at the outset of the investigation was indicted on wire fraud and other charges by a Federal Grand Jury in the U.S. District Court in the Southern District of California. These charges were later dismissed as a result of the death of the former employee.

In August 2022, the Company received a Federal Grand Jury Subpoena in connection with a criminal investigation being conducted by the U.S. Department of Justice Antitrust Division. The subpoena requests that the Company produce a broad range of documents related to three U.S. Government procurements associated with the Company's Intelligence Group in 2021 and 2022. We are fully cooperating with the investigation, and we are conducting our own internal investigation with the assistance of outside counsel. It is not possible at this time to determine whether we will incur, or to reasonably estimate the amount of, any fines, penalties, or further liabilities in connection with the investigation pursuant to which the subpoena was issued.

Commitments

As of December 29, 2023, we have outstanding letters of credit of \$64 million, principally related to performance guarantees on contracts and outstanding surety bonds with a notional amount of \$104 million, principally related to performance and subcontractor payment bonds on contracts. The value of the surety bonds may vary due to changes in the underlying project status and/or contractual modifications.

As of December 29, 2023, the future expirations of the outstanding letters of credit and surety bonds were as follows:

Fiscal year ending	(in millions)
2024	\$ 46
2025	103
2026	2
2027	14
2028	1
2029 and thereafter	2
	<u>\$ 168</u>

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 22—Subsequent Events

Segment Realignment

Beginning in fiscal 2024, we will operate in four reportable segments that are focused on specific, defined capability sets we bring to our customers. The four reportable segments will be National Security and Digital, Health & Civil, Commercial & International and Defense Systems. We will also separately present the unallocable costs associated with corporate functions as Corporate. All historical segment financial information will be recast to conform to the new reportable segment structure in our financial statements and accompanying notes, beginning in the first quarter of fiscal 2024.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer (our Chief Executive Officer) and principal financial officer (our Executive Vice President and Chief Financial Officer), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of December 29, 2023. Based upon that evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission ("SEC"). These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the fourth quarter of fiscal 2022, we completed our acquisition of Cobham Special Mission. As of December 29, 2023, we completed the integration of Cobham Special Mission into our controls over financial reporting.

Other than the foregoing, there have been no changes in our internal control over financial reporting that occurred in the fourth quarter of the period ended December 29, 2023, covered by this Annual Report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our internal control over financial reporting as of December 29, 2023, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management has assessed the effectiveness of our internal control over financial reporting as of December 29, 2023, and has concluded that our internal control over financial reporting as of that date was effective.

Deloitte & Touche LLP, an independent registered public accounting firm, audited our consolidated financial statements included in this Annual Report on Form 10-K and our internal control over financial reporting, and that firm's report on our internal control over financial reporting is set forth below.

February 13, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Leidos Holdings, Inc.

Reston, Virginia

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Leidos Holdings, Inc. and subsidiaries (the “Company”) as of December 29, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 29, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 29, 2023, of the Company and our report dated February 13, 2024, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Deloitte & Touche LLP

McLean, Virginia

February 13, 2024

Item 9B. Other Information**Rule 10b5-1 trading arrangement**

During the three months ended December 29, 2023, no director or officer of the Company adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Amendment to Bylaws

On February 8, 2024, the Board of Directors of the Company amended Article II, Section 2.02 of its Bylaws to decrease the ownership threshold for stockholders to aggregate their holdings of Company stock to call special meetings, effective on February 8, 2024. As amended, one stockholder owning at least ten percent (10%), and one or more stockholders representing in aggregate at least fifteen percent (15%), rather than twenty-five percent (25%), of the voting power of the outstanding capital stock of the Company will have the right to call special meetings of stockholders. As amended, all such stockholders must have held the Company stock for at least one (1) year prior to making the request to the Company. The Company's Amended and Restated Bylaws are filed as Exhibit 3.2 hereto.

Item 10. Directors, Executive Officers and Corporate Governance

For certain information required by Item 10 with respect to executive officers, see "Executive Officers of the Registrant" at the end of Part I of this Annual Report on Form 10-K. For additional information required by Item 10 with respect to executive officers and directors, including audit committee and audit committee financial experts, procedures by which stockholders may recommend nominees to the Board of Directors and compliance with Section 16(a) of the Securities Exchange Act of 1934, see the information set forth under the captions "Proposal 1—Election of Directors," "Corporate Governance" and "Other Information" appearing in the 2024 Proxy Statement to be filed with the SEC within 120 days of the fiscal year ended December 29, 2023, which required information is incorporated by reference into this Annual Report on Form 10-K.

We have a code of conduct that applies to our principal executive officer and our senior financial officers. A copy of our code of conduct is available on the Investor Relations section of our website free of charge at www.leidos.com by clicking on the links entitled "Investors" then "Corporate Governance" then "Overview" and then "Code of Conduct." Documents available under "Corporate Governance" in the Investor Relations section of our website also include our Certificate of Incorporation, Bylaws, Corporate Governance Guidelines, and charters for the Audit and Finance Committee, Human Resources and Compensation Committee, Corporate Governance and Ethics Committee, and Technology and Information Security Committee of the Board of Directors.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our code of business ethics by posting such information on our website. The information on our website is not incorporated by reference into and is not a part of this Annual Report on Form 10-K.

Item 11. Executive Compensation

For information required by Item 11 with respect to executive compensation and director compensation, see the information set forth under the captions "Compensation Discussion and Analysis," "Executive Compensation" and "Corporate Governance" in the 2024 Proxy Statement, to be filed with the SEC within 120 days of the fiscal year ended December 29, 2023, which required information is incorporated by reference into this Annual Report on Form 10-K.

For information required by Item 11 with respect to compensation committee interlocks and insider participation, see the information set forth under the caption "Corporate Governance" in the 2024 Proxy Statement, to be filed with the SEC within 120 days of the fiscal year ended December 29, 2023, which required information is incorporated by reference into this Annual Report on Form 10-K.

PART III
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

For information required by Item 12 with respect to the security ownership of certain beneficial owners and management, see the information set forth under the caption "Other Information" in the 2024 Proxy Statement, to be filed with the SEC within 120 days of the fiscal year ended December 29, 2023, which required information is incorporated by reference into this Annual Report on Form 10-K.

Information with respect to our equity compensation plans as of December 29, 2023, is set forth below:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders ⁽¹⁾	3,824,297 ⁽²⁾	\$ 86.22 ⁽³⁾	8,969,379 ⁽⁴⁾
Equity compensation plans not approved by security holders ⁽⁵⁾	—	—	—
Total	3,824,297 ⁽²⁾	\$ 86.22 ⁽³⁾	8,969,379

⁽¹⁾ The following equity compensation plans approved by security holders are included in this plan category: the 2017 Omnibus Incentive Plan, the 2006 Equity Incentive Plan, as amended, and the 2006 Employee Stock Purchase Plan, as amended.

⁽²⁾ Represents (i) 1,973,922 shares of Leidos common stock reserved for future issuance for service-based awards and performance and market-based awards assuming achievement of the target level of performance for unearned performance and market-based awards (does not include an additional 369,765 shares if the maximum level of performance is achieved) and other stock awards under the 2017 Omnibus Incentive Plan and 2006 Equity Incentive Plan, (ii) no shares of Leidos common stock issuable pursuant to dividend equivalent rights and (iii) 1,850,375 shares of Leidos common stock reserved for future issuance upon the exercise of outstanding options awarded under the 2017 Omnibus Incentive Plan and 2006 Equity Incentive Plan. Does not include shares to be issued pursuant to purchase rights under the 2006 Employee Stock Purchase Plan.

⁽³⁾ Does not include shares to be issued for performance-based and other stock awards and shares of stock issuable pursuant to dividend equivalent rights.

⁽⁴⁾ Represents 6,635,682 and 2,333,697 shares of Leidos common stock under the 2017 Omnibus Incentive Plan and 2006 Employee Stock Purchase Plan, respectively. The maximum number of shares initially available for issuance under the 2017 Omnibus Incentive Plan was 7.5 million. The 2006 Equity Incentive Plan was amended in June 2012 to provide that the maximum number of shares available for issuance thereunder is 12.5 million. The 2006 Employee Stock Purchase Plan was amended in September 2016 to provide that the maximum number of shares available for issuance thereunder is 5.0 million. Those shares that are issued under the 2017 Omnibus Incentive Plan and 2006 Equity Incentive Plan that are forfeited or repurchased at the original purchase price or less or that are issuable upon exercise of awards granted under the plan that expire or become unexercisable for any reason after their grant date without having been exercised in full.

⁽⁵⁾ The Management Stock Compensation Plan has not been approved by security holders and is included in this plan category. This plan does not provide for a maximum number of shares available for future issuance. For further information on this plan, see "Note 17—Stock-Based Compensation" of the notes to the consolidated financial statements contained within Part II of this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

For information required by Item 13 with respect to certain relationships and related transactions and the independence of directors and nominees, see the information set forth under the caption "Corporate Governance" in the 2024 Proxy Statement, to be filed with the SEC within 120 days of the fiscal year ended December 29, 2023, which required information is incorporated by reference into this Annual Report on Form 10-K.

Item 14. Principal Accounting Fees and Services

For information required by Item 14 with respect to principal accounting fees and services, see the information set forth under the caption "Audit Matters" in the 2024 Proxy Statement, to be filed with the SEC within 120 days of the fiscal year ended December 29, 2023, which required information is incorporated by reference into this Annual Report on Form 10-K.

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of the report:

1. Financial Statements

[Consolidated Balance Sheets](#)
[Consolidated Statements of Operations](#)
[Consolidated Statements of Comprehensive Income](#)
[Consolidated Statements of Equity](#)
[Consolidated Statements of Cash Flows](#)
[Notes to Consolidated Financial Statements](#)

2. Financial Statement Schedules

Financial statement schedules are omitted because they are not applicable or the required information is shown in our consolidated financial statements or the notes thereto.

3. Exhibits

Exhibit Number	Description of Exhibit
3.1	<u>Amended and Restated Certificate of Incorporation of Leidos Holdings, Inc. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on May 15, 2020.</u>
3.2	<u>Amended and Restated Bylaws of Leidos Holdings, Inc.</u>
4.1**	<u>Indenture dated June 28, 2002, between Leidos, Inc. and JPMorgan Chase Bank, as trustee. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on July 3, 2002. (SEC File No. 000-12771)</u>
4.2	<u>First Supplemental Indenture, dated October 13, 2006, by and among Leidos, Inc., Leidos Holdings, Inc. and The Bank of New York Trust Company, N.A., as successor trustee to JPMorgan Chase Bank, N.A. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on October 17, 2006. (SEC File No. 001-33072)</u>
4.3	<u>Indenture dated as of December 20, 2010, among Leidos Holdings, Inc., Leidos, Inc., and The Bank of New York Mellon Trust Company, N.A. as Trustee. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K with the SEC on December 22, 2010.</u>
4.4	<u>Indenture relating to the 2.950% Senior Notes due 2023, 3.625% Senior Notes due 2025 and the 4.375% Senior Notes due 2030, dated as of May 12, 2020, by and among Leidos, Inc., as issuer, Leidos Holdings, Inc., as guarantor, and Citibank, N.A., as trustee. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on May 12, 2020.</u>
4.5	<u>Form of 2.950% Senior Notes due 2023. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on May 12, 2020.</u>
4.6	<u>Form of 3.625% Senior Notes due 2025. Incorporated by reference to Exhibit 4.3 to our Current Report on Form 8-K filed with the SEC on May 12, 2020.</u>
4.7	<u>Form of 4.375% Senior Notes due 2030. Incorporated by reference to Exhibit 4.4 to our Current Report on Form 8-K filed with the SEC on May 12, 2020.</u>
4.8	<u>Indenture relating to the 2.300% Senior Notes due 2031, dated as of October 8, 2020 among Leidos, Inc., Leidos Holdings, Inc. as guarantor, and Citibank, N.A., as trustee. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on October 9, 2020.</u>
4.9	<u>Form of 2.300% Senior Notes due 2031. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on October 9, 2020.</u>
4.10	<u>Officers' Certificate of Leidos, Inc., dated as of February 28, 2023. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on February 28, 2023.</u>

PART IV

Exhibit Number	Description of Exhibit
4.11	<u>Form of Global Note representing Leidos, Inc.'s 5.750% Notes due 2033. Included in Exhibit 4.11 and incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on February 28, 2023.</u>
4.12	<u>Description of Common Stock. Incorporate by reference to Exhibit 4.13 to our Annual Report on Form 10-K filed with the SEC on February 23, 2021.</u>
10.1*	<u>Leidos Holdings, Inc.'s 2006 Equity Incentive Plan. Incorporated by reference to Exhibit 10.1 to our Annual Report on Form 10-K filed with the SEC on March 27, 2014.</u>
10.2*	<u>Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan. Incorporated by reference to Exhibit 10.2 to our Annual Report on Form 10-K filed with the SEC on February 14, 2023.</u>
10.3*	<u>Leidos, Inc.'s Management Stock Compensation Plan. Incorporated by reference to Exhibit 10.3 to our Annual Report on Form 10-K filed with the SEC on March 27, 2014.</u>
10.4*	<u>Amended and Restated Leidos, Inc.'s Keystaff Deferral Plan. Incorporated by reference to Exhibit 10.4 to our Transition Report on Form 10-K filed with the SEC on February 26, 2016.</u>
10.5*	<u>Amended and Restated Leidos, Inc.'s Key Executive Stock Deferral Plan. Incorporated by reference to Exhibit 10.5 to our Transition Report on Form 10-K filed with the SEC on February 26, 2016.</u>
10.6*	<u>Amended and Restated Leidos Holdings, Inc.'s 2006 Employee Stock Purchase Plan. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on August 4, 2017.</u>
10.7*	<u>Form of Nonstatutory Stock Option Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan. Incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K filed with the SEC on March 27, 2014.</u>
10.8*	<u>Form of Nonstatutory Stock Option Agreement (Non-Employee Directors) of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan. Incorporated by reference to Exhibit 10.11 to our Annual Report on Form 10-K filed with the SEC on March 27, 2014.</u>
10.9*	<u>Form of Restricted Stock Unit Award Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan. Incorporated by reference to Exhibit 10.14 to our Annual Report on Form 10-K filed with the SEC on March 27, 2014.</u>
10.10*	<u>Form of Restricted Unit Award Agreement (Management) of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan. Incorporated by reference to Exhibit 10.16 to our Annual Report on Form 10-K filed as with the SEC on March 27, 2014.</u>
10.11*	<u>Form of Indemnification Agreement. Incorporated by reference to Exhibit 10.19 to our Annual Report on Form 10-K filed with the SEC on March 25, 2015.</u>
10.12*	<u>Amended and Restated Executive Severance Plan. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on October 29, 2019.</u>
10.13*	<u>Executive Employment Agreement dated June 30, 2014. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on July, 2, 2014.</u>
10.14*	<u>Form of Performance Share Award Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan (for Performance Share Award Agreements entered into on or after April 3, 2015). Incorporated by reference to Exhibit 10.33 to our Annual Report on Form 10-K filed with the SEC on March 25, 2015.</u>
10.15*	<u>Form of Restricted Stock Unit Award Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan. Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed with the SEC on May 5, 2017.</u>
10.16*	<u>Form of Nonstatutory Stock Option Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan (for Nonstatutory Stock Option Agreements granted on March 3, 2017). Incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q filed with the SEC on May 5, 2017.</u>
10.17*	<u>Form of Performance Share Award Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan (for Performance Share Award Agreements granted on March 3, 2017). Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q filed with the SEC on May 5, 2017.</u>

PART IV

Exhibit Number	Description of Exhibit
10.18*	<u>Form of Notice of Grant of Options for Non-Employee Directors under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan. Incorporated by reference to Exhibit 10.22 to our Annual Report on Form 10-K filed with the SEC on February 23, 2018.</u>
10.19*	<u>Form of Notice of Grant of Options for Employees under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan.</u>
10.20*	<u>Form of Notice of Grant of Restricted Stock Unit Awards (Performance-Vesting) for Employees under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan.</u>
10.21*	<u>Form of Notice of Grant of Performance Share Awards for Employees under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan.</u>
10.22*	<u>Form of Notice of Grant of Restricted Stock Unit Awards (Time-Vesting) for Employees under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan.</u>
10.23*	<u>Form of Notice of Grant of Restricted Stock Unit Awards for Non-Employee Directors under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan. Incorporated by reference to Exhibit 10.27 to our Annual Report on Form 10-K filed with the SEC on February 23, 2018.</u>
10.24	<u>Intellectual Property Matters Agreement, dated August 16, 2016, between Lockheed Martin Corporation and Abacus Innovations Corporation. Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed with the SEC on November 4, 2016.</u>
10.25	<u>Credit Agreement dated as of March 10, 2023, by and among Leidos Holdings, Inc., Leidos, Inc., the guarantors party thereto, the lenders party thereto and Citibank, N.A., as administrative agent. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on March 14, 2023.</u>
10.26	<u>Form of Commercial Paper Dealer Agreement, dated July 12, 2021, between Leidos, Inc., as issuer, the Company, as guarantor, and the applicable Dealer party thereto. Incorporated by reference to Exhibit 10.1 to our Form 8-K filed with the U.S. Securities and Exchange Commission on July 12, 2021.</u>
10.27	<u>Amended and Restated Leidos Holdings, Inc. Severance Plan for Executive Officers, effective July 27, 2023. Incorporated by reference to Exhibit 10.2 to our Form 10-Q filed with the SEC on August 1, 2023.</u>
10.28	<u>Executive Employment Agreement, dated February 23, 2023, between Leidos Holdings, Inc. and Thomas A. Bell. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on February 27, 2023.</u>
10.29	<u>Retirement Agreement, dated March 28, 2023, between Leidos Holdings, Inc. and Roger A. Krone. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K (Amendment No. 1) filed with the SEC on March 31, 2023.</u>
21	<u>Subsidiaries of the Registrant.</u>
22	<u>List of Guarantors and Subsidiary Issuers of Guaranteed Securities.</u>
23.1	<u>Consent of Independent Registered Public Accounting Firm, Deloitte & Touche LLP.</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
97.1	<u>Leidos Holdings, Inc.'s Financial Restatement Compensation Clawback Policy.</u>
99.1	<u>Patent License and Assignment Agreement dated as of August 12, 2005, between Leidos, Inc. and VirnetX, Inc. Incorporated by reference to Exhibit 99.1 to our Annual Report on Form 10-K filed with the SEC on April 1, 2010.</u>

PART IV

Exhibit Number	Description of Exhibit
99.2†	<u>Amendment No. 1 dated as of November 2, 2006, to Patent License and Assignment Agreement between Leidos, Inc. and VirnetX, Inc. Incorporated by reference to Exhibit 99.2 to our Annual Report on Form 10-K filed with the SEC on April 1, 2010.</u>
99.3	<u>Amendment No. 2 dated as of March 12, 2008, to Patent License and Assignment Agreement between Leidos, Inc. and VirnetX, Inc. Incorporated by reference to Exhibit 99.3 to our Form 10-K filed with the SEC on April 1, 2010.</u>
101	Interactive Data File.
104	Cover Page Interactive Data File. The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

* Executive Compensation Plans and Arrangements

** Paper filing

† Confidential treatment has been granted with respect to certain portions of these exhibits

Item 16. Form 10-K Summary

None.

**BYLAWS
OF
LEIDOS HOLDINGS, INC.
(a Delaware corporation)**

February 8, 2024

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ARTICLE I. OFFICES

Section 1.01 **Registered Office.** The registered office of Leidos Holdings, Inc. (the "Corporation") in the State of Delaware shall be at 1209 Orange Street, City of Wilmington, County of New Castle, and the name of the registered agent in charge thereof shall be The Corporation Trust Company.

Section 1.02 **Principal Office.** The principal office for the transaction of the business of the Corporation shall be at 1750 Presidents Street, Reston, VA 20190. The Board of Directors (the "Board") is hereby granted full power and authority to change said principal office from one location to another.

Section 1.03 **Other Offices.** The Corporation may also have an office or offices at such other place or places, either within or without the State of Delaware, as the Board may from time to time determine or as the business of the Corporation may require.

ARTICLE II. MEETINGS OF STOCKHOLDERS

Section 2.01 **Annual Meetings.** An annual meeting of stockholders shall be held for the election of directors and to transact such other business as may properly be brought before the meeting.

Section 2.02 **Special Meetings.**

(a) Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time by the Board, or by a committee of the Board which has been duly designated by the Board and whose powers and authority, as provided in a resolution of the Board or in the Bylaws, include the power to call such meetings, and shall be called by the Secretary of the Corporation following the Secretary's receipt of written requests to call a meeting of stockholders (a "Special Meeting Request") from one stockholder of record who owns, and has owned continuously for at least one (1) full year prior to the date of such Special Meeting Request, at least ten percent (10%), or from one or more stockholders of record who own, and have owned continuously for at least one (1) full year prior to the date of such Special Meeting Request, shares representing in the aggregate at least fifteen percent (15%), in each case of the combined voting power of the then outstanding shares of all classes and series of capital stock of the Corporation entitled to vote on the matter or matters to be brought before the proposed special meeting, voting as a single class, and who have delivered such requests in accordance with and subject to the provisions of these Bylaws (as amended from time to time), including any limitations set forth in these Bylaws on the ability to make such a request for such a special meeting. Special meetings may not be called by any other person or persons; provided, however, that if and to the extent that any special meeting of stockholders may be called by any other person or persons specified in any provisions of the Certificate of Incorporation or any amendment thereto or any certificate filed under Section 151(g) of the General Corporation Law of the State of Delaware ("Delaware Law") (or its successor statute as in effect from time to time hereafter), then such special meeting may also be called by the person or persons, in the manner, at the times and for the purposes so specified.

(b) In determining whether Special Meeting Requests have met the requirements of this Section 2.02, multiple Special Meeting Requests will not be considered together if they relate to different items of business. Additionally, in order to be valid, all Special Meeting Requests must have been dated and delivered to the Secretary within sixty (60) days of the earliest dated Special Meeting Request. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice. A Special Meeting Request shall be signed by each stockholder, or duly authorized agent, requesting the special meeting and shall set forth: (i) a brief description of each matter of business desired to be brought before the special meeting and the reasons for conducting such business at the special meeting, (ii) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these Bylaws, the language of the proposed amendment), (iii) any material interest of each stockholder and any beneficial owner on whose behalf the special meeting is being requested in the business desired to be brought before the special meeting, (iv) the name and address, as they appear on the Corporation's books, of each stockholder requesting the special meeting and any beneficial owner on whose behalf the special meeting is being requested, (v) the class and number of shares of the Corporation which are owned by each stockholder requesting the special meeting and any beneficial owner on whose behalf the special meeting is being requested, and (vi) any other information that is required to be set forth in a stockholder's notice required pursuant to Section 2.07 of these Bylaws and, if the purpose of the special meeting includes the appointment or election of one or more directors to the Board, Section 3.03(b) of these Bylaws.

A stockholder may revoke a Special Meeting Request at any time prior to the special meeting; provided however, that if any such revocations are received by the Secretary and, as a result of such revocation, the number of un-revoked Special Meeting Requests no longer represents at least the requisite number of shares entitling the stockholders to request the calling of a special meeting pursuant to Section 2.02(a), then the Board shall have the discretion to determine whether or not to proceed with the special meeting. If none of the stockholders who submitted the Special Meeting Request appear or send a qualified representative (as defined in these Bylaws) to present the proposal(s) or business submitted by the stockholders for consideration at the special meeting, such proposal(s) or business shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation or such stockholder(s).

A Special Meeting Request shall not be valid (and the Board shall have no obligation to call a special meeting in respect of such Special Meeting Request) if it relates to an item of business that is not a proper subject for stockholder action under applicable law.

The Board shall determine the place, if any, and fix the date and time, of any stockholder requested special meeting. The Board may submit its own proposal or proposals for consideration at a stockholder requested special meeting.

Section 2.03 Time and Place of Meetings. All meetings of the stockholders shall be held at such places, within or without the State of Delaware, on such date and at such time as may from time to time be designated by the person or persons calling the respective meeting and specified in the respective notices or waivers of notice thereof.

Section 2.04 Notice of Meetings and Adjourned Meetings; Waivers of Notice.

(a) Whenever stockholders are required or permitted to take any action at a meeting, a notice of the meeting shall be given to stockholders of the Corporation, as required by applicable law, which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Notice may be given by such delivery means (mail, telecopy, electronic or other) as the Secretary deems appropriate and in compliance with applicable law and shall be delivered to the stockholder's address as it appears on the stock transfer records of the Corporation. Unless otherwise required by Delaware Law, such notice shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder of record entitled to vote at such meeting. Unless otherwise expressly required by Delaware Law, when a meeting is adjourned to another time or place (whether or not a quorum is present), notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

(b) Any waiver of any such notice given by the person entitled thereto, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting, and such person objects at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 2.05 Quorum. Except as provided by Delaware Law, the holders of record of a majority in voting interest of the shares of stock of the Corporation entitled to be voted thereat, present in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of the stockholders of the Corporation or any adjournment thereof. In the absence of a quorum at any meeting or any adjournment thereof, a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat or, in the absence therefrom of all the stockholders, any officer entitled to preside at, or to act as a secretary of, such meeting may adjourn such meeting from time to time. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

Section 2.06 Voting.

(a) At each meeting of the stockholders, each stockholder shall be entitled to vote, in person or by proxy, each share or fractional share of the stock of the Corporation having voting rights on the matter in question and which shall have been held by such stockholder and registered in such stockholder's name on the books of the Corporation:

(i) on the date fixed pursuant to Section 6.05 of these Bylaws as the record date for the determination of stockholders entitled to notice of and to vote at such meeting, or

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

(b) Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors in such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes.

(c) Any such voting rights may be exercised by the stockholder entitled thereto in person or by such stockholder's proxy delivered to the secretary of the meeting; *provided, however*, that no proxy shall be voted or acted upon after three (3) years from its date unless said proxy shall provide for a longer period. At any meeting of the stockholders all matters, except as otherwise provided in the Certificate of Incorporation, these Bylaws, Delaware Law, the rules or regulations of any stock exchange applicable to the Corporation (the "Stock Exchange Rules"), or any regulation applicable to the Corporation or its securities, shall be decided by the vote of a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereon, a quorum being present. The vote at any meeting of the stockholders on any question need not be by ballot, except as otherwise provided in the Certificate of Incorporation or unless so directed by the chair of the meeting. On a vote by ballot, each ballot shall be signed by the stockholder voting, or by such stockholder's proxy, if there be such proxy, and it shall state the number of shares voted.

Section 2.07 Business at Annual Meeting (other than the Election of Directors). Only such business (other than nominations for election to the Board, which must comply with the provisions of Section 3.03(b) or Section 3.03(c)) may be transacted at an annual meeting of stockholders as is either (1) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board (or any duly authorized committee thereof), (2) otherwise properly brought before the meeting by or at the direction of the Board (or any duly authorized committee thereof), or (3) otherwise properly brought before the meeting by a stockholder who is a stockholder of record at the time of the giving of notice provided for in this Section 2.07 and on the record date for the determination of stockholders entitled to notice of and to vote at the meeting and who complies with the notice procedures set forth in this Section 2.07. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal office of the Corporation not later than the close of business on the 90th day, nor earlier than the close of business on the 120th day, prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

A stockholder's notice to the Secretary of the Corporation shall set forth: (a) as to each matter the stockholder proposes to bring before the annual meeting, a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting and the text of the business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these Bylaws, the language of the proposed amendment), and (b) as to the stockholder giving notice and the beneficial owner, if any, on whose behalf the proposal is being made, (i) the name and address of such person, (ii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name of each nominee holder of shares of all stock of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation, and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; (iii) a description of all agreements, arrangements, or understandings (whether written or oral) between or among such person, or any affiliates or associates of such person, and any other person or persons (including their names) in connection with the proposal of such business and any material interest of such person or any affiliates or associates of such person, in such business, including any anticipated benefit therefrom to such person, or any affiliates or associates of such person; (iv) whether the stockholder giving notice intends, or is part of a group that intends, to solicit proxies from other stockholders in support of such proposal; (v) a representation that the stockholder giving notice intends to appear in person or by proxy at the annual meeting to bring such business before the meeting; and (vi) any other information relating to

such person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies by such person with respect to the proposed business to be brought by such person before the annual meeting pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the rules and regulations promulgated thereunder.

A stockholder providing notice of business proposed to be brought before an annual meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.07 shall be true and correct as of the record date for determining the stockholders entitled to receive notice of the annual meeting. Such update and supplement shall be delivered to or be mailed and received by the Secretary at the principal office of the Corporation not later than five business days after the record date for determining the stockholders entitled to receive notice of the annual meeting. Nothing contained in this Section 2.07 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation’s proxy statement pursuant to Rule 14a-8 under the Exchange Act (or any successor provision of law).

Notwithstanding the foregoing provisions of this Section 2.07, unless otherwise required by law or the Board or the chair of the annual meeting determines otherwise, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting of stockholders of the Corporation to present the proposed business, such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of these Bylaws, to be considered a “qualified representative” of the stockholder, a person must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

No business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 2.07; provided, however, that nothing in this Section 2.07 shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting.

The chair of the annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with this Section 2.07 and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Section 2.08 List of Stockholders. The Secretary of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, as required by applicable law.

Section 2.09 Inspectors. Prior to each meeting of the stockholders, one or more inspectors shall be appointed by the Board, or, if no such appointment shall have been made, such inspectors shall be appointed by the chair of the meeting, to act thereat. Each inspector so appointed shall first subscribe an oath or affirmation faithfully to execute the duties of an inspector at such meeting with strict impartiality and according to the best of such inspector’s ability. Such inspector(s) shall take charge of the ballots at such meeting, count the ballots cast on any question and deliver a written report of the results thereof to the secretary of such meeting. The inspector(s) need not be stockholders of the Corporation. Any officer of the Corporation may be an inspector on any question other than a vote for or against such officer’s election to any position with the Corporation or on any other question in which such officer may be directly interested other than as a stockholder.

Section 2.10 Regulations for Conduct of Stockholders Meeting. The Board may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations adopted by the Board, the chair of any meeting of stockholders shall have the right and authority to convene and adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chair, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the chair of the meeting, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting; (b) rules and procedures for maintaining order at the meeting and the safety of those present; and (c) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board or the chair of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

ARTICLE III. BOARD OF DIRECTORS

Section 3.01 General Powers. The property, business and affairs of the Corporation shall be managed by or under the direction of the Board, who may exercise all such powers of the Corporation and do all such lawful acts and things as are not by Delaware Law, the Certificate of Incorporation or these Bylaws directed or required to be exercised or done by the stockholders of the Corporation.

Section 3.02 Number. The exact number of directors shall be fixed from time to time, within the limits specified in the Certificate of Incorporation, by resolution of the Board.

Section 3.03 Election of Directors.

(a) **Voting.** The directors shall be elected annually by the stockholders of the Corporation. A nominee for director shall be elected by the vote of the majority of votes cast with respect to such nominee's election, except that directors shall be elected by a plurality of the votes cast in a contested election. An election is contested if the number of nominees exceeds the number of directors to be elected. For election of directors, a majority of the votes cast means that the number of votes cast "for" a nominee exceeds the votes cast "against" that nominee, without counting abstentions as votes cast. If directors are to be elected by a plurality vote, stockholders may not vote against a nominee.

(b) **Nomination of Directors.** Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board may be made at a meeting of stockholders (1) by or at the direction of the Board, (2) by the Corporate Governance and Ethics Committee (or any other duly authorized committee of the Board), (3) by any stockholder of the Corporation who is a stockholder of record at the time of the giving of notice provided for in this Section 3.03(b) and on the record date for the determination of stockholders entitled to notice of and to vote at such meeting and who complies with the notice procedures set forth in this Section 3.03(b), or (4) by a Nominating Stockholder (as defined in these Bylaws) pursuant to Section 3.03(c). In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice in writing to the Secretary of the Corporation. To be timely pursuant to this Section 3.03(b), a stockholder's notice to the Secretary of the Corporation must be delivered to or mailed and received at the principal office of the Corporation not later than the close of business on the 90th day, nor earlier than the close of business on the 120th day, prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

Such stockholder's notice to the Secretary shall set forth: (i) as to each person whom the stockholder proposes to nominate for election or re-election as a director (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) (1) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (2) the name of each nominee holder of shares of all stock of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares of stock of the Corporation held by each such nominee holder, (3) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation and (4) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; and (D) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and (ii) as to the stockholder giving the notice, and the beneficial owner, if any, on whose behalf the nomination is being made, (A) the name and record address of such person; (B) (1) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (2) the name of each nominee holder of shares of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of shares of stock of the Corporation held by each such nominee holder, (3) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation and (4) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such

person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; (C) a description of all agreements, arrangements, or understandings (whether written or oral) between such person, or any affiliates or associates of such person, and any proposed nominee or any other person or persons (including their names) pursuant to which the nomination(s) are being made by such person, and any material interest of such person, or any affiliates or associates of such person, in such nomination, including any anticipated benefit therefrom to such person, or any affiliates or associates of such person; (D) a representation that the stockholder giving notice intends to appear in person or by proxy at the meeting to nominate the persons named in its notice; (E) a representation whether such stockholder intends, or is part of a group that intends, to solicit proxies from other stockholders in support of such nomination; (F) a representation as to whether or not the stockholder or beneficial owner, if any, intend to solicit proxies in support of director nominees other than the Corporation's nominees in accordance with Rule 14a-19 promulgated under the Exchange Act; (G) upon request by the Corporation, if a stockholder provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act, such shareholder shall deliver to the Corporation, no later than five (5) business days prior to the applicable meeting of shareholders, reasonable evidence that it has met the requirements of Rule 14a-19(a)(3) promulgated under the Exchange Act; and (H) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

A stockholder providing notice of any nomination proposed to be made at a meeting of stockholders shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 3.03(b) shall be true and correct as of the record date for determining the stockholders entitled to receive notice of the meeting. Such update and supplement shall be delivered to or be mailed and received by the Secretary at the principal office of the Corporation not later than five business days after the record date for determining the stockholders entitled to receive notice of such meeting.

Unless otherwise required by law, if any stockholder (i) provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act and (ii) subsequently fails to comply with any requirements of Rule 14a-19 promulgated under the Exchange Act or any other rules or regulations thereunder, then the Corporation shall disregard any proxies or votes solicited for such nominees and such nomination shall be disregarded.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3.03(b) or Section 3.03(c). Notwithstanding anything above to the contrary, in the event that the number of directors to be elected to the Board at an annual meeting is increased and there is no public announcement by the Corporation naming the nominees for the additional directorships at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 3.03(b) shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

The chair of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure and, if the chair should so determine, the chair shall so declare to the meeting, and the defective nomination shall be disregarded.

Notwithstanding the foregoing provisions of this Section 3.03(b), unless otherwise required by applicable law or the Board or the chair of the annual meeting determines otherwise, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(c) Nominations of Directors Included in the Corporation's Proxy Materials.

(i) Subject to the provisions of this Section 3.03(c), if expressly requested in the relevant Nomination Notice (as defined below), the Corporation shall include in its proxy statement for any annual meeting of stockholders (but not at any special meeting of stockholders): (A) the name of any person nominated for election (the "Stockholder Nominee"), which shall also be included on the Corporation's form of proxy and ballot, by any Eligible Stockholder (as defined below) or group of up to 20 Eligible Stockholders that, as determined by the Board or its designee acting in good faith, has (individually and collectively, in the case of a group) satisfied all applicable conditions and complied with all applicable procedures set forth in this Section 3.03(c) (such Eligible Stockholder or

group of Eligible Stockholders being a “Nominating Stockholder”); (B) disclosure about the Stockholder Nominee and the Nominating Stockholder required under the rules of the Securities and Exchange Commission or other applicable law to be included in the proxy statement; (C) any statement included by the Nominating Stockholder in the Nomination Notice for inclusion in the proxy statement in support of the Stockholder Nominee’s election to the Board (subject, without limitation, to Section 3.03(c)(v)(B)), provided that such statement does not exceed 500 words; and (D) any other information that the Corporation or the Board determines, in their discretion, to include in the proxy statement relating to the nomination of the Stockholder Nominee, including, without limitation, any statement in opposition to the nomination and any of the information provided pursuant to this Section 3.03(c).

(ii) (A) The Corporation shall not be required to include in the proxy statement for an annual meeting of stockholders more Stockholder Nominees than that number of directors constituting 20% of the total number of directors of the Corporation on the last day on which a Nomination Notice may be submitted pursuant to this Section 3.03(c) (rounded down to the nearest whole number), but, in any event, not fewer than two (the “Maximum Number”). The Maximum Number for a particular annual meeting shall be reduced by: (1) Stockholder Nominees whose nominations are subsequently withdrawn; (2) Stockholder Nominees who the Board itself decides to nominate for election at such annual meeting and (3) the number of incumbent directors who had been Stockholder Nominees at any of the preceding two annual meetings of stockholders and whose reelection at the upcoming annual meeting of stockholders is being recommended by the Board. In the event that one or more vacancies for any reason occurs on the Board after the deadline set forth in Section 3.03(c)(iv) but before the date of the annual meeting of stockholders and the Board resolves to reduce the size of the Board in connection therewith, the Maximum Number shall be calculated based on the number of directors in office as so reduced.

(B) If the number of Stockholder Nominees pursuant to this Section 3.03(c) for any annual meeting of stockholders exceeds the Maximum Number then, promptly upon notice from the Corporation, each Nominating Stockholder will select one Stockholder Nominee for inclusion in the proxy statement until the Maximum Number is reached, going in order of the amount (largest to smallest) of shares of the Corporation’s common stock that each Nominating Stockholder disclosed as owned in its Nomination Notice, with the process repeated if the Maximum Number is not reached after each Nominating Stockholder has selected one Stockholder Nominee. If, after the deadline for submitting a Nomination Notice as set forth in Section 3.03(c)(iv), a Nominating Stockholder becomes ineligible or withdraws its nomination or a Stockholder Nominee becomes ineligible or unwilling to serve on the Board, whether before or after the mailing of the definitive proxy statement, then the Corporation: (1) shall not be required to include in its proxy statement or on any ballot or form of proxy the Stockholder Nominee or any successor or replacement nominee proposed by the Nominating Stockholder or by any other Nominating Stockholder and (2) may otherwise communicate to its stockholders, including without limitation by amending or supplementing its proxy statement or ballot or form of proxy, that the Stockholder Nominee will not be included as a Stockholder Nominee in the proxy statement or on any ballot or form of proxy and will not be voted on at the annual meeting of stockholders.

(iii) (A) An “Eligible Stockholder” is a person who has either (1) been a record holder of the shares of common stock of the Corporation used to satisfy the eligibility requirements in this Section 3.03(c) continuously for the three-year period specified in Section 3.03(c)(iii)(B) below or (2) provides to the Secretary of the Corporation, within the time period referred to in Section 3.03(c)(iv), evidence of continuous ownership of such shares for such three-year period from one or more securities intermediaries in a form that the Board or its designee, acting in good faith, determines acceptable.

(B) An Eligible Stockholder or group of up to 20 Eligible Stockholders may submit a nomination in accordance with this Section 3.03(c) only if the person or group (in the aggregate) has continuously owned at least the Minimum Number (as defined below) (as adjusted for any stock splits, reverse stock splits, stock dividends or similar events) of shares of the Corporation’s common stock throughout the three-year period preceding and including the date of submission of the Nomination Notice, and continues to own at least the Minimum Number of shares through the date of the annual meeting of stockholders. The following shall be treated as one Eligible Stockholder if such Eligible Stockholder shall provide together with the Nomination Notice documentation satisfactory to the Board or its designee, acting in good faith, that demonstrates compliance with the following criteria: (1) funds under common management and investment control; (2) funds under common management and funded primarily by the same employer; or (3) a “family of investment companies” or a “group of investment companies” (each as defined in the Investment Company Act of 1940, as amended). For the avoidance of doubt, in the event of a nomination by a Nominating Stockholder that includes more than one Eligible Stockholder, any and all requirements and obligations for a given Eligible Stockholder or, except as the context otherwise makes clear, the Nominating Stockholder that are set forth in this Section 3.03(c), including the minimum holding period, shall apply to each member of such group; provided, however, that the Minimum Number shall apply to the aggregate ownership of the group of Eligible Stockholders constituting the Nominating Stockholder. Should any Eligible Stockholder withdraw from a group of Eligible Stockholders constituting a Nominating Stockholder at any time prior to the annual meeting of stockholders, the Nominating Stockholder shall be deemed to own only the shares held by the remaining Eligible Stockholders. As used in this Section 3.03(c), any reference to a

“group” or “group of Eligible Stockholders” refers to any Nominating Stockholder that consists of more than one Eligible Stockholder and to all the Eligible Stockholders that make up such Nominating Stockholder.

(C) The “Minimum Number” of shares of the Corporation’s common stock means 3% of the number of outstanding shares of common stock of the Corporation as of the most recent date for which such amount is given in any filing by the Corporation with the Securities and Exchange Commission prior to the submission of the Nomination Notice.

(D) For purposes of this Section 3.03(c), an Eligible Stockholder “owns” only those outstanding shares of the Corporation’s common stock as to which such Eligible Stockholder possesses both: (1) the full voting and investment rights pertaining to such shares and (2) the full economic interest in (including the opportunity for profit from and the risk of loss on) such shares; provided that the number of shares calculated in accordance with clauses (1) and (2) shall not include any shares (x) sold by such Eligible Stockholder or any of its affiliates in any transaction that has not been settled or closed, (y) borrowed by such Eligible Stockholder or any of its affiliates for any purpose or purchased by such Eligible Stockholder or any of its affiliates pursuant to an agreement to resell, or (z) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such Eligible Stockholder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of outstanding capital stock of the Corporation, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of: (aa) reducing in any manner, to any extent or at any time in the future, such Eligible Stockholder’s or any of its affiliates’ full right to vote or direct the voting of any such shares, and/or (bb) hedging, offsetting, or altering to any degree any gain or loss arising from the full economic ownership of such shares by such Eligible Stockholder or any of its affiliates. An Eligible Stockholder “owns” shares held in the name of a nominee or other intermediary so long as the Eligible Stockholder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. An Eligible Stockholder’s ownership of shares shall be deemed to continue during any period in which the Eligible Stockholder has delegated any voting power by means of a proxy, power of attorney, or other similar instrument or arrangement that is revocable at any time by the Eligible Stockholder. An Eligible Stockholder’s ownership of shares shall be deemed to continue during any period in which the Eligible Stockholder has loaned such shares provided that the Eligible Stockholder has the power to recall such loaned shares on not more than five business days’ notice. The terms “owned,” “owning” and other variations of the word “own” shall have correlative meanings. Whether outstanding shares of the Corporation are “owned” for these purposes shall be determined by the Board or its designee acting in good faith. For purposes of this Section 3.03(c)(iii)(D), the term “affiliate” or “affiliates” shall have the meaning ascribed thereto under the General Rules and Regulations under the Exchange Act.

(E) No Eligible Stockholder shall be permitted to be in more than one group constituting a Nominating Stockholder, and if any Eligible Stockholder appears as a member of more than one group, such Eligible Stockholder shall be deemed to be a member of only the group that has the largest ownership position as reflected in the Nomination Notice.

(iv) To nominate a Stockholder Nominee pursuant to this Section 3.03(c), the Nominating Stockholder must submit to the Secretary of the Corporation all of the following information and documents in a form that the Board or its designee, acting in good faith, determines acceptable (collectively, the “Nomination Notice”), not less than 120 days nor more than 150 days prior to the anniversary of the date that the Corporation mailed its proxy statement for the prior year’s annual meeting of stockholders; provided, however, that if (and only if) the annual meeting of stockholders is not scheduled to be held within a period that commences 30 days before the first anniversary date of the preceding year’s annual meeting of stockholders and ends 30 days after the first anniversary date of the preceding year’s annual meeting of stockholders (an annual meeting date outside such period being referred to herein as an “Other Meeting Date”), the Nomination Notice shall be given in the manner provided herein by the later of the close of business on the date that is 180 days prior to such Other Meeting Date or the tenth day following the date such Other Meeting Date is first publicly announced or disclosed (in no event shall the adjournment or postponement of an annual meeting, or the announcement thereof, commence a new time period (or extend any time period) for the giving of the Nomination Notice):

(A) one or more written statements from the record holder of the shares (and from each intermediary through which the shares are or have been held during the requisite three-year holding period) verifying that, as of a date within seven (7) calendar days prior to the date of the Nomination Notice, the Nominating Stockholder owns, and has continuously owned for the preceding three (3) years, the Minimum Number of shares, and the Nominating Stockholder’s agreement to provide, within five (5) business days after the record date for the annual meeting, written statements from the record holder and intermediaries verifying the Nominating Stockholder’s continuous ownership of the Minimum Number of shares through the record date;

(B) an agreement to provide immediate notice if the Nominating Stockholder ceases to own the Minimum Number of shares at any time prior to the date of the annual meeting;

(C) a copy of the Schedule 14N (or any successor form) relating to the Stockholder Nominee, completed and filed with the Securities and Exchange Commission by the Nominating Stockholder as applicable, in accordance with Securities and Exchange Commission rules;

(D) the written consent of each Stockholder Nominee to being named in the Corporation's proxy statement, form of proxy and ballot as a nominee and to serving as a director if elected;

(E) a written notice of the nomination of such Stockholder Nominee that includes the following additional information, agreements, representations and warranties by the Nominating Stockholder (including, for the avoidance of doubt, each group member in the case of a Nominating Stockholder consisting of a group of Eligible Stockholders): (1) the information that would be required to be set forth in a stockholder's notice of nomination pursuant to Section 3.03(b); (2) the details of any relationship that existed within the past three years and that would have been described pursuant to Item 6(e) of Schedule 14N (or any successor item) if it existed on the date of submission of the Schedule 14N; (3) a representation and warranty that the Nominating Stockholder did not acquire, and is not holding, securities of the Corporation for the purpose or with the effect of influencing or changing control of the Corporation; (4) a representation and warranty that the Nominating Stockholder has not nominated and will not nominate for election to the Board at the annual meeting any person other than such Nominating Stockholder's Stockholder Nominee(s); (5) a representation and warranty that the Nominating Stockholder has not engaged in and will not engage in a "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act (without reference to the exception in Section 14a-1(l)(2)(iv)) with respect to the annual meeting, other than with respect to such Nominating Stockholder's Stockholder Nominee(s) or any nominee of the Board); (6) a representation and warranty that the Nominating Stockholder will not use any proxy card other than the Corporation's proxy card in soliciting stockholders in connection with the election of a Stockholder Nominee at the annual meeting; (7) a representation and warranty that the Stockholder Nominee's candidacy or, if elected, board membership would not violate applicable state or federal law or the Stock Exchange Rules; (8) a representation and warranty that the Stockholder Nominee: (u) does not have any direct or indirect relationship with the Corporation that will cause the Stockholder Nominee to be deemed not independent pursuant to the Corporation's Corporate Governance Guidelines and otherwise qualifies as independent under the Corporation's Corporate Governance Guidelines and the Stock Exchange Rules; (v) meets the audit committee and compensation committee independence requirements under the Stock Exchange Rules; (w) is a "non-employee director" for the purposes of Rule 16b-3 under the Exchange Act (or any successor rule); (x) is an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code (or any successor provision); (y) is not and has not been subject to any event specified in Rule 506(d)(1) of Regulation D (or any successor rule) under the Securities Act of 1933 or Item 401(f) of Regulation S-K (or any successor rule) under the Exchange Act, without reference to whether the event is material to an evaluation of the ability or integrity of the Stockholder Nominee; and (z) meets the director qualifications set forth in the Corporation's Corporate Governance Guidelines; (9) a representation and warranty that the Nominating Stockholder satisfies the eligibility requirements set forth in Section 3.03(c)(iii); (10) a representation and warranty that the Nominating Stockholder will continue to satisfy the eligibility requirements described in Section 3.03(c)(iii) through the date of the annual meeting; (11) a representation as to the Nominating Stockholder's intentions with respect to continuing to hold the Minimum Number of shares for at least one year following the annual meeting; (12) details of any position of the Stockholder Nominee as an officer or director of any competitor (that is, any entity that produces products or provides services that compete with or are alternatives to the principal products produced or services provided by the Corporation or its affiliates) of the Corporation, within the three years preceding the submission of the Nomination Notice; (13) if desired, a statement for inclusion in the proxy statement in support of the Stockholder Nominee's election to the Board, provided that such statement shall not exceed 500 words and shall fully comply with Section 14 of the Exchange Act and the rules and regulations thereunder; and (14) in the case of a nomination by a Nominating Stockholder comprised of a group, the designation by all Eligible Stockholders in such group of one Eligible Stockholder that is authorized to act on behalf of the Nominating Stockholder with respect to matters relating to the nomination, including withdrawal of the nomination;

(F) an executed agreement pursuant to which the Nominating Stockholder (including in the case of a group, each Eligible Stockholder in that group) agrees: (1) to comply with all applicable laws, rules and regulations in connection with the nomination, solicitation and election; (2) to file any written solicitation or other communication with the Corporation's stockholders relating to one or more of the Corporation's directors or director nominees or any Stockholder Nominee with the Securities and Exchange Commission, regardless of whether any such filing is required under any rule or regulation or whether any exemption from filing is available for such materials under any rule or regulation; (3) to assume all liability stemming from an action, suit or proceeding concerning any actual or alleged legal or regulatory violation arising out of any communication by the Nominating Stockholder or the Stockholder Nominee nominated by such Nominating Stockholder with the Corporation, its stockholders or any other person in connection with the nomination or election of directors, including, without limitation, the Nomination Notice; (4) to indemnify and hold harmless (jointly with all other Eligible Stockholders, in the case of a group of Eligible Stockholders) the Corporation and each of its directors, officers and employees individually against any liability, loss, damages, expenses or other costs (including attorneys' fees) incurred in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its directors, officers or employees arising out of or relating to a failure or alleged

failure of the Nominating Stockholder or Stockholder Nominee to comply with, or any breach or alleged breach of, such Nominating Stockholder's or Stockholder Nominee's, as applicable, obligations, agreements or representations under this Section 3.03(c); (5) in the event that any information included in the Nomination Notice, or any other communication by the Nominating Stockholder (including with respect to any Eligible Stockholder included in a group) with the Corporation, its stockholders or any other person in connection with the nomination or election ceases to be true and accurate in all material respects (or due to a subsequent development omits a material fact necessary to make the statements made not misleading), to promptly (and in any event within 48 hours of discovering such misstatement or omission) notify the Corporation and any other recipient of such communication of the misstatement or omission in such previously provided information and of the information that is required to correct the misstatement or omission; and (6) in the event that the Nominating Stockholder (including any Eligible Stockholder included in a group) has failed to continue to satisfy the eligibility requirements described in Section 3.03(c)(iii), to promptly notify the Corporation; and

(G) an executed agreement by the Stockholder Nominee: (1) to provide to the Corporation such other information, including completion of the Corporation's director nominee questionnaire, as the Board or its designee, acting in good faith, may request; (2) that the Stockholder Nominee has read and agrees, if elected, to serve as a member of the Board, to adhere to the Corporation's Corporate Governance Guidelines, Code of Business Conduct of the Board of Directors and any other Corporation policies and guidelines applicable to directors; and (3) that the Stockholder Nominee is not and will not become a party to (x) any compensatory, payment or other financial agreement, arrangement or understanding with any person or entity in connection with such person's nomination, candidacy, service or action as director of the Corporation that has not been fully disclosed to the Corporation prior to or concurrently with the Nominating Stockholder's submission of the Nomination Notice, (y) any agreement, arrangement or understanding with any person or entity as to how the Stockholder Nominee would vote or act on any issue or question as a director (a "Voting Commitment") that has not been fully disclosed to the Corporation prior to or concurrently with the Nominating Stockholder's submission of the Nomination Notice or (z) any Voting Commitment that could limit or interfere with the Nominee's ability to comply, if elected as a director of the Corporation, with such Nominee's fiduciary duties under applicable law.

The information and documents required by this Section 3.03(c)(iv) shall be (A) provided with respect to and executed by each Eligible Stockholder in the group in the case of a Nominating Stockholder comprised of a group of Eligible Stockholders; and (B) provided with respect to the persons specified in Instructions 1 and 2 to Items 6(c) and (d) of Schedule 14N (or any successor item) (1) in the case of a Nominating Stockholder that is an entity and (2) in the case of a Nominating Stockholder that is a group that includes one or more Eligible Stockholders that are entities. The Nomination Notice shall be deemed submitted on the date on which all of the information and documents referred to in this Section 3.03(c)(iv) (other than such information and documents contemplated to be provided after the date the Nomination Notice is provided) have been delivered to or, if sent by mail, received by the Secretary of the Corporation.

(v) (A) Notwithstanding anything to the contrary contained in this Section 3.03(c), the Corporation may omit from its proxy statement any Stockholder Nominee and any information concerning such Stockholder Nominee (including a Nominating Stockholder's statement in support) and no vote on such Stockholder Nominee will occur (notwithstanding that proxies in respect of such vote may have been received by the Corporation), and the Nominating Stockholder may not, after the last day on which a Nomination Notice would be timely, cure in any way any defect preventing the nomination of the Stockholder Nominee, if: (1) the Corporation receives a notice that a stockholder intends to nominate a candidate for director at the annual meeting pursuant to the advance notice requirements set forth in Section 3.03(b) without such stockholder's notice expressly electing to have such director candidate(s) included in the Corporation's proxy statement pursuant to this Section 3.03(c); (2) the Nominating Stockholder (or, in the case of a Nominating Stockholder consisting of a group of Eligible Stockholders, the Eligible Stockholder that is authorized to act on behalf of the Nominating Stockholder), or any qualified representative thereof, does not appear at the annual meeting to present the nomination submitted pursuant to this Section 3.03(c) or the Nominating Stockholder withdraws its nomination; (3) the Board or its designee, acting in good faith, determines that such Stockholder Nominee's nomination or election to the Board would result in the Corporation violating or failing to be in compliance with these Bylaws or the Certificate of Incorporation or any applicable law, rule or regulation to which the Corporation is subject, including the Stock Exchange Rules; (4) the Stockholder Nominee was nominated for election to the Board pursuant to this Section 3.03(c) at one of the Corporation's two preceding annual meetings of stockholders and either withdrew from or became ineligible or unavailable for election at such annual meeting or received a vote of less than 25% of the shares of common stock entitled to vote for such Stockholder Nominee; (5) the Stockholder Nominee has been, within the past three years, an officer or director of a competitor, as defined for purposes of Section 8 of the Clayton Antitrust Act of 1914, as amended; or (6) the Corporation is notified, or the Board or its designee acting in good faith determines, that a Nominating Stockholder has failed to continue to satisfy the eligibility requirements described in Section 3.03(c)(iii), any of the representations and warranties made in the Nomination Notice ceases to be true and accurate in all material respects (or omits a material fact necessary to make the statement made not misleading), the Stockholder Nominee becomes unwilling or unable to serve on the Board or any material violation or breach occurs

of any of the obligations, agreements, representations or warranties of the Nominating Stockholder or the Stockholder Nominee under this Section 3.03(c).

(B) Notwithstanding anything to the contrary contained in this Section 3.03(c), the Corporation may omit from its proxy statement, or may supplement or correct, any information, including all or any portion of the statement in support of the Stockholder Nominee included in the Nomination Notice, if the Board or its designee in good faith determines that: (1) such information is not true in all material respects or omits a material statement necessary to make the statements made not misleading; (2) such information directly or indirectly impugns the character, integrity or personal reputation of, or directly or indirectly makes charges concerning improper, illegal or immoral conduct or associations, without factual foundation, with respect to, any individual, corporation, partnership, association or other entity, organization or governmental authority; (3) the inclusion of such information in the proxy statement would otherwise violate the Securities and Exchange Commission proxy rules or any other applicable law, rule or regulation or (4) the inclusion of such information in the proxy statement would impose a material risk of liability upon the Corporation.

The Corporation may solicit against, and include in the proxy statement its own statement relating to, any Stockholder Nominee.

Section 3.04 Resignations. Any director of the Corporation may resign at any time by giving written notice or notice by electronic transmission to the Board or to the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or, if the time be not specified, it shall take effect immediately upon its receipt; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.05 Removal. Unless otherwise restricted by statute, the Certificate of Incorporation or these Bylaws, any director or the entire Board may be removed with or without cause by the holders of a majority of the total voting power of all outstanding shares then entitled to vote at an election of directors.

Section 3.06 Vacancies. Except as otherwise provided in the Certificate of Incorporation, any vacancy in the Board, whether because of death, resignation, disqualification, an increase in the number of directors, or any other cause, may only be filled by vote of the majority of the remaining directors, although less than a quorum. Each director so chosen to fill a vacancy shall hold office until such director's successor shall have been elected and shall qualify or until such director shall resign or shall have been removed.

Section 3.07 First Meeting. The Board shall meet as soon as practicable after each annual election of directors and notice of such first meeting shall not be required.

Section 3.08 Regular Meetings. Regular meetings of the Board may be held at such times as the Board shall from time to time by resolution determine. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting shall be held at the same hour and place on the next succeeding business day not a legal holiday. Except as provided by applicable law, notice of regular meetings need not be given.

Section 3.09 Special Meetings. Special meetings of the Board may be called at any time by the Chair of the Board, by the Chief Executive Officer or by the Secretary upon the written request of at least one-third of the directors then in office. Such meetings shall be held at the principal office of the Corporation, or at such other place or places, within or without the State of Delaware, as the person or persons calling the meeting may designate.

Section 3.10 Committees. The Board may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (a) approving or adopting, or recommending to the stockholders, any action or matter (other than the election or removal of directors) expressly required by Delaware Law to be submitted to stockholders for approval or (b) adopting, amending or repealing any of these Bylaws. Any such committee shall keep written minutes of its meetings and report the same to the Board at the next regular meeting of the Board. Any Board committee may create one or more subcommittees, each subcommittee to consist of one or more members of such committee, and delegate to the subcommittee any or all of the powers of the committee.

Section 3.11 Notice of Meetings. Notice of all special meetings of the Board or a committee shall be mailed to each director, addressed to such director's residence or usual place of business, at least five (5) days before the day on which the meeting is to be held, or shall be personally delivered or otherwise given by such delivery means (telecopy, electronic or other) as the Secretary deems appropriate and in compliance with applicable law, at least two (2) days before the day on which the meeting is to be held. Such notice may be waived by any director and any

meeting shall be a legal meeting without notice having been given if all the directors shall be present thereat or if those not present shall, either before or after the meeting, waive notice of or consent to (in writing or by electronic transmission) such meeting or shall after the meeting sign the approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or be made a part of the minutes of the meeting.

Section 3.12 **Place of Meeting, Etc.** The Board (or committee of the Board) may hold any of its meetings at such place or places within or without the State of Delaware as the Board (or the committee) may from time to time by resolution designate or as shall be designated by the person or persons calling the meeting or in the notice or a waiver of notice of any such meeting. Directors may participate in any regular or special meeting of the Board or a committee by means of conference telephone or other communications equipment pursuant to which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

Section 3.13 **Quorum and Manner of Acting.** Except as otherwise provided in these Bylaws or by Delaware Law, the presence of a majority of the total number of directors shall be required to constitute a quorum for the transaction of business at any meeting of the Board and the presence of a majority of the total number of directors then serving on a committee of the Board shall be required to constitute a quorum for the transaction of business at any meeting of such committee, and all matters shall be decided at any such meeting, a quorum being present, by the affirmative votes of a majority of the directors present. In the absence of a quorum at any meeting or any adjournment thereof, a majority of directors present may adjourn such meeting from time to time. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. Notice of any adjourned meeting need not be given. The directors shall act only as a Board or as a committee thereof, and the individual directors shall have no power as such.

Section 3.14 **Action by Consent.** Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all members of the Board or such committee consent thereto in writing or by electronic transmission. After an action is taken, such written consent or electronic transmission shall be filed with the minutes of proceedings of the Board or committee in the same paper or electronic form as the minutes are maintained.

Section 3.15 **Compensation.** The directors shall receive such compensation for their services as directors, and such additional compensation for their services as members of any committees of the Board, as may be authorized by the Board.

Section 3.16 **Board Leadership.**

(a) **Chair of the Board.** The Board may elect or appoint, from among its members, a Chair of the Board and one or more Vice Chairs of the Board, who shall not be considered by virtue of holding such position officers of the Corporation. The Chair of the Board, when present, shall preside at all meetings of the stockholders of the Corporation and of the Board. The Chair of the Board shall perform, under the direction and subject to the control of the Board, all duties incident to the office of Chair of the Board and such other duties as the Board may assign to the Chair of the Board from time to time.

(b) **Lead Director.** At any time the Chair of the Board is not independent as that term is defined in the Corporation's Corporate Governance Guidelines and any additional independence criteria established by the Board, the Securities and Exchange Commission and the New York Stock Exchange, the independent directors may designate from among them a Lead Director having the duties and responsibilities required by any applicable rules of the New York Stock Exchange and as otherwise determined by the Board from time to time.

ARTICLE IV. OFFICERS

Section 4.01 **Principal Officers.** The principal officers of the Corporation shall be a Chief Executive Officer, Chief Financial Officer, one or more Presidents of various ranks, one or more Executive Vice Presidents, a Secretary, a Controller and a Treasurer, all of whom shall serve under the direction and subject to the control of the Board.

Section 4.02 **Additional Officers and Agents.** In addition to the principal officers designated in Section 4.01, the Board may from time to time elect such other officers and agents as it may deem necessary or advisable, including one or more Vice Presidents of various rank, one or more Assistant Secretaries, one or more Assistant Treasurers, and an Assistant Controller, each of which officers and agents shall be subject to the control of the Board and have such authority and perform such duties as are provided in these Bylaws or as the Board, Chair of the Board or Chief Executive Officer may from time to time determine. Each such officer shall hold office until such officer's successor shall have been duly chosen and qualified or until such officer's earlier resignation, removal or other disqualification for service. No person shall be deemed an officer of the Corporation unless and until elected as an officer by the Board in accordance with Section 4.02 or Section 4.03.

Section 4.03 **Election.** The officers of the Corporation shall be elected annually (or at such other intervals as the Board may determine) by the Board. Each such officer shall hold office until such officer's successor shall have been duly elected and qualified or until such officer's earlier resignation, removal or other disqualification for service.

Section 4.04 **Removal.** All officers and agents of the Corporation, elected or appointed by the Board, may be removed, either with or without cause, at any time, by (a) resolution adopted by the Board or (b) if the officer or agent is not a principal officer by the Chief Executive Officer (or someone to whom the Chief Executive Officer has delegated this authority).

Section 4.05 **Resignations.** Any officer may resign at any time by giving written notice to the Board, the Chair of the Board, the Chief Executive Officer or the Secretary of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.06 **Vacancies.** A vacancy in any office because of death, resignation, removal, disqualification, or other cause, may be filled in the manner prescribed in these Bylaws for regular appointments to such office.

Section 4.07 **Chief Executive Officer.** Subject to such supervisory powers, if any, as may be given by the Board to the Chair of the Board, if any, the Chief Executive Officer, if such officer is appointed, shall, subject to the control of the Board, have general supervision, direction and control of the business and officers of the Corporation. In the event of the death, disability or other absence of the Chair of the Board, the duties of the Chair of the Board may be performed by the Chief Executive Officer, including presiding at any meeting of the Board or the stockholders of the Corporation. The Chief Executive Officer may execute (in facsimile or otherwise) and deliver certificates for shares of the Corporation, any deeds, mortgages, bonds, contracts or other instruments that the Board has authorized to be executed and delivered, except in cases where the execution and delivery thereof shall be expressly and exclusively delegated to one or more other officers or agents of the Corporation by the Board or these Bylaws, or where the execution and delivery thereof shall be required by applicable law to be executed and delivered by another person.

Section 4.08 **President(s).** Individuals appointed to the office of President shall perform, under the direction and subject to the control of the Board and the Chief Executive Officer, all duties incident to the office of President and such other duties as the Board or Chief Executive Officer may assign to such President from time to time. The President may execute (in facsimile or otherwise) and deliver certificates for shares of the Corporation, any deeds, mortgages, bonds, contracts or other instruments that the Board or the Chief Executive Officer has authorized to be executed and delivered, except in cases where the execution and delivery thereof shall be expressly and exclusively delegated to one or more other officers or agents of the Corporation by the Board or these Bylaws, or where the execution and delivery thereof shall be required by applicable law to be executed and delivered by another person. Individuals appointed to the office of President of an organizational unit of the Corporation or Group President shall perform, under the direction and subject to the control of the Board, the Chief Executive Officer and the President of the Corporation and shall have such other duties as the Board, Chief Executive Officer or President of the Corporation may assign to such officers from time to time.

Section 4.09 **Vice Presidents.** Each Vice President of the Corporation shall perform, under the direction and subject to the control of the Board, the Chief Executive Officer or President, such duties as the Board, the Chief Executive Officer, any President or such other office or officers may assign to such Vice President from time to time. Vice Presidents of the Corporation may be further designated as Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Assistant Vice Presidents or such other similar title as the Board may designate.

Section 4.10 **Secretary.** The Secretary of the Corporation or the Secretary's designee shall attend all meetings of the stockholders of the Corporation, the Board and committees established by the Board and shall record correctly the proceedings of such meetings in a book suitable for such purposes. The Secretary shall attest with a signature and the seal of the Corporation (in facsimile or otherwise) all stock certificates issued by the Corporation and shall keep or cause to be kept a stock ledger in which all transactions pertaining to shares of all classes and series of capital stock of the Corporation shall be correctly recorded. The Secretary shall also attest with a signature and the seal of the Corporation (in facsimile or otherwise) all deeds, conveyances or other instruments requiring the seal of the Corporation. The Chair of the Board, the Chief Executive Officer or the Secretary shall give, or cause to be given, notice of all meetings of the stockholders of the Corporation and special meetings of the Board or committees established by the Board. The Secretary is authorized to issue certificates, to which the corporate seal may be affixed, attesting to the incumbency of officers of the Corporation or to actions duly taken by the stockholders of the Corporation, the Board or any committee established by the Board. The Secretary shall perform, under the direction and subject to the control of the Board and the Chief Executive Officer, all duties incident to the office of Secretary and such other duties as the Board or the Chief Executive Officer may assign to the Secretary from time to time. The duties of the Secretary may also be performed by any Assistant Secretary of the Corporation.

Section 4.11 **Chief Financial Officer.** The Chief Financial Officer of the Corporation in general shall supervise all of the financial affairs of the Corporation, under the direction and subject to the control of the Board

and the Chief Executive Officer. The Chief Financial Officer shall perform, under the direction and subject to the control of the Board and the Chief Executive Officer, all duties incident to the office of Chief Financial Officer and such other duties as the Board or the Chief Executive Officer may assign to the Chief Financial Officer from time to time.

Section 4.12 Treasurer. The Treasurer of the Corporation shall have the care and custody of all the funds, notes, bonds, debentures, stock and other securities of the Corporation that may come into the hands of the Treasurer, acting in such capacity. The Treasurer shall be responsible for the investment and reinvestment of funds of the Corporation in accordance with general investment policies determined from time to time by the Corporation and shall ensure that the Corporation is adequately funded at all times by arranging, under the direction and subject to the control of the Board, the Chief Executive Officer, and the Chief Financial Officer, for the issuance of debt, equity and other forms of securities that may be necessary or appropriate. The Treasurer may endorse (in facsimile or otherwise) checks, drafts, notes, bonds, debentures and other instruments for the payment of money for deposit or collection when necessary or appropriate and may deposit the same to the credit of the Corporation in such banks or depositories as the Board may designate from time to time, and the Treasurer may endorse (in facsimile or otherwise) all commercial documents requiring endorsements for or on behalf of the Corporation. The Treasurer may deliver instructions to financial institutions by facsimile or otherwise. The Treasurer may execute (in facsimile or otherwise) all receipts and vouchers for payments made to the Corporation. The Treasurer shall render an account of the Treasurer's transactions to the Board or its Audit and Finance Committee as often as the Board or its Audit and Finance Committee shall require from time to time. The Treasurer shall enter regularly in the books to be kept by the Treasurer for that purpose, a full and adequate account of all monies received and paid by the Treasurer on account of the Corporation. If requested by the Board, the Treasurer shall give a bond to the Corporation for the faithful performance of the Treasurer's duties, the expenses of which bond shall be borne by the Corporation. The Treasurer shall perform, under the direction and subject to the control of the Board, the Chief Executive Officer and the Chief Financial Officer, all duties incident to the office of Treasurer and such other duties as the Board, the Chief Executive Officer or the Chief Financial Officer may assign to the Treasurer from time to time. The duties of the Treasurer may be performed by any Assistant Treasurer of the Corporation.

Section 4.13 Controller. The Controller of the Corporation shall be the chief accounting officer of the Corporation, shall maintain adequate records of all assets, liabilities and transactions of the Corporation and shall be responsible for the design, installation and maintenance of accounting and cost control systems and procedures throughout the Corporation. The Controller also shall keep in books belonging to the Corporation full and accurate accounts of receipts of, and disbursements made by, the Corporation. The Controller shall render an account of the Controller's transactions to the Board or its Audit and Finance Committee as often as the Board or its Audit and Finance Committee shall require from time to time. The Controller shall perform, under the direction and subject to the control of the Board, the Chief Executive Officer and the Chief Financial Officer, all duties incident to the office of Controller and such other duties as the Board, the Chief Executive Officer and the Chief Financial Officer, may assign to the Controller from time to time. The duties of the Controller may also be performed by any Assistant Controller of the Corporation.

ARTICLE V. DELEGATIONS OF AUTHORITY

Section 5.01 Execution of Contracts. Except as otherwise provided in these Bylaws, the Board may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board or by these Bylaws, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 5.02 Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidence of indebtedness, issued in the name of or payable to the Corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board. Each such officer, assistant, agent or attorney shall give such bond, if any, as the Board may require.

Section 5.03 Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board may select, or as may be selected by any officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation to whom such power shall have been delegated by the Board. For the purpose of deposit and for the purpose of collection for the account of the Corporation, the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, any President, the Treasurer or any Vice President who has been authorized by the Chief Executive Officer, Chief Financial Officer or Treasurer to do so (or any other officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation who shall from time to time be determined by the Board) may endorse, assign and deliver checks, drafts and other orders for the payment of money which are payable to the order of the Corporation.

Section 5.04 **General and Special Bank Accounts.** The Board (or a committee of the Board to which such power is delegated) may from time to time authorize the opening and keeping of general and special bank accounts with such banks, trust companies or other depositories as the Board (or committee) may select or as may be selected by any officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation to whom such power shall have been delegated by the Board. The Board may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of these Bylaws, as it may deem expedient.

ARTICLE VI. SHARES AND SHARE TRANSFER

Section 6.01 **Certificates Representing Stock.**

(a) **Form and Execution of Certificates.** Certificates (if any) representing shares of stock or any bond, debenture or other corporate securities of the Corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law, and shall be numbered in the order in which they shall be issued and shall be signed in the name of the Corporation by the President or a Vice President, and by the Secretary or an Assistant Secretary or by the Treasurer or an Assistant Treasurer. Any of or all of the signatures on the certificates may be a facsimile. In case any officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon, any such certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may be issued by the Corporation with the same effect as though the person who signed such certificate, or whose facsimile signature shall have been placed thereupon, were such officer, transfer agent or registrar at the date of issue.

(b) **Special Designation on Certificates.** If the Corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of Delaware Law, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

(c) **Lost Certificates.** Except as provided in this Section 6.01(c), no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Corporation and canceled at the same time. The Corporation may issue a new certificate of stock in the place of any certificate previously issued by it, alleged to have been lost, stolen, mutilated or destroyed, and the Corporation may require the owner of the lost, stolen, mutilated or destroyed certificate, or the owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft, mutilation or destruction of any such certificate or the issuance of such new certificate; provided, however, that a new certificate or uncertificated share may be issued without requiring any bond when, in the judgment of the Board, or the Secretary of the Corporation, it is proper so to do.

Section 6.02 **Uncertificated Shares.** Subject to any conditions imposed by Delaware Law, the Board may provide by resolution or resolutions that some or all of any or all classes or series of the stock of the Corporation shall be uncertificated shares. Within a reasonable time after the issuance or transfer of any uncertificated shares, the Corporation shall send to the registered owner thereof any written notice prescribed by Delaware Law.

Section 6.03 **Transfers of Stock.** Upon compliance with provisions restricting the transfer or registration of transfer of shares of stock, if any, transfers or registrations of transfers of shares of stock of the Corporation shall be made only on the books of the Corporation by the registered holder thereof, or by the attorney of the registered holder thereunto authorized by power of attorney duly executed and filed with the Secretary, or with a transfer clerk or a transfer agent, if any, and with respect to shares represented by certificates, upon surrender of the certificate or certificates for such shares properly endorsed, and with respect to uncertificated shares, upon the execution by the transferor and transferee of all transfer documents in such form as the Corporation shall reasonably require, and, with respect to all shares, upon the payment of all taxes thereon. The person in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation. Whenever any shares are pledged for collateral security such fact shall be reflected on the books of the Corporation.

Section 6.04 **Regulations.** The Board may make such rules and regulations as it may deem expedient, not inconsistent with these Bylaws, concerning the issue, transfer and registration of certificates for shares of the stock of the Corporation. It may appoint, or authorize any officer or officers to appoint, one or more transfer clerks or one or more transfer agents and one or more registrars, and may require all certificates for stock to bear the signature or signatures of any of them.

Section 6.05 **Fixing Date for Determination of Stockholders of Record.** In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any other change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. If in any case involving the determination of stockholders for any purpose other than notice of or voting at a meeting of stockholders, the Board shall not fix such a record date, the record date for determining stockholders for such purpose shall be the close of business on the day on which the Board shall adopt the resolution relating thereto. A determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of such meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

ARTICLE VII. MISCELLANEOUS

Section 7.01 **Seal.** The Board shall provide a corporate seal, which shall be in the form of a circle and shall bear the name of the Corporation and words and figures showing that the Corporation was incorporated in the State of Delaware and the year of incorporation.

Section 7.02 **Waiver of Notices.** Whenever notice is required to be given by these Bylaws, the Certificate of Incorporation or Delaware Law, the person entitled to said notice may waive such notice (in writing or by electronic transmission), either before or after the time stated therein, and such waiver shall be deemed equivalent to notice.

Section 7.03 **Fiscal Year.** The fiscal year of the Corporation shall begin on the day after the Friday closest to December 31 in each year.

Section 7.04 **Amendments.** These Bylaws, or any of them, may be altered, amended or repealed, and new Bylaws may be made by the Board, by vote of a majority of the number of directors then in office as directors, acting at any meeting of the Board. No section of the Bylaws shall be adopted, repealed, altered, amended or rescinded by the stockholders of the Corporation except by the vote of the holders of not less than a majority of the total voting power of all outstanding shares of voting stock of the Corporation.

Section 7.05 **Designation of Engineer.** The Corporation engages in the practice of engineering in various jurisdictions which regulate such practice, including the State of Washington. In order to comply with the laws of such jurisdictions, including the State of Washington, all engineering decisions pertaining to any project or engineering activities in any such jurisdiction shall be made by a designated engineer licensed to practice in such jurisdiction who shall be appointed by the Board from time to time as vacancies occur.



**LEIDOS HOLDINGS, INC.
2017 OMNIBUS INCENTIVE PLAN**

NOTICE OF GRANT OF OPTION AWARD (EMPLOYEES)

Leidos Holdings, Inc. (the “**Company**”) hereby grants this Option Award (the “**Award**”) as set forth in this Notice of Grant of Option Award (the “**Notice**”) to the Grantee designated in this Notice, pursuant to the provisions of the Company’s 2017 Omnibus Incentive Plan (the “**Plan**”) and subject to certain restrictions as outlined below in this Notice and the additional provisions set forth in the attached Terms and Conditions of Option Award (the “**Terms**”). Together, this Notice, the attached Terms and all exhibits and appendices hereto constitute the “**Agreement**.” The terms and conditions of the Plan are incorporated by reference in their entirety into this Agreement. When used in this Agreement, the terms that are defined in the Plan shall have the meanings given to them in the Plan, as modified herein (if applicable).

Award Details: The Grantee’s name, the number of shares of Stock with respect to which the Option is awarded, the Option Price and the Grant Date can be found in the Grant Summary located in the electronic stock plan award administration system maintained by the Company or its designee that contains a link to this Agreement (which summary information is set forth in the appropriate records of the Company authorizing such award). The Option is a Non-qualified Stock Option.

Vesting Schedule: Subject to the terms of the Plan and this Agreement, the Option shall become vested and exercisable in accordance with the following schedule, in the event the Grantee does not have a Separation from Service prior to the applicable vesting date(s):

Vesting Date

% Vesting

[add applicable vesting date(s)]

[•]

The Option may be exercisable only as to a whole number of shares of Stock as of any given vesting date. If the number of shares of Stock with respect to which the Option becomes vested and exercisable determined as of a vesting date is a fractional number, the number vesting will be rounded down to the nearest whole number with any fractional portion carried forward. Exhibit A to this Notice sets forth the terms and provisions regarding treatment of the Award upon Separation from Service. The Option shall not become vested and exercisable following the Grantee’s Separation from Service except as otherwise expressly provided in Exhibit A to this Notice or as otherwise provided pursuant to the terms of the Plan.

Expiration Date: The expiration date of the Option (the “**Expiration Date**”) is the [•] anniversary of the Grant Date. The Option may terminate earlier than the Expiration Date as set forth in Exhibit A to the Notice in connection with the Grantee’s Separation from Service.

Award Acceptance: The Grantee must accept the Agreement electronically pursuant to the online acceptance procedure established by the Company by no later than three months following the Grant Date. If the Grantee does not accept the Agreement through the online acceptance process by that date, or such other date that may be communicated, the Grantee will be deemed to have accepted the Agreement and the Company will automatically accept the Agreement on the Grantee’s behalf. If the Grantee declines the Agreement, the Award will be canceled and the Grantee will not be entitled to any benefits from the Award nor any compensation or benefits in lieu of the canceled award.

EXHIBIT A

Separation from Service and Change in Control

(a) **Impact on Vesting of Separation from Service; Change in Control.** If the Grantee has a Separation from Service before any of the vesting date(s) specified under “Vesting Schedule” in the Notice, then any unvested portion of the Option shall become vested and exercisable or shall be canceled depending on the reason for Separation from Service as follows:

(i) **Death or Disability.** If the Grantee has a Separation from Service due to the Grantee’s death or Disability, any unvested portion of the Option shall become immediately vested and exercisable as of the date of such Separation from Service. In addition, in the event of the Grantee’s death after Separation from Service due to Special Retirement, any portion of the Option that had not yet become vested and exercisable in accordance with the schedule set forth under “Vesting Schedule” in the Notice shall become immediately vested and exercisable as of the date of such death. Following the Grantee’s death, the Option may be exercised only by the executor or administrator of the Grantee’s estate or, if there is none, the person entitled to exercise the Option under the Grantee’s will or the laws of descent and distribution. Following the Grantee’s Separation from Service due to Disability, if a guardian or conservator has been appointed to act for the Grantee and been granted this authority as part of that appointment, that guardian or conservator may exercise the Option on behalf of the Grantee.

(ii) **Involuntary Termination without Cause.** If the Grantee has an Involuntary Termination without Cause at least six months after the Grant Date, a prorated portion of any unvested portion of the Option shall become immediately vested and exercisable as of the date of such Involuntary Termination without Cause. Such prorated vesting shall be determined as follows: (A) the total number of shares of Stock covered by the Option shall be multiplied by the Pro Rata Fraction, rounded up to the next whole number, and (B) such resulting amount shall be reduced by the portion of the Option (if any) that previously vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice. In addition, the Grantee must execute, deliver and not revoke, no later than sixty (60) days following Separation from Service, a general release of claims if requested by, and in a form satisfactory to, the Company.

(iii) **Special Retirement.** If the Grantee has a Separation from Service due to Special Retirement, the Option shall continue to become vested and exercisable in accordance with the schedule set forth under “Vesting Schedule” in the Notice as if the Grantee had not had a Separation from Service, but provided that the Grantee complies with the requirements of Section 6 of the Terms (regarding compliance with post-employment covenants). In addition, the Grantee must execute, deliver and not revoke, no later than sixty (60) days following Separation from Service, a general release of claims if requested by, and in a form satisfactory to, the Company. Notwithstanding the preceding sentences, if the Company receives an opinion of counsel that there has been a legal judgment and/or legal development in the Grantee’s jurisdiction that likely would result in the favorable Special Retirement treatment that otherwise would apply to the Option pursuant to this Section (a)(iii) being deemed unlawful and/or discriminatory, then the Company will not apply this favorable Special Retirement treatment at the time of the Grantee’s Separation from Service and the Option will be treated as it would under the rules that otherwise would have applied if the Grantee’s Separation from Service did not qualify as a Special Retirement.

(iv) **Change in Control.** Notwithstanding anything in this Agreement to the contrary but subject to the provisions of Section 15.3.1(i) of the Plan, if (A) a Change in Control occurs and (B) the Grantee has a Change in Control Termination, then any unvested portion of the Option shall become immediately vested and exercisable as of the date of such Change in Control Termination.

(v) **Any other Separation from Service.** If the Grantee has a Separation from Service for any reason other than as specified in subparagraphs (i) through (iv) above, any portion of the Option that was not vested and exercisable pursuant to the schedule specified under “Vesting Schedule” in the Notice as of the date of the Separation from Service shall be immediately canceled as of the date of Separation from Service.

(b) **Impact on Exercise Period of Separation from Service.**

(i) General Rule. Subject to clauses (ii) and (iii) below, to the extent the Option is vested and exercisable as of the date of the Grantee's Separation from Service, it shall remain exercisable until the earlier of (A) the 90th day after the date of Separation from Service or (B) the Expiration Date.

(ii) Special Retirement. Notwithstanding the foregoing and subject to the provisions of clause (iii) below, in the event of Separation from Service by reason of Special Retirement, the Option, to the extent vested and exercisable, shall remain exercisable until the Expiration Date, provided that the Grantee complies with the requirements of Section 6 of the Terms (regarding compliance with post-employment covenants). Notwithstanding the foregoing but subject to the provisions of clause (iii) below, if the Grantee fails to comply with the requirements of Section 6 of the Terms, the portion of the Option that was vested and exercisable as of the date of the Grantee's Separation from Service shall remain exercisable until the earlier of (A) the 90th day after the date of Separation from Service or (B) the Expiration Date.

(iii) Cause. Notwithstanding the foregoing, in the event that the Grantee's Separation from Service is for Cause (including a determination by the Company after the date of the Separation from Service that circumstances constituting Cause existed at the time of Separation from Service), any outstanding portion of the Option, whether or not previously vested, shall be immediately cancelled as of the date of such Separation from Service.

(c) Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

"Cause" for the termination of Service will be deemed to exist if the Grantee:

- (i) has been convicted, or entered a plea of nolo contendere, for committing an act of fraud, embezzlement, theft or other act constituting a felony or crime of similar magnitude under applicable law (other than traffic related offenses or as a result of vicarious liability);
- (ii) willfully engages in illegal conduct or gross misconduct that is significantly injurious to the Company or a Subsidiary, including the Grantee's material breach of his or her obligations under any written Company policy, including any code of ethics or conduct, which is not cured, if curable, within ten (10) days after the Company or a Subsidiary notifies the Grantee of such breach; however, no act or failure to act on the Grantee's part shall be considered "willful" unless done or omitted to be done by the Grantee not in good faith and without reasonable belief that his or her action or omission was in the best interest of the Company or a Subsidiary; or
- (iii) fails to perform his or her duties in a reasonably satisfactory manner after the receipt of a notice from the Company or a Subsidiary detailing such failure if the failure is incapable of cure, and if the failure is capable of cure, upon the failure to cure such failure within 30 days of such notice or upon its recurrence.

"Change in Control Termination" means the Grantee's Separation from Service on or within two years after a Change in Control if such Separation from Service is either (i) by action of the Company, or, if different, the Grantee's employing Subsidiary (the "Employer") without Cause or (ii) by action of the Grantee with Good Reason.

"Disability" means the status of disability determined conclusively by the Company based upon certification of disability by the Social Security Administration or and equivalent authority outside the U.S., to the extent compliant with Section 409A, upon such other proof as the Company may require, effective upon receipt of such certification or other proof by the Company.

"Good Reason" means the occurrence of any of the following events or conditions without the Grantee's prior written consent:

- (i) any material adverse change in the Grantee's authority, duties or responsibilities (including reporting responsibilities) from the Grantee's authority, duties or responsibilities as in effect at any time within 90 days preceding the date of the Change in Control or at any time thereafter;

- (ii) a material reduction in Grantee's base salary or any failure to pay the Grantee any cash compensation to which the Grantee is entitled within 15 days after the date when due;
- (iii) the imposition of a requirement (other than for reasonably required travel on Company business which is not materially greater in frequency or duration than prior to the Change in Control) that the Grantee be based at any place outside a 50-mile radius from the Grantee's principal place of employment immediately prior to the Change in Control and which has a material adverse effect on the Grantee's commuting requirements;
- (iv) if the Grantee is a participant in the Company's Executive Severance Plan, any other event that constitutes "Good Reason" under that plan.

Notwithstanding anything to the contrary in this Agreement, no termination will be deemed to be for Good Reason hereunder unless (i) the Grantee provides written notice to the Company identifying the applicable event or condition within 120 days of the occurrence of the event or the initial existence of the condition, (ii) the Company or s Subsidiary fails to remedy the event or condition within a period of 30 days following such notice, and (iii) the Grantee's Separation from Service occurs within 90 days after the date the Company or a Subsidiary fails to remedy the event or condition.

"Involuntary Termination without Cause" means a Grantee's Separation from Service by action of the Company or the Employer without Cause, including due to divestiture by the Company of the business unit with which the Grantee is employed. Notwithstanding the foregoing, if the Grantee is eligible for Special Retirement as of the date of such Involuntary Termination without Cause, the Separation from Service will be treated as Special Retirement and not Involuntary Termination without Cause.

"Pro Rata Fraction" means a fraction, the numerator of which is the number of days from the Grant Date of the Option through the date of Involuntary Termination without Cause, and the denominator or which is the number of days from the Grant Date of the Option through the last vesting date set forth under "Vesting Schedule" in the Notice.

"Special Retirement" means a Grantee's Separation from Service on or after the first anniversary of the Grant Date for any reason other than death or by the Company or Employer for Cause after the Grantee has attained at least age 59-1/2 and either (i) the Grantee has at least ten years of Service or (ii) the Grantee's combined age and years of Service equals at least 70. The Company's determination of years of Service for such purpose shall be final and binding on all parties. Notwithstanding the foregoing, if the Grantee's Separation from Service during the two-year period following a Change in Control could be treated as either a Special Retirement or a Change in Control Termination, it shall be treated as a Change in Control Termination to the extent permitted by Section 409A.



LEIDOS HOLDINGS, INC.

2017 OMNIBUS INCENTIVE PLAN TERMS AND CONDITIONS OF OPTION AWARD

The Option Award (the “**Award**”) granted by Leidos Holdings, Inc. (the “**Company**”) to the Grantee specified in the Notice of Grant of Option Award (the “**Notice**”) to which these Terms and Conditions of Option Award, including any additional terms and conditions for Grantees outside the United States set forth in Appendices A and B (collectively, the (“**Terms**”) are attached, is subject to the terms and conditions of the Plan, the Notice, these Terms. The terms and conditions of the Plan are incorporated by reference in their entirety into these Terms. The Notice and these Terms together constitute the “**Agreement**.” A Prospectus describing the Plan has been delivered to the Grantee. The Plan itself is available upon request. When used in this Agreement, the terms which are defined in the Plan shall have the meanings given to them in the Plan, as modified herein (if applicable).

1. Grant of Option.

(a) As of the Grant Date set forth in the Notice, the Company grants to the Grantee an Option to purchase a number of shares of Stock set forth in the Notice and Grant Summary, subject to the terms and conditions of the Plan and this Agreement.

(b) The Option shall become vested and exercisable in accordance with the schedule set forth in the Notice.

(c) The Option shall terminate upon the earlier to occur of: (i) the Expiration Date set forth in the Notice; or (ii) the expiration of the applicable period following Separation from Service as set forth in the Notice. The Company shall have no obligation to provide the Grantee with notice of termination or expiration of the Option.

(d) Unless otherwise expressly provided in the Notice, the Option shall be a Non-qualified Stock Option.

2. Exercise of Option. Subject to the terms of the Plan and this Agreement, the Option, to the extent vested and exercisable, shall be exercised pursuant to procedures established by the Committee, which may include electronic or voice procedures as may be specified by the Committee and which may include a requirement to acknowledge this Agreement prior to exercise. Acceptable forms and methods of payment to exercise the Option may include (i) by cashier’s check, money order or wire transfer; (ii) by a cashless exercise procedure; or (iii) by tendering shares of Stock acceptable to the Committee valued at their Fair Market Value as of the date of exercise. No shares of Stock shall be issued pursuant to the exercise of the Option unless the issuance and exercise comply with applicable laws. Assuming such compliance, for income tax purposes the shares of Stock shall be considered transferred to the Grantee on the date on which the Option is exercised with respect to such shares. Until such time as the Option has been duly exercised and shares of Stock have been delivered, the Grantee shall not be entitled to exercise any voting rights with respect to such shares and shall not be entitled to receive dividends or other distributions with respect thereto.

3. Responsibility for Taxes.

(a) Regardless of any action the Company or, if different, the Subsidiary which employs the Grantee (the “**Employer**”) takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to the Grantee’s participation in the Plan and legally applicable or deemed legally applicable to the Grantee (“**Tax-Related Items**”), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee’s responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but

not limited to, the grant or exercise of the Option, the subsequent sale of shares of Stock acquired upon exercise, or the payment of any dividends on the shares of Stock; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result.

(b) In connection with any relevant taxable or tax withholding event, as applicable, the Grantee shall pay or make adequate arrangements satisfactory to the Company and/or Employer to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Company and/or the Employer, or their respective agents, in their sole discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following methods:

- (i) withholding from the Grantee's wages or other cash compensation payable to the Grantee by the Company, the Employer, or any other Subsidiary;
- (ii) withholding from proceeds of the sale of shares of Stock acquired at exercise either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization without further consent);
- (iii) withholding shares of Stock otherwise issuable to the Grantee upon exercise of the Option; or
- (iv) any other method or withholding determined by the Company, to the extent permitted under the Plan and applicable laws.

The Company may withhold or account for Tax-Related Items by considering statutory withholding amounts or other applicable withholding rates, including maximum rates applicable in the Grantee's jurisdiction(s), in which case the Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent amount in shares of Stock. In the event of over-withholding, the Grantee may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent amount in shares of Stock), from the Company or the Employer; otherwise, the Grantee may be able to seek a refund from the local tax authorities. In the event of under-withholding, the Grantee may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Company and/or the Employer. If the obligation for Tax-Related Items is satisfied by withholding shares of Stock, for tax purposes, the Grantee is deemed to have been issued the full number of shares of Stock subject to the exercised Option, notwithstanding that a number of the shares are held back solely for the purpose of paying the Tax-Related Items.

Finally, the Grantee agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue and deliver shares of Stock upon exercise of the Option, or the proceeds from the sale of shares of Stock, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as described in this Section 3.

4. Grantee Representations. The Grantee hereby represents that the Grantee has read and fully understands the provisions of this Agreement, the Prospectus and the Plan, and the Grantee's decision to participate in the Plan is completely voluntary. Further, the Grantee acknowledges that the Grantee is relying solely on his or her own advisors with respect to the tax consequences of this Award.
5. Regulatory Restrictions on the Shares Issued Upon Exercise. Notwithstanding the other provisions of this Agreement, the Committee shall have the sole discretion to impose such conditions, restrictions and limitations on the issuance of shares of Stock with respect to this Award unless and until the Committee determines that such issuance complies with (i) any applicable registration requirements under the Securities Act or the Committee has determined that an exemption therefrom is available, (ii) any applicable listing requirement of any stock exchange on which the Stock is listed, (iii) any applicable Company policy or

administrative rules, and (iv) any other applicable provision of U.S. or non-U.S. federal, state or local law.

6. Non-Solicitation and Non-Competition.

(a) Applicability. The provisions of this Section 6 apply to Awards made to employees of the Company and its Subsidiaries, and not Awards made to Non-Employee Directors. The Grantee acknowledges that the Company conducts business throughout the United States and that the Company has a legitimate business interest in protecting this business, including but not limited to its interest in its employees, programs, and projects below, against unfair competition through the promises in this Section 6. In addition, Sections 6 (b), (c) and (e) do not apply in California.

(b) Solicitation of Employees. The Grantee agrees that, both while in Service and for one year after Separation from Service, the Grantee will not solicit or attempt to solicit any employee of the Company or any Subsidiary with whom the Grantee has worked on a program or project during the 12 months prior to Separation from Service to leave his or her employment or to violate the terms of any agreement or understanding that employee may have with the Company or any Subsidiary. The foregoing obligations apply to both the Grantee's direct and indirect actions, and apply to actions intended to benefit the Grantee or any other person, business or entity. Solicitation of Customers. The Grantee agrees that, for one year after Separation from Service, the Grantee will not participate in any solicitation of any customer or prospective customer of the Company or any Subsidiary concerning any business that:

(i) involves the same programs or projects for that customer in which the Grantee was personally and/or substantially involved during the 12 months prior to Separation from Service; or

(ii) has been, at any time during the 12 months prior to Separation from Service, the subject of any capture effort, bid, offer or proposal activity by the Company or any Subsidiary in respect of that customer or prospective customer, or any negotiations or discussions about the possible performance of services by the Company or any Subsidiary to that customer or potential customer, in which the Grantee was personally and/or substantially involved.

For purposes of (c)(i) and (ii), in the case of a governmental, regulatory or administrative agency, commission, department or other governmental authority, the customer or prospective customer will be determined by reference to the specific program offices or activities for which the Company or any Subsidiary provides (or may reasonably provide) goods or services.

(c) Non-Disclosure and Non-Use of Proprietary Information. During the term of the Grantee's employment and following the voluntary or involuntary termination of that employment for any reason, and with or without cause, Grantee will not, except as authorized and required to perform the Grantee's duties for the Company or any Subsidiary, directly or indirectly: use, disclose, reproduce, distribute, or otherwise disseminate the Company or any Subsidiary's Proprietary Information, or take any action causing, or fail to take any action necessary, to prevent any such information to lose its character or cease to qualify as Proprietary Information. Grantee agrees to ask the Company or any Subsidiary, both during and after employment, if Grantee has any questions about whether particular information is Proprietary Information before using or disclosing such information.

The term "**Proprietary Information**" will mean any and all confidential knowledge, data or information of the Company, its affiliates, parents and subsidiaries, which has economic value as a result of its remaining confidential, whether having existed, now existing, or to be developed during Grantee's employment, including information developed by Grantee. By way of illustration but not limitation, "Proprietary Information" includes (1) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, algorithms, software programs, schematics, improvements, discoveries, developments, designs and techniques and any other proprietary technology and all Proprietary Rights therein (collectively, "**Inventions**"); (2) information regarding research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, margins, discounts, credit terms, pricing and billing

policies, quoting procedures, methods of obtaining business, forecasts, future plans and potential strategies, financial projections and business strategies, operational plans, financing and capital-raising plans, activities and agreements, internal services and operational manuals, methods of conducting Company business, suppliers and supplier information, and purchasing; (3) information regarding Customers and potential Customers of the Company and its Subsidiaries, including customer lists, names, representatives, their needs or desires with respect to the types of products or services offered by the Company, proposals, bids, contracts and their contents and parties, the type and quantity of products and services provided or sought to be provided to Customers and potential Customers of the Company and other non-public information relating to Customers and potential Customers; (4) information regarding any of the Company's business partners and their services, including names; representatives, proposals, bids, contracts and their contents and parties, the type and quantity of products and services received by the Company, and other non- public information relating to business partners that Grantee acquires as a result of Grantee's employment; (5) information regarding personnel, employee lists, compensation, and employee skills; and (6) any other non-public information which a competitor of the Company could use to the competitive disadvantage of the Company.

(d) Non-Competition. To the extent allowed by and consistent with applicable law, the Grantee agrees that, for one year after Separation from Service, the Grantee will not, directly or indirectly, on behalf of the Grantee or any other person or entity other than the Company, perform on or support any program, or provide oversight on any program, product, or service in which the Grantee was personally and/or substantially involved during the 12 months prior to Separation from Service:

(i) that would more likely than not cause the Grantee to use, disclose, or access Proprietary Information of any such program, product, or service; or

(ii) that is competitive with any such program, product, or service and where the Grantee's new responsibilities and duties will be similar to those previously held with the Company or any Subsidiary; or

(iii) that is associated with any program, product or service that was the subject of any capture effort, bid, offer or proposal activity by the Company or any Subsidiary in which the Grantee was personally and substantially involved during the 12 months prior to Separation from Service and of which the Grantee possesses Proprietary Information.

(e) Remedies. The Grantee acknowledges and agrees that a breach of any of the promises or agreements contained in this Section 6 will result in immediate, irreparable and continuing damage to the Company and its Subsidiaries for which there is no adequate remedy at law, and the Company and its Subsidiaries will be entitled to injunctive relief, a decree for specific performance, and other relief as may be proper, including money damages such as, but not limited to, the disgorgement of any profits, commissions, or fees realized by the Grantee, any subsequent employers, any business owned or operated by the Grantee, or any of Grantee's agents, heirs, or assigns because of any such breach. Furthermore, to the extent allowed by and consistent with applicable law and any applicable limitations period, if it is determined at any time by the Company or any Subsidiary that the Grantee has materially breached any employment-related covenants, including the covenants in this Section 6, the Company will be entitled to (i) cause any unvested portion of the Award to be immediately canceled without any payment of consideration by the Company and/or (ii) cause, upon written demand by the Company to the Grantee, that the Grantee promptly return to the Company some or all of the shares of Stock (or proceeds received by the Grantee from such shares of Stock) paid to the Grantee pursuant to this Agreement. If the Company must resort to litigation to enforce the Grantee's obligation in (ii), the Company will be entitled to an award of reasonable attorneys' fees and costs should it prevail in the litigation.

7. No Interference with Rights. Grantee understands that Grantee shall not be held criminally or civilly liable under any U.S. or non-U.S. federal or state trade secret law for the disclosure of a trade secret that: (1) is made in confidence to a U.S. or non-U.S. federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The Grantee also understands that disclosure of trade secrets to attorneys, made under seal, or pursuant to court order is also protected under 18 U.S. Code § 1833 in a retaliation lawsuit based on the reporting of a suspected violation of law.

8. Miscellaneous.

(a) Notices. Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as the Company may notify the Grantee from time to time; and to the Grantee at the Grantee's electronic mail or postal address as shown on the records of the Company from time to time, or at such other electronic mail or postal address as the Grantee, by notice to the Company, may designate in writing from time to time.

(b) Waiver. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach.

(c) Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties with respect to the subject matter hereof. Any prior agreements, commitments or negotiations concerning the Award are superseded.

(d) Binding Effect; Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto and to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in this Agreement, express or implied, is intended to confer on any person other than the parties hereto and as provided above, their respective heirs, successors, assigns and representatives any rights, remedies, obligations or liabilities.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law, and applicable U.S. federal law.

(f) Venue. Any legal or equitable action or any proceeding arising directly, indirectly, or otherwise in connection with, out of, related to or from the Agreement, or any provision hereof, shall exclusively be filed and adjudicated in the Circuit Court for Fairfax County, Virginia, or the United States District Court for the Eastern District of Virginia, Alexandria Division, and no other venue. Any arbitration will be conducted according to the terms of the applicable arbitration agreement.

(g) Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

(h) Conflicts; Amendment. The provisions of the Plan are incorporated in this Agreement in their entirety. In the event of any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan shall control. This Agreement may be amended at any time by the Committee, provided that no amendment may, without the consent of the Grantee, materially impair the Grantee's rights with respect to the Award, except as otherwise required pursuant to Section 8(l) below. The Committee shall have full authority and discretion, subject only to the terms of the Plan, to decide all matters relating to the administration or interpretation of the Plan, the Award, and the Agreement, and all such action by the Committee shall be final, conclusive, and binding upon the Company and the Grantee.

(i) No Right to Continued Employment. Nothing in this Agreement shall confer upon the Grantee any right to continue in the Service of the Company or any Subsidiary or affect the right of the Company or any Subsidiary to terminate the Grantee's Service at any time.

(j) Further Assurances. The Grantee agrees, upon demand of the Company or the Committee, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Company or the Committee, as the case may be, to implement the provisions and purposes of this Agreement and the Plan.

(k) Appendices. By accepting this Award, the Grantee acknowledges and agrees that, should the Grantee reside and/or work in a country outside the United States at any time during the life of the Award, this Award is subject to the additional terms set forth in the Appendices A and B hereto. Appendices A and B constitute part of this Agreement. Please review the provisions of Appendices A and B carefully, as this Award will be null and void absent the Grantee's acceptance of such provisions.

(l) Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Award to the extent that the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Award and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(m) Recovery of Compensation. In accordance with Section 3.3 of the Plan, the Award is subject to the requirements of (i) Section 954 of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) any policies adopted by the Company to implement such requirements, and (iii) the Company's compensation recoupment policy as amended and restated on June 26, 2023, as in effect from time to time (the "Compensation Recoupment Policy"), all to the extent determined by the Committee to be applicable to the Grantee.

(n) Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(o) Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

9. No Advice Regarding Grant. The Company is not providing any tax, legal, or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan or the Grantee's acquisition of any shares of Stock under the Plan or subsequent sale of such shares of Stock. The Grantee should consult with the Grantee's personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action in relation thereto.
10. Insider Trading/Market Abuse Laws. The Grantee acknowledges that he or she may be subject to insider trading restrictions and/or market abuse laws which may affect the Grantee's ability to accept, acquire, sell or otherwise dispose of shares of Stock, rights to shares of Stock (e.g., the Award) or rights linked to the value of Stock during such times as the Grantee is considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Grantee placed before the Grantee possessed inside information. Furthermore, the Grantee could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's insider trading policy as may be in effect from time to time. The Grantee acknowledges that it is the Grantee's responsibility to comply with any applicable insider trading restrictions and/or market abuse laws, and the Grantee should speak to his or her personal advisor on this matter.

APPENDIX A

TO THE TERMS AND CONDITIONS OF OPTION AWARD

General Additional Terms Applicable to Awards Held by Grantees Outside the U.S.

1. Data Privacy.

(a) Data Collection and Usage. *The Company and the Employer collect, process and use certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all Awards under the Plan or any other entitlement to shares of Stock or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in the Grantee favor ("Data"), for the legitimate purpose of implementing, administering and managing the Grantee's participation in the Plan. The legal basis, where required, for the processing of Data by the Company and the third-party service providers described below is the Grantee's consent.*

(b) Stock Plan Administration Service Providers. *The Company transfers Data to Computershare, Inc. and certain of its affiliated companies (collectively, "Computershare"), an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan. The Grantee acknowledges and understands that Computershare will open an account for the Grantee to receive and trade shares of Stock acquired under the Plan and that the Grantee will be asked to agree on separate terms and data processing practices with Computershare, with such agreement being a condition to the ability to participate in the Plan. The legal basis, where required, for the transfer of Data by the Company to Computershare is the Grantee's consent.*

(c) International Data Transfers. *The Company is based in the United States. The Grantee's country or jurisdiction may have different data privacy laws and protections than the United States. As a result, in the absence of appropriate safeguards such as standard data protection clauses, the processing of the Grantee's Data in the United States or, as the case may be, other countries might not be subject to substantive data processing principles or supervision by data protection authorities. In addition, the Grantee might not have enforceable rights regarding the processing of the Grantee's Data in such countries. The Company's legal basis, where required, for the transfer of Data is the Grantee's consent.*

(d) Data Retention. *The Company will hold and use Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan, or as required to comply with applicable law, exercise or defense of legal rights, and archiving, back-up and deletion processes. This means Data may be held even after the Grantee's employment or service is terminated.*

(e) Voluntariness and Consequences of Consent Denial or Withdrawal. *Participation in the Plan is voluntary and the Grantee is providing any consents herein on a purely voluntary basis. The Grantee understands that the Grantee may withdraw his or her consent at any time with future effect for any or no reason. If the Grantee does not consent, or if the Grantee later seeks to revoke his or her consent, the Grantee's Service with the Employer will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant the Awards under the Plan or other equity awards to the Grantee or administer or maintain the Grantee's participation in the Plan.*

(f) Data Subject Rights. *The Grantee may have a number of rights under data privacy laws in the Grantee's jurisdiction. Depending on where the Grantee is based and subject to the conditions under applicable law, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in the Grantee's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Grantee can contact his or her local human resources representative.*

1. Nature of Grant. By entering into this Agreement and accepting the grant of the Option evidenced hereby, the Grantee acknowledges, understands and agrees that:
- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be terminated, suspended or amended by the Company at any time, to the extent permitted by the Plan;
 - (b) the grant of the Option is exceptional, voluntary and occasional and does not create any contractual or other right to receive future awards of the Option or benefits in lieu of the Option, even if such awards have been awarded in the past;
 - (c) all decisions with respect to future awards, if any, will be at the sole discretion of the Company;
 - (d) the grant of the Option shall not create a right to Service or be interpreted as forming an employment or Service contract with the Company or any other Subsidiary and shall not interfere with the ability of the Employer to terminate the Grantee's Service relationship (if any) at any time;
 - (e) the Grantee is voluntarily participating in the Plan;
 - (f) the Option and any payment made pursuant to the exercise of the Option, and the income from and value of same, are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, long-service awards, leave-related payments, pension or retirement benefits or welfare benefits or similar payments;
 - (g) unless otherwise agreed with the Company, the Option and any shares of Stock subject to the Option, and the income from and value of same, are not granted as consideration for, or in connection with, any service the Grantee may provide as a director of any Subsidiary;
 - (h) the future value of the shares of Stock which may be delivered upon exercise of the Option is unknown, indeterminable and cannot be predicted with certainty;
 - (i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from the Grantee's Separation from Service (for any reason whatsoever, whether or not such termination is later found to be invalid or in breach of applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any) or recoupment of all or any portion of any payment made pursuant to the Option as provided by the Company's Compensation Recoupment Policy;
 - (j) for purposes of the Option, the date of the Grantee's Separation from Service (for any reason whatsoever, whether or not such termination is later found to be invalid or in breach of applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any) will be deemed to occur as of the date the Grantee is no longer actively providing Service to the Company or any of its Subsidiaries, and unless otherwise expressly provided in this Agreement or otherwise determined by the Company, the Grantee's right to vest in any portion of the Option under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., the Grantee's active employment or period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any); the Company, in its sole discretion, shall determine when the Grantee is no longer actively providing Service for purposes of the Option (including whether the Grantee may still be considered to be actively providing Service while on an approved leave of absence);
 - (k) unless otherwise provided in the Plan or by the Company in its discretion, the Option and the benefits evidenced by this Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Stock; and
 - (l) neither the Company, the Employer, nor any other Subsidiary shall not be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States

Dollar that may affect the value of the Option, any payment made pursuant to the exercise of the Option or the subsequent sale of any shares of Stock acquired under the Plan.

2. Language. The Grantee acknowledges and represents that the Grantee is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow the Grantee to understand the terms of this Agreement and any other documents related to the Plan. If the Grantee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version differs from the English version, the English version shall control.
3. Foreign Asset/Account, Exchange Control, and Tax Reporting. The Grantee may be subject to certain foreign asset and/or account reporting requirements and/or exchange controls which may affect the Grantee's ability to acquire or hold shares of Stock acquired under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of shares of Stock) in a brokerage or bank account outside the Grantee's country. The Grantee may be required to report such accounts, assets or transactions to the tax or other authorities in the Grantee's country. The Grantee also may be required to repatriate sale proceeds or other funds received as a result of the Grantee's participation in the Plan to the Grantee's country through a designated bank or broker and/or within a certain time after receipt. The Grantee further acknowledges that it is the Grantee's responsibility to comply with such regulations and that the Grantee should consult the Grantee's personal legal advisor for any details.

**APPENDIX B
TO THE TERMS AND CONDITIONS OF OPTION AWARD**

Country-Specific Additional Terms Applicable to Awards Held by Grantees Outside the U.S.

Capitalized terms used but not otherwise defined herein shall have the meaning given to such terms in the Plan and/or this Agreement.

Terms and Conditions

This Appendix B includes additional terms and conditions that govern the Grantee's participation in the Plan if the Grantee resides and/or works in one of the countries listed below. If the Grantee is a citizen or resident of a country other than the one in which he or she is currently residing and/or working (or if the Grantee is considered as such for local law purposes), or if the Grantee moves or transfers Service to another country after the Grant Date, the Company will, in its sole discretion, determine the extent to which the terms and conditions herein will be applicable to the Grantee.

Notifications

This Appendix B also includes information regarding securities laws, exchange controls and certain other issues of which the Grantee should be aware with respect to the Grantee's participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of January 2022. Such laws are often complex and change frequently. As a result, the Company recommends that the Grantee not rely on the information in this Appendix B as the only source of information relating to the consequences of the Grantee's participation in the Plan because the information included herein may be out of date at the time that the Option vests, the Grantee exercises the Option, or the Grantee subsequently sells the shares of Stock acquired at exercise.

In addition, the Grantee understands that the information contained herein is general in nature and may not apply to the Grantee's particular situation and the Company is not in a position to assure the Grantee of any particular result. Accordingly, the Grantee acknowledges that he or she should seek appropriate professional advice as to how the relevant laws in the Grantee's country may apply to the Grantee's situation.

If the Grantee is a citizen or resident of a country other than the one in which the Grantee is currently residing and/or working (or if the Grantee is considered as such for local law purposes), or if the Grantee moves or transfers residency and/or Service to another country after the Option is granted, the Grantee understands that the information contained herein may not be applicable to the Grantee in the same manner.

AUSTRALIA

Notifications

Securities Law Information. If the Grantee acquires shares of Stock under the Plan and offers the shares of Stock for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. The Grantee should obtain legal advice regarding any applicable disclosure obligations before making any such offer in Australia.

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding AUD10,000 and for international fund transfers. If an Australian bank is assisting with the international fund transfer transaction, the bank will file the report on behalf of the Grantee. If there is no Australian bank involved in the transfer, the Grantee will be required to file the report.

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in that Act).

BELGIUM

Notifications

Foreign Asset/Account Reporting Information. Belgian residents are required to report any securities accounts (e.g., those related to shares of Stock acquired under the Plan) or bank accounts (including brokerage accounts) maintained outside Belgium on their annual tax return. In a separate report, they must provide the National Bank of Belgium with certain details regarding such foreign accounts

(including the account number, bank name and country in which any such account was opened). The forms to complete this report are available at the website of the National Bank of Belgium. Belgian residents should consult with their personal tax advisors to determine their reporting obligations.

Stock Exchange Tax. A stock exchange tax applies to transactions executed by a Belgian resident through a non-Belgian financial intermediary, such as a U.S. bank or broker. If the transaction is conducted through a Belgian financial intermediary, it may withhold the stock exchange tax, but if the transaction is conducted through a non-Belgian financial intermediary, the Belgian resident may need to report and pay the stock exchange tax directly. The stock exchange tax may apply when shares of Stock acquired under the Plan are sold. Belgian residents should consult with a personal tax or financial advisor for additional details on their obligations with respect to the stock exchange tax.

Annual Securities Accounts Tax. An annual securities accounts tax may be payable if the total value of securities held in a Belgian or foreign securities account (e.g., shares of Stock) exceeds a certain threshold on four reference dates within the relevant reporting period (i.e., December 31, March 31, June 30 and September 30). Different payment obligations may apply, depending on whether the securities account is held with a Belgian or foreign financial institution. The Grantee should consult with his or her personal tax or financial advisor for additional details.

UNITED KINGDOM

Terms and Conditions

Responsibility for Taxes. This provision supplements the Section 3 of the Terms and Conditions of Option Award:

Without limitation to Section 3 of the Terms and Conditions of Option Award, the Grantee agrees that the Grantee is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company, the Employer or by Her Majesty's Revenue and Customs ("**HMRC**") (or any other tax authority or any other relevant authority). The Grantee also agrees to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Grantee's behalf.

Notwithstanding the foregoing, if the Grantee becomes a director or executive officer (within the meaning of Section 13(k) of the Exchange Act), the Grantee understands that the Grantee may not be able to indemnify the Company or the Employer for the amount of any Tax-Related Items not collected from or paid by the Grantee, in case the indemnification could be considered to be a loan. In this case, the Tax-Related Items not collected or paid within 90 days of the end of the U.K. tax year in which the taxable event occurs may constitute a benefit to the Grantee on which additional income tax and National Insurance contributions ("**NICs**") may be payable. The Grantee understands that the Grantee will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying to the Company and/or the Employer (as appropriate) the amount of any employee NICs due on this additional benefit, which may also be recovered from the Grantee by the Company or the Employer at any time thereafter by any of the means referred to in Section 3 of the Terms and Conditions of Option Award.



**LEIDOS HOLDINGS, INC.
2017 OMNIBUS INCENTIVE PLAN**

NOTICE OF GRANT OF RESTRICTED STOCK UNIT AWARD (PERFORMANCE-VESTING)

Leidos Holdings, Inc. (the “**Company**”) hereby grants this Restricted Stock Unit Award (the “**Award**”) of the number of Restricted Stock Units set forth in this Notice of Grant of Restricted Stock Unit Award (the “**Notice**”) to the Grantee designated in this Notice, pursuant to the provisions of the Company’s 2017 Omnibus Incentive Plan (the “**Plan**”) and subject to certain restrictions as outlined below in this Notice and the additional provisions set forth in the attached Terms and Conditions of Restricted Stock Units Award (the “**Terms**”). Together, this Notice, the attached Terms and all exhibits and appendices hereto constitute the “**Agreement**.” The terms and conditions of the Plan are incorporated by reference in their entirety into this Agreement. When used in this Agreement, the terms that are defined in the Plan shall have the meanings given to them in the Plan, as modified herein (if applicable).

Award Details: The Grantee’s name, the number of Restricted Stock Units awarded and the Grant Date can be found in the Grant Summary located in the electronic stock plan award administration system maintained by the Company or its designee that contains a link to this Agreement (which summary information is set forth in the appropriate records of the Company authorizing such award).

Vesting Schedule: Subject to the terms of the Plan and this Agreement, the Restricted Stock Units shall become earned and vested as follows:

(a) Performance-Vesting Condition. The vesting of the Restricted Stock Units is conditioned on achievement of the Performance Goals during the Performance Period in accordance with the provisions of Exhibit A. If the Performance Goals are not met, the Restricted Stock Units shall be immediately cancelled and forfeited as of the Determination Date.

(b) Time-Vesting Conditions. In addition to the performance-vesting condition stated above, subject to the terms of the Plan and this Agreement, the Restricted Stock Units shall become earned and vested, and shares of Stock shall be issued in settlement of vested Restricted Stock Units, in accordance with the following schedule, in the event the Grantee does not have a Separation from Service prior to the applicable vesting date(s):

Vesting Date

% Vesting

[add applicable vesting date(s)]

Only a whole number of Restricted Stock Units will become vested as of any given vesting date. If the number of Restricted Stock Units determined as of a vesting date is a fractional number, the number vesting will be rounded down to the nearest whole number with any fractional portion carried forward. Exhibit B to this Notice sets forth the terms and provisions regarding treatment of the Award upon Separation from Service. No Restricted Stock Units shall become earned and vested following the Grantee’s Separation from Service except as otherwise expressly provided in Exhibit B to this Notice or as otherwise provided pursuant to the terms of the Plan.

Award Acceptance: The Grantee must accept the Agreement electronically pursuant to the online acceptance procedure established by the Company by no later than three months following the Grant Date. If the Grantee does not accept the Agreement through the online acceptance process by that date, or such other date that may be communicated, the Grantee will be deemed to have accepted the Agreement and the Company will automatically accept the Agreement on the Grantee's behalf. If the Grantee declines the Agreement, the Award will be canceled and the Grantee will not be entitled to any benefits from the Award nor any compensation or benefits in lieu of the canceled award.

EXHIBIT A

Performance-Vesting Condition

(a) Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“**Determination Date**” means the date on which the Committee certifies whether and to what extent the Performance Goals have been achieved, which shall be no later than March 15 following the end of the Performance Period.

“**Earnings Per Share (EPS)**” means the Non-GAAP diluted earnings per share from continuing operations defined as net income from continuing operations, adjusted to exclude the impact of discrete items such as integration and restructuring costs (integration, lease termination and severance costs related to the Company’s acquisitions), amortization of acquired intangible assets (amortization of the fair value of the acquired equity method investment), gain (loss) on sale of business (net gain on sale of business) and asset impairment charges (impairments of long-lived tangible assets).

“**Performance Goals**” means the performance goals specified in paragraph (b) below.

“**Performance Period**” means the fiscal year of the Company in which the Grant Date occurs.

[add defined terms as needed of the specific performance metrics]

(b) Performance Goals. As a condition to vesting of the Restricted Stock Units, the **Earnings Per Share Goal of \$3.81** must be achieved during the Performance Period, as certified in writing by the Committee on the Determination Date.

EXHIBIT B

Separation from Service and Change in Control

(a) Impact of Separation from Service; Change in Control. If the Grantee has a Separation from Service before any of the vesting date(s) specified under “Vesting Schedule” in the Notice, then any unearned and unvested Restricted Stock Units shall become earned and vested or be canceled depending on the reason for Separation from Service as follows:

(i) Death or Disability. If the Grantee has a Separation from Service due to the Grantee’s death or Disability, any unearned and unvested Restricted Stock Units shall become immediately earned and vested as of the date of such Separation from Service. If such Separation from Service occurs during the Performance Period, such vesting shall occur without regard to achievement of the Performance Goals. In addition, in the event of the Grantee’s death after Separation from Service due to Special Retirement, any Restricted Stock Units that had not yet become earned and vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice shall become immediately earned and vested as of the date of such death.

(ii) Involuntary Termination without Cause. If the Grantee has an Involuntary Termination without Cause at least six months after the Grant Date, a prorated portion of any unearned and unvested Restricted Stock Units shall become immediately earned and vested as of the date of such Involuntary Termination without Cause; provided, however, that if the Grantee is a Covered Employee, such vesting shall be conditioned on achievement of the Performance Goals and any such vested Restricted Stock Units shall not be paid until the Determination Date. Such prorated vesting shall be determined as follows: (A) the total number of Restricted Stock Units granted shall be multiplied by the Pro Rata Fraction, rounded up to the next whole number, and (B) such resulting amount shall be reduced by the number of Restricted Stock Units (if any) that previously vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice. In addition, the Grantee must execute, deliver and not revoke, no later than sixty (60) days following Separation from Service, a general release of claims if requested by, and in a form satisfactory to, the Company.

(iii) Special Retirement. If the Grantee has a Separation from Service due to Special Retirement, the Restricted Stock Units shall continue to become earned and vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice as if the Grantee had not had a Separation from Service, including without limitation the achievement of the performance condition, but provided that the Grantee complies with the requirements of Section 7 of the Terms (regarding compliance with post-employment covenants). In addition, the Grantee must execute, deliver and not revoke, no later than sixty (60) days following Separation from Service, a general release of claims if requested by, and in a form satisfactory to, the Company. Notwithstanding the preceding sentences, if the Company receives an opinion of counsel that there has been a legal judgment and/or legal development in the Grantee’s jurisdiction that likely would result in the favorable Special Retirement treatment that otherwise would apply to the Restricted Stock Units pursuant to this Section (a)(iii) being deemed unlawful and/or discriminatory, then the Company will not apply this favorable Special Retirement treatment at the time of the Grantee’s Separation from Service and the Restricted Stock Units will be treated as they would under the rules that otherwise would have applied if the Grantee’s Separation from Service did not qualify as a Special Retirement.

(iv) Change in Control. Notwithstanding anything in this Agreement to the contrary but subject to the provisions of Section 15.3.1(i) of the Plan, if (A) a Change in Control occurs and (B) the Grantee has a Change in Control Termination, then any unearned and unvested Restricted Stock Units shall become immediately earned and vested as of the date of such Change in Control Termination.

(v) Any other Separation from Service. If the Grantee has a Separation from Service for any reason other than as specified in subparagraphs (i) through (iv) above, any Restricted Stock Units that were not already earned and vested pursuant to the schedule specified under “Vesting Schedule” in the Notice as of the date of the Separation from Service shall be immediately canceled as of the date of Separation from Service.

(b) Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“Cause” for the termination of Service will be deemed to exist if the Grantee:

- (i) has been convicted, or entered a plea of nolo contendere, for committing an act of fraud, embezzlement, theft or other act constituting a felony or crime of similar magnitude under applicable law (other than traffic related offenses or as a result of vicarious liability);
- (ii) willfully engages in illegal conduct or gross misconduct that is significantly injurious to the Company or a Subsidiary, including the Grantee's material breach of his or her obligations under any written Company policy, including any code of ethics or conduct, which is not cured, if curable, within ten (10) days after the Company or a Subsidiary notifies the Grantee of such breach; however, no act or failure to act on the Grantee's part shall be considered "willful" unless done or omitted to be done by the Grantee not in good faith and without reasonable belief that his or her action or omission was in the best interest of the Company or a Subsidiary; or
- (iii) fails to perform his or her duties in a reasonably satisfactory manner after the receipt of a notice from the Company or a Subsidiary detailing such failure if the failure is incapable of cure, and if the failure is capable of cure, upon the failure to cure such failure within 30 days of such notice or upon its recurrence.

"Change in Control Termination" means the Grantee's Separation from Service on or within two years after a Change in Control if such Separation from Service is either (i) by action of the Company or, if different, the Grantee's employing Subsidiary (the **"Employer"**) without Cause or (ii) by action of the Grantee with Good Reason.

"Disability" means the status of disability determined conclusively by the Company based upon certification of disability by the Social Security Administration or an equivalent authority outside the U.S. or, to the extent compliant with Section 409A, upon such other proof as the Company may require, effective upon receipt of such certification or other proof by the Company. Notwithstanding the foregoing, if the Grantee is eligible for Special Retirement as of the date of a Separation from Service due to Disability, the Separation from Service will be treated as Special Retirement and not Separation from Service due to Disability.

"Good Reason" means the occurrence of any of the following events or conditions without the Grantee's prior written consent:

- (i) any material adverse change in the Grantee's authority, duties or responsibilities (including reporting responsibilities) from the Grantee's authority, duties or responsibilities as in effect at any time within 90 days preceding the date of the Change in Control or at any time thereafter;
- (ii) a material reduction in Grantee's base salary or any failure to pay the Grantee any cash compensation to which the Grantee is entitled within 15 days after the date when due;
- (iii) the imposition of a requirement (other than for reasonably required travel on Company business which is not materially greater in frequency or duration than prior to the Change in Control) that the Grantee be based at any place outside a 50-mile radius from the Grantee's principal place of employment immediately
- (iv) prior to the Change in Control and which has a material adverse effect on the Grantee's commuting requirements; or
- (v) if the Grantee is a participant in the Company's Executive Severance Plan, any other event that constitutes "Good Reason" under that plan.

Notwithstanding anything to the contrary in this Agreement, no termination will be deemed to be for Good Reason hereunder unless (i) the Grantee provides written notice to the Company identifying the applicable event or condition within 120 days of the occurrence of the event or the initial existence of the condition, (ii) the Company or a Subsidiary fails to remedy

the event or condition within a period of 30 days following such notice, and (iii) the Grantee's Separation from Service occurs within 90 days after the date the Company or a Subsidiary fails to remedy the event or condition.

"Involuntary Termination without Cause" means a Grantee's Separation from Service by action of the Company or the Employer without Cause, including due to divestiture by the Company of the business unit with which the Grantee is employed. Notwithstanding the foregoing, if the Grantee is eligible for Special Retirement as of the date of such Involuntary Termination without Cause, the Separation from Service will be treated as Special Retirement and not Involuntary Termination without Cause.

"Pro Rata Fraction" means a fraction, the numerator of which is the number of days from the Grant Date of the Restricted Stock Units through the date of Involuntary Termination without Cause, and the denominator of which is the number of days from the Grant Date of the Restricted Stock Units through the last vesting date set forth under "Vesting Schedule" in the Notice.

"Special Retirement" means a Grantee's Separation from Service on or after the first anniversary of the Grant Date for any reason other than death or by the Company or the Employer for Cause after the Grantee has attained at least age 59-1/2 and either (i) the Grantee has at least ten years of Service or (ii) the Grantee's combined age and years of Service equals at least 70. The Company's determination of years of Service for such purpose shall be final and binding on all parties. Notwithstanding the foregoing, if the Grantee's Separation from Service during the two-year period following a Change in Control could be treated as either a Special Retirement or a Change in Control Termination, it shall be treated as a Change in Control Termination to the extent permitted by Section 409A.



LEIDOS HOLDINGS, INC.

2017 OMNIBUS INCENTIVE PLAN

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

The Restricted Stock Unit Award (the “**Award**”) granted by Leidos Holdings, Inc. (the “**Company**”) to the Grantee specified in the Notice of Grant of Restricted Stock Unit Award (the “**Notice**”) to which these Terms and Conditions of Restricted Stock Unit Award, including any additional terms and conditions for Grantees outside the United States set forth in Appendices A and B (collectively, the “**Terms**”) are attached, is subject to the terms and conditions of the Plan, the Notice, and these Terms. The terms and conditions of the Plan are incorporated by reference in their entirety into these Terms. The Notice and these Terms together constitute the “**Agreement**.” A Prospectus describing the Plan has been delivered to the Grantee. The Plan itself is available upon request. When used in this Agreement, the terms which are defined in the Plan shall have the meanings given to them in the Plan, as modified herein (if applicable).

1. Grant of Units.

(a) As of the Grant Date set forth in the Notice, the Company grants to the Grantee the number of Restricted Stock Units (“**Units**”) set forth in the Notice. Each Unit represents the right to receive one share of Stock at a future date after the Unit has become earned and vested, subject to the terms and conditions of this Agreement.

(b) The Units covered by this Award shall become earned and vested in accordance with the schedule set forth in the Notice. Each earned and vested Unit shall be settled on the date(s) specified in the Notice by issuance of one share of Stock on or as soon as administratively practicable (but no more than 75 days) after the applicable vesting date specified in the Notice, subject to the requirements of the Plan and this Agreement.

(c) Units constitute an unfunded and unsecured obligation of the Company. The Grantee shall not have any rights of a stockholder of the Company with respect to the shares of Stock underlying the Units unless and until the Units become earned and vested and are settled by the issuance of shares of Stock. Upon issuance of shares of Stock in connection with the settlement of vested Units, the Grantee shall be the record owner of the shares of Stock unless and until such shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a stockholder of the Company (including voting rights).

(d) Units earned and vested will receive dividend equivalents paid in cash (without interest) based on the dividend rates in effect during the vesting period applied to the number of Units in which the Grantee vests, subject to the vesting provisions set forth in the Notice. Cash dividend equivalents accrued on the earned and vested Units will be paid in cash on or about the same time the earned and vested Units are settled and paid.

(e) Notwithstanding any provision herein to the contrary, if the Grantee is a U.S. taxpayer, payment of Units that become earned and vested under this Agreement may be deferred under the terms of the Company’s Key Executive Stock Deferral Plan (or any similar plan or program) in which the Grantee is eligible to participate, subject to the terms and conditions of such plan and the requirements of Section 409A. Any Units deferred under any such plan shall be administered in accordance with the terms and provisions of such plan.

2. Restrictions. Subject to any exceptions set forth in this Agreement, until such time as the Units become earned and vested and are settled in shares of Stock in accordance with Section 1, the Units or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Units or the rights relating thereto shall be wholly ineffective

and, if any such attempt is made, the Units will be forfeited by the Grantee and all of the Grantee's rights to such Units shall immediately terminate without any payment of consideration by the Company. Restrictions. Subject to any exceptions set forth in this Agreement, until such time as the Units become earned and vested and are settled in shares of Stock in accordance with Section 1, the Units or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Units or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Units will be forfeited by the Grantee and all of the Grantee's rights to such Units shall immediately terminate without any payment of consideration by the Company.

3. Cancellation of Rights. If any portion of the Units fail to become earned and vested (for example, because the Grantee fails to satisfy the vesting conditions specified in the Notice prior to a Separation from Service), then such Units shall be immediately forfeited as of the date of such failure and all of the Grantee's rights to such Units shall immediately terminate without any payment of consideration by the Company.
4. Responsibility for Taxes.

(a) Regardless of any action the Company or, if different, the Subsidiary which employs the Grantee (the "**Employer**") takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable or deemed legally applicable to the Grantee ("**Tax-Related Items**"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the grant or vesting of the Units, the subsequent sale of shares of Stock acquired upon vesting, the payment of any dividend equivalents on the Units or the payment of any dividends on the shares of Stock; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result.

(b) In connection with any relevant taxable or tax withholding event, as applicable, the Grantee shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Company and/or the Employer, or their respective agents, in their sole discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following methods:

- (i) withholding from the Grantee's wages or other cash compensation payable to the Grantee by the Company, the Employer, or any other Subsidiary;
- (ii) withholding from proceeds of the sale of shares of Stock acquired at vesting either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization without further consent);
- (iii) withholding shares of Stock otherwise issuable to the Grantee upon vesting of the Units; or
- (iv) any other method of withholding determined by the Company, to the extent permitted under the Plan and applicable laws.

The Company may withhold or account for Tax-Related Items by considering statutory withholding amounts or other applicable withholding rates, including maximum rates applicable in the Grantee's jurisdiction(s), in which case the Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent amount in shares of Stock. In the event of over-withholding, the Grantee may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent amount in shares of Stock), from the Company or the Employer; otherwise, the Grantee may be able to seek a refund from the local tax authorities. In the event of under-withholding, the Grantee may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Company and/or the

Employer. If the obligation for Tax-Related Items is satisfied by withholding shares of Stock, for tax purposes, the Grantee is deemed to have been issued the full number of shares of Stock subject to the vested Units, notwithstanding that a number of the shares is held back solely for the purpose of paying the Tax-Related Items.

Finally, the Grantee agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue and deliver shares of Stock in payment of any earned and vested Units, or the proceeds from the sale of shares of Stock, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as described in this Section 4.

5. Grantee Representations. The Grantee hereby represents that the Grantee has read and fully understands the provisions of this Agreement, the Prospectus and the Plan, and the Grantee's decision to participate in the Plan is completely voluntary. Further, the Grantee acknowledges that the Grantee is relying solely on his or her own advisors with respect to the tax consequences of this Award.
6. Regulatory Restrictions on the Shares Issued Upon Settlement. Notwithstanding the other provisions of this Agreement, the Committee shall have the sole discretion to impose such conditions, restrictions and limitations on the issuance of shares of Stock with respect to this Award unless and until the Committee determines that such issuance complies with (i) any applicable registration requirements under the Securities Act or the Committee has determined that an exemption therefrom is available, (ii) any applicable listing requirement of any stock exchange on which the Stock is listed, (iii) any applicable Company policy or administrative rules, and (iv) any other applicable provision of U.S. or non-U.S. federal, state or local law.
7. Non-Solicitation and Non-Competition.

(a) Applicability. The provisions of this Section 7 apply to Awards made to employees of the Company and its Subsidiaries, and not Awards made to Non-Employee Directors. The Grantee acknowledges that the Company conducts business throughout the United States and that the Company has a legitimate business interest in protecting this business, including but not limited its interest in its employees, programs, and projects below, against unfair competition through the promises in this Section 7. In addition, Sections 7 (b), (c) and (e) do not apply in California.

(b) Solicitation of Employees. The Grantee agrees that, both while in Service and for one year after Separation from Service, the Grantee will not solicit or attempt to solicit any employee of the Company or any Subsidiary with whom the Grantee has worked on a program or project during the 12 months prior to Separation from Service to leave his or her employment or to violate the terms of any agreement or understanding that employee may have with the Company or any Subsidiary. The foregoing obligations apply to both the Grantee's direct and indirect actions, and apply to actions intended to benefit the Grantee or any other person, business or entity.

(c) Solicitation of Customers. The Grantee agrees that, for one year after Separation from Service, the Grantee will not participate in any solicitation of any customer or prospective customer of the Company or any Subsidiary concerning any business that:

- (i) involves the same programs or projects for that customer in which the Grantee was personally and/or substantially involved during the 12 months prior to Separation from Service; or
- (ii) has been, at any time during the 12 months prior to Separation from Service, the subject of any capture effort, bid, offer or proposal activity by the Company or any Subsidiary in respect of that customer or prospective customer, or any negotiations or discussions about the possible performance of services by the Company or any Subsidiary to that customer or potential customer, in which the Grantee was personally and/or substantially involved.

For purposes of (c)(i) and (ii), in the case of a governmental, regulatory or administrative agency, commission, department or other governmental authority, the customer or prospective customer will be

determined by reference to the specific program offices or activities for which the Company or any Subsidiary provides (or may reasonably provide) goods or services.

(d) Non-Disclosure and Non-Use of Proprietary Information. During the term of the Grantee's employment and following the voluntary or involuntary termination of that employment for any reason, and with or without cause, Grantee will not, except as authorized and required to perform the Grantee's duties for the Company or any Subsidiary, directly or indirectly: use, disclose, reproduce, distribute, or otherwise disseminate the Company or any Subsidiary's Proprietary Information, or take any action causing, or fail to take any action necessary, to prevent any such information to lose its character or cease to qualify as Proprietary Information. Grantee agrees to ask the Company or any Subsidiary, both during and after employment, if Grantee has any questions about whether particular information is Proprietary Information before using or disclosing such information.

The term "**Proprietary Information**" will mean any and all confidential knowledge, data or information of the Company, its affiliates, parents and subsidiaries, which has economic value as a result of its remaining confidential, whether having existed, now existing, or to be developed during Grantee's employment, including information developed by Grantee. By way of illustration but not limitation, "Proprietary Information" includes (1) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, algorithms, software programs, schematics, improvements, discoveries, developments, designs and techniques and any other proprietary technology and all Proprietary Rights therein (collectively, "**Inventions**"); (2) information regarding research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, margins, discounts, credit terms, pricing and billing policies, quoting procedures, methods of obtaining business, forecasts, future plans and potential strategies, financial projections and business strategies, operational plans, financing and capital-raising plans, activities and agreements, internal services and operational manuals, methods of conducting Company business, suppliers and supplier information, and purchasing; (3) information regarding Customers and potential Customers of the Company and its Subsidiaries, including customer lists, names, representatives, their needs or desires with respect to the types of products or services offered by the Company, proposals, bids, contracts and their contents and parties, the type and quantity of products and services provided or sought to be provided to Customers and potential Customers of the Company and other non-public information relating to Customers and potential Customers; (4) information regarding any of the Company's business partners and their services, including names, representatives, proposals, bids, contracts and their contents and parties, the type and quantity of products and services received by the Company, and other non-public information relating to business partners that Grantee acquires as a result of their employment; (5) information regarding personnel, employee lists, compensation, and employee skills; and (6) any other non-public information which a competitor of the Company could use to the competitive disadvantage of the Company.

(e) Non-Competition. To the extent allowed by and consistent with applicable law, the Grantee agrees that, for one year after Separation from Service, the Grantee will not, directly or indirectly, on behalf of the Grantee or any other person or entity other than the Company, perform on or support any program, or provide oversight on any program, product, or service in which the Grantee was personally and/or substantially involved during the 12 months prior to Separation from Service:

- (i) that would more likely than not cause the Grantee to use, disclose, or access Proprietary Information of any such program, product, or service; or
- (ii) that is competitive with any such program, product, or service and where the Grantee's new responsibilities and duties will be similar to those previously held with the Company or any Subsidiary; or
- (iii) that is associated with any program, product or service that was the subject of any capture effort, bid, offer or proposal activity by the Company or any Subsidiary in which the Grantee was personally and substantially involved during the 12 months prior to Separation from Service and of which the Grantee possesses Proprietary Information.

(f) Remedies. The Grantee acknowledges and agrees that a breach of any of the promises or agreements contained in this Section 7 will result in immediate, irreparable and continuing damage to the Company and its Subsidiaries for which there is no adequate remedy at law, and the Company and its

Subsidiaries will be entitled to injunctive relief, a decree for specific performance, and other relief as may be proper, including money damages such as, but not limited to, the disgorgement of any profits, commissions, or fees realized by the Grantee, any subsequent employers, any business owned or operated by the Grantee, or any of Grantee's agents, heirs, or assigns because of any such breach. Furthermore, to the extent allowed by and consistent with applicable law and any applicable limitations period, if it is determined at any time by the Company or any Subsidiary that the Grantee has materially breached any employment-related covenants, including the covenants in this Section 7, the Company will be entitled to (i) cause any unvested portion of the Award to be immediately canceled without any payment of consideration by the Company and/or (ii) cause, upon written demand by the Company to the Grantee, that the Grantee promptly return to the Company some or all of the shares of Stock (or proceeds received by the Grantee from such shares of Stock) paid to the Grantee pursuant to this Agreement. If the Company must resort to litigation to enforce the Grantee's obligation in (ii), the Company will be entitled to an award of reasonable attorneys' fees and costs should it prevail in the litigation.

8. No Interference with Rights. Grantee understands that Grantee shall not be held criminally or civilly liable under any U.S. or non-U.S. federal or state trade secret law for the disclosure of a trade secret that: (1) is made in confidence to a U.S. or non-U.S. federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The Grantee also understands that disclosure of trade secrets to attorneys, made under seal, or pursuant to court order is also protected under 18 U.S. Code § 1833 in a retaliation lawsuit based on the reporting of a suspected violation of law.

9. Miscellaneous.

(a) Notices. Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as the Company may notify the Grantee from time to time; and to the Grantee at the Grantee's electronic mail or postal address as shown on the records of the Company from time to time, or at such other electronic mail or postal address as the Grantee, by notice to the Company, may designate in writing from time to time.

(b) Waiver. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach.

(c) Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties with respect to the subject matter hereof. Any prior agreements, commitments or negotiations concerning the Award are superseded.

(d) Binding Effect; Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto and to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in this Agreement, express or implied, is intended to confer on any person other than the parties hereto and as provided above, their respective heirs, successors, assigns and representatives any rights, remedies, obligations or liabilities.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law, and applicable U.S. federal law.

(f) Venue. Any legal or equitable action or any proceeding arising directly, indirectly, or otherwise in connection with, out of, related to or from the Agreement, or any provision hereof, shall exclusively be filed and adjudicated in the Circuit Court for Fairfax County, Virginia, or the United States District Court for the Eastern District of Virginia, Alexandria Division, and no other venue. Any arbitration will be conducted according to the terms of the applicable arbitration agreement.

(g) Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

(h) Conflicts; Amendment. The provisions of the Plan are incorporated in this Agreement in their entirety. In the event of any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan shall control. This Agreement may be amended at any time by the Committee, provided that no amendment may, without the consent of the Grantee, materially impair the Grantee's rights with respect to the Award, except as otherwise required pursuant to Section 9(l) below. The Committee shall have full authority and discretion, subject only to the terms of the Plan, to decide all matters relating to the administration or interpretation of the Plan, the Award, and the Agreement, and all such action by the Committee shall be final, conclusive, and binding upon the Company and the Grantee.

(i) No Right to Continued Employment. Nothing in this Agreement shall confer upon the Grantee any right to continue in the Service of the Company or any Subsidiary or affect the right of the Company or any Subsidiary to terminate the Grantee's Service at any time.

(j) Further Assurances. The Grantee agrees, upon demand of the Company or the Committee, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Company or the Committee, as the case may be, to implement the provisions and purposes of this Agreement and the Plan.

(k) Appendices. By accepting this Award, the Grantee acknowledges and agrees that, should the Grantee reside and/or work in a country outside the United States at any time during the life of the Award, this Award is subject to the additional terms set forth in the Appendices A and B hereto. Appendices A and B constitute part of this Agreement. Please review the provisions of Appendices A and B carefully, as this Award will be null and void absent the Grantee's acceptance of such provisions.

(l) Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Award to the extent that the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Award and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(m) Recovery of Compensation. In accordance with Section 3.3 of the Plan, the Award is subject to the requirements of (i) Section 954 of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) any policies adopted by the Company to implement such requirements, and (iii) the Company's compensation recoupment policy as amended and restated on June 26, 2023, as in effect from time to time (the "Compensation Recoupment Policy"), all to the extent determined by the Committee to be applicable to the Grantee.

(n) Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(o) Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

10. No Advice Regarding Grant. The Company is not providing any tax, legal, or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan or the Grantee's acquisition of any shares of Stock under the Plan or subsequent sale of such shares of Stock. The Grantee should consult with the Grantee's personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action in relation thereto.

11. Insider Trading/Market Abuse Laws. The Grantee acknowledges that he or she may be subject to insider trading restrictions and/or market abuse laws which may affect the Grantee's ability to accept, acquire, sell or otherwise dispose of shares of Stock, rights to shares of Stock (e.g., the Award) or rights linked to the value of Stock during such times as the Grantee is considered to have

“inside information” regarding the Company (as defined by the laws in the applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Grantee placed before the Grantee possessed inside information. Furthermore, the Grantee could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) “tipping” third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company’s insider trading policy as may be in effect from time to time. The Grantee acknowledges that it is the Grantee’s responsibility to comply with any applicable insider trading restrictions and/or market abuse laws, and the Grantee should speak to his or her personal advisor on this matter.

APPENDIX A

TO THE TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

General Additional Terms Applicable to Awards Held by Grantees Outside the U.S.

1. Data Privacy.

(a) **Data Collection and Usage.** *The Company and the Employer collect, process and use certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all Awards under the Plan or any other entitlement to shares of Stock or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in the Grantee favor ("Data"), for the legitimate purpose of implementing, administering and managing the Grantee's participation in the Plan. The legal basis, where required, for the processing of Data by the Company and the third-party service providers described below is the Grantee's consent.*

(b) **Stock Plan Administration Service Providers.** *The Company transfers Data to Computershare and certain of its affiliated companies (collectively, "Computershare"), an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan. The Grantee acknowledges and understands that Computershare will open an account for the Grantee to receive and trade shares of Stock acquired under the Plan and that the Grantee will be asked to agree on separate terms and data processing practices with Computershare, with such agreement being a condition to the ability to participate in the Plan. The legal basis, where required, for the transfer of Data by the Company to Computershare is the Grantee's consent.*

(c) **International Data Transfers.** *The Company is based in the United States. The Grantee's country or jurisdiction may have different data privacy laws and protections than the United States. As a result, in the absence of appropriate safeguards such as standard data protection clauses, the processing of the Grantee's Data in the United States or, as the case may be, other countries might not be subject to substantive data processing principles or supervision by data protection authorities. In addition, the Grantee might not have enforceable rights regarding the processing of the Grantee's Data in such countries. The Company's legal basis, where required, for the transfer of Data is the Grantee's consent.*

(d) **Data Retention.** *The Company will hold and use Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan, or as required to comply with applicable law, exercise or defense of legal rights, and archiving, back-up and deletion processes. This means Data may be held even after the Grantee's employment or service is terminated.*

(e) **Voluntariness and Consequences of Consent Denial or Withdrawal.** *Participation in the Plan is voluntary and the Grantee is providing any consents herein on a purely voluntary basis. The Grantee understands that the Grantee may withdraw his or her consent at any time with future effect for any or no reason. If the Grantee does not consent, or if the Grantee later seeks to revoke his or her consent, the Grantee's Service with the Employer will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant the Awards under the Plan or other equity awards to the Grantee or administer or maintain the Grantee's participation in the Plan.*

(f) **Data Subject Rights.** *The Grantee may have a number of rights under data privacy laws in the Grantee's jurisdiction. Depending on where the Grantee is based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in the Grantee's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Grantee can contact his or her local human resources representative.*

2. Nature of Grant. By entering into this Agreement and accepting the grant of Units evidenced hereby, the Grantee acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be terminated, suspended or amended by the Company at any time, to the extent permitted by the Plan;

(b) the grant of Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future awards of Units or benefits in lieu of Units, even if such awards have been awarded in the past;

(c) all decisions with respect to future awards, if any, will be at the sole discretion of the Company;

(d) the grant of Units shall not create a right to Service or be interpreted as forming an employment or service contract with the Company or any other Subsidiary and shall not interfere with the ability of the Employer to terminate the Grantee's Service relationship (if any) at any time;

(e) the Grantee is voluntarily participating in the Plan;

(f) the Units and any payment made pursuant to the Units, and the income from and value of same, are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, long-service awards, leave-related payments, pension or retirement benefits or welfare benefits or similar payments;

(g) unless otherwise agreed with the Company, the Award and any shares of Stock subject to the Award, and income from and value of same, are not granted as consideration for, or in connection with, any service the Grantee may provide as a director of any Subsidiary;

(h) the future value of the shares of Stock which may be delivered in settlement of vested Units is unknown, indeterminable and cannot be predicted with certainty;

(i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Units resulting from the Grantee's Separation from Service (for any reason whatsoever, whether or not such termination is later found to be invalid or in breach of applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any) or recoupment of all or any portion of any payment made pursuant to the Units as provided by the Company's Compensation Recoupment Policy;

(j) for purposes of the Units, the date of the Grantee's Separation from Service (for any reason whatsoever, whether or not such termination is later found to be invalid or in breach of applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any) will be deemed to occur as of the date the Grantee is no longer actively providing Service to the Company or any of its Subsidiaries, and unless otherwise expressly provided in this Agreement or otherwise determined by the Company, the Grantee's right to vest in any portion of the Units (and any related dividend equivalents) under the Plan, if any, will terminate as of such date and will not be extended by any notice period (*e.g.*, the Grantee's active employment or period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any). For the avoidance of doubt, actively providing Service during only a portion of the vesting period prior to a vesting date shall not entitle the Grantee to vest in a pro-rata portion of the unvested Units that would have vested as of such vesting date, nor will it entitle the Grantee to any compensation for lost vesting. The Company, in its sole discretion, shall determine when the Grantee is no longer actively providing Service for purposes of the Units (including whether the Grantee may still be considered to be actively providing Service while on an approved leave of absence);

(k) unless otherwise provided in the Plan or by the Company in its discretion, the Units and the benefits evidenced by this Agreement do not create any entitlement to have the Units or any

such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Stock; and

(l) neither the Company, the Employer, nor any other Subsidiary shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the Units, any payment made pursuant to the Units or the subsequent sale of any shares of Stock acquired under the Plan.

3. Language. The Grantee acknowledges and represents that the Grantee is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow the Grantee to understand the terms of this Agreement and any other documents related to the Plan. If the Grantee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version differs from the English version, the English version shall control.
4. Foreign Asset/Account, Exchange Control, and Tax Reporting. The Grantee may be subject to certain foreign asset and/or account reporting requirements and/or exchange controls which may affect the Grantee's ability to acquire or hold shares of Stock acquired under the Plan or cash received from participating in the Plan (including from any dividend equivalents or dividends received or sale proceeds arising from the sale of shares of Stock) in a brokerage or bank account outside the Grantee's country. The Grantee may be required to report such accounts, assets or transactions to the tax or other authorities in the Grantee's country. The Grantee also may be required to repatriate sale proceeds or other funds received as a result of the Grantee's participation in the Plan to the Grantee's country through a designated bank or broker and/or within a certain time after receipt. The Grantee further acknowledges that it is the Grantee's responsibility to comply with such regulations and that the Grantee should consult the Grantee's personal legal advisor for any details.

APPENDIX B

TO THE TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

Country-Specific Additional Terms Applicable to Awards Held by Grantees Outside the U.S.

Capitalized terms used but not otherwise defined herein shall have the meaning given to such terms in the Plan and/or this Agreement.

Terms and Conditions

This Appendix B includes additional terms and conditions that govern the Grantee's participation in the Plan if the Grantee resides and/or works in one of the countries listed below. If the Grantee is a citizen or resident of a country other than the one in which he or she is currently residing and/or working (or if the Grantee is considered as such for local law purposes), or if the Grantee moves or transfers Service to another country after the Grant Date, the Company will, in its sole discretion, determine the extent to which the terms and conditions herein will be applicable to the Grantee.

Notifications

This Appendix B also includes information regarding securities laws, exchange controls and certain other issues of which the Grantee should be aware with respect to the Grantee's participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of January 2022. Such laws are often complex and change frequently. As a result, the Company recommends that the Grantee not rely on the information in this Appendix B as the only source of information relating to the consequences of the Grantee's participation in the Plan because the information included herein may be out of date at the time that the Units vest or the Grantee subsequently sells the shares of Stock acquired at vesting.

In addition, the Grantee understands that the information contained herein is general in nature and may not apply to the Grantee's particular situation and the Company is not in a position to assure the Grantee of any particular result. Accordingly, the Grantee acknowledges that he or she should seek appropriate professional advice as to how the relevant laws in the Grantee's country may apply to the Grantee's situation.

If the Grantee is a citizen or resident of a country other than the one in which the Grantee is currently residing and/or working (or if the Grantee is considered as such for local law purposes), or if the Grantee moves or transfers Service to another country after the Units are granted, the Grantee understands that the information contained herein may not be applicable to the Grantee in the same manner.

AUSTRALIA

Notifications

Securities Law Information. This offer of Units is being made under Division 1A, Part 7.12 of the *Corporations Act 2001 (Cth)*. Please note that if the Grantee offers shares of Stock for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. The Grantee should obtain legal advice on applicable disclosure obligations prior to making any such offer.

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding A\$10,000 and international fund transfers. The Australian bank assisting with the transaction may file the report for the Grantee. If there is no Australian bank involved in the transfer, the Grantee will have to file the report. The Grantee should consult with his or her personal advisor to ensure that the Grantee is properly complying with applicable reporting requirements in Australia.

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in the Act).

BELGIUM

Notifications

Foreign Asset/Account Reporting Information. Belgian residents are required to report any securities accounts (*e.g.*, those related to shares of Stock acquired under the Plan) or bank accounts (including brokerage accounts) maintained outside Belgium on their annual tax return. In a separate report, they must provide the National Bank of Belgium with certain details regarding such foreign accounts (including the account number, bank name and country in which any such account was opened). The forms to complete this report are available at the website of the National Bank of Belgium. Belgian residents should consult with their personal tax advisors to determine their reporting obligations.

Stock Exchange Tax. A stock exchange tax applies to transactions executed by a Belgian resident through a non-Belgian financial intermediary, such as a U.S. broker. The stock exchange tax may apply when shares of Stock acquired under the Plan are sold. Belgian residents should consult with a personal tax or financial advisor for additional details on their obligations with respect to the stock exchange tax.

Annual Securities Accounts Tax. An annual securities accounts tax may be payable if the total value of securities held in a Belgian or foreign securities account (*e.g.*, shares of Stock) exceeds a certain threshold on four reference dates within the relevant reporting period (*i.e.*, December 31, March 31, June 30 and September 30). Different payment obligations may apply, depending on whether the securities account is held with a Belgian or foreign financial institution. The Grantee should consult with his or her personal tax or financial advisor for additional details.

ISRAEL*Terms and Conditions*

Tax Consent. On January 20, 2020, the Israeli Tax Authority issued a tax ruling to the Company in connection with the non-trustee track of Section 102 of the Income Tax Ordinance [New Version], 1961 (the “**Tax Ruling**”) regarding the taxation of Units granted under the Plan. The Grantee may review a copy of the Tax Ruling by contacting stockprograms@leidos.com. In accordance with the Tax Ruling and by accepting the Units granted under the Plan, the Grantee hereby declares that the Grantee understands the provisions of the Tax Ruling and the obligation to report and pay any capital gains tax due upon the sale of the shares of Stock issued under the Plan (including filing an annual tax return).

Further, the Grantee agrees to act in accordance with the Tax Ruling and will not request to amend, cancel, and/or replace it with a different ruling and/or demand any additional tax benefit beyond the provisions of the Tax Ruling.

Notifications

Securities Law Information. This offer of Awards under the Plan does not constitute a public offering under the Securities Law, 1968.

MEXICO*Terms and Conditions*

Acknowledgment of the Agreement. By participating in the Plan, the Grantee acknowledges that the Grantee has received a copy of the Plan, has reviewed the Plan in its entirety and fully understands and accepts all provisions of the Plan. The Grantee further acknowledges that the Grantee has read and expressly approves the terms and conditions set forth in the Nature of Grant section of Appendix A, in which the following is clearly described and established: (i) the Grantee’s participation in the Plan does not constitute an acquired right; (ii) the Plan and the Grantee’s participation in the Plan are offered by the Company on a wholly discretionary basis; (iii) the Grantee’s participation in the Plan is voluntary; and (iv) the Company and its Subsidiaries are not responsible for any decrease in the value of the underlying Shares.

Labor Law Policy and Acknowledgment. By participating in the Plan, the Grantee expressly recognizes that the Company, with registered offices at 1750 Presidents Street, Reston, Virginia 20190, U.S.A., is solely responsible for the administration of the Plan and that the Grantee's participation in the Plan and acquisition of Shares does not constitute an employment relationship between the Grantee and the Company since the Grantee is participating in the Plan on a wholly commercial basis and the Participant's Employer is a Mexican Subsidiary of the Company. Based on the foregoing, the Grantee expressly recognizes that the Plan and the benefits that the Grantee may derive from participation in the Plan do not establish any rights between the Grantee and the Employer and do not form part of the employment conditions and/or benefits provided by the Employer and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of the Grantee's employment.

The Grantee further understands that the Grantee's participation in the Plan is as a result of a unilateral and discretionary decision of the Company; therefore, the Company reserves the absolute right to amend and/or discontinue the Grantee's participation at any time without any liability to the Grantee.

Finally, the Grantee hereby declares that Grantee does not reserve any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and the Grantee therefore grants a full and broad release to the Company, its subsidiaries, branches, representation offices, its shareholders, officers, agents or legal representatives with respect to any claim that may arise.

Reconocimiento del Contrato. *Al participar en el Plan, usted reconoce que ha recibido una copia del Plan, que ha revisado el Plan en su totalidad, y que entiende y acepta en su totalidad, todas y cada una de las disposiciones del Plan. Asimismo reconoce que ha leído y aprueba expresamente los términos y condiciones señalados en la sección titulado Naturaleza de la Oferta en Appendix A, en lo que claramente se describe y establece lo siguiente: (i) su participación en el Plan no constituye un derecho adquirido; (ii) el Plan y su participación en el Plan son ofrecidos por la Compañía sobre una base completamente discrecional; (iii) su participación en el Plan es voluntaria; y (iv) la Compañía y sus afiliadas no son responsables de ninguna por la disminución en el valor de las Acciones subyacentes.*

Política de Legislación Laboral y Reconocimiento. *Al participar en el Plan, usted reconoce expresamente que la Compañía, con oficinas registradas en 1750 Presidents Street, Reston, Virginia 20190, EE.UU, es la única responsable por la administración del Plan, y que su participación en el Plan, así como la adquisición de las Acciones, no constituye una relación laboral entre usted y la Compañía, debido a que usted participa en el Plan sobre una base completamente mercantil y el único Empleador de usted es una Subsidiaria Mexicana de la Compañía. Con base en lo anterior, usted reconoce expresamente que el Plan y los beneficios que pudiera obtener por su participación en el Plan, no establecen derecho alguno entre usted y el Empleador, y no forman parte de las condiciones y/o prestaciones laborales que el Empleador ofrece, y que las modificaciones al Plan o su terminación, no constituirán un cambio ni afectarán los términos y condiciones de su relación laboral.*

Asimismo usted entiende que su participación en el Plan es el resultado de una decisión unilateral y discrecional de la Compañía; por lo tanto, la Compañía se reserva el derecho absoluto de modificar y/o suspender su participación en cualquier momento, sin que usted incurra en responsabilidad alguna.

Finalmente, usted declara que no se reserva acción o derecho alguno para interponer reclamación alguna en contra de la Compañía, por concepto de compensación o daños relacionados con cualquier disposición del Plan o de los beneficios derivados del Plan, y por lo tanto, usted libera total y ampliamente de toda responsabilidad a la Compañía, a sus afiliadas, sucursales, oficinas de representación, sus accionistas, funcionarios, agentes o representantes legales, con respecto a cualquier reclamación que pudiera surgir.

Notifications

Securities Law Information. The Units granted, and any shares of Stock acquired, under the Plan have not been registered with the National Register of Securities maintained by the Mexican National Banking and Securities Commission and cannot be offered or sold publicly in Mexico. In addition, the Plan, Agreement and any other document relating to the Units may not be publicly distributed in Mexico. These materials are addressed to the Grantee because of the Grantee's existing relationship with

the Company and these materials should not be reproduced or copied in any form. The offer contained in these materials does not constitute a public offering of securities, but rather a private placement of securities addressed specifically to certain employees of the Company and its Subsidiaries and are made in accordance with the provisions of the Mexican Securities Market Law. Any rights under such offering shall not be assigned or transferred.

SINGAPORE

Terms and Conditions

Restriction on Sale of Shares of Stock. The Units are subject to section 257 of the SFA and the Grantee will not be able to make any subsequent sale of shares of Stock in Singapore or any offer of such subsequent sale of the Stock in Singapore, unless such offer or sale is made (i) after six (6) months from the Grant Date, (ii) pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”), or (iii) pursuant to, and in accordance with, any other applicable exemption in the SFA.

Notifications

Securities Law Information. The grant of the Units is being made pursuant to the “Qualifying Person” exemption under section 273(1) (f) of the SFA. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.

Director Notification Information. If the Grantee is the or a director (including an alternate, substitute or shadow director¹) of a Subsidiary in Singapore, the Grantee is subject to certain notification requirements under the Singapore Companies Act, regardless of whether the Grantee is a Singapore resident or employed in Singapore. Among these requirements is an obligation to notify the Singapore Subsidiary of an interest (e.g., Units, shares of Stock) in the Company or a related company within two business days of (i) acquiring or disposing of such interest, (ii) any change in a previously disclosed interest (e.g., vesting of Units, sale of shares of Stock), or (iii) becoming or a director if such an interest exists at the time. If the Grantee is the chief executive officer (“CEO”) of a Subsidiary in Singapore and the above notification requirements are determined to apply to the CEO of a Singapore Subsidiary, the above notification requirements also may apply to the Grantee.

UNITED KINGDOM

Terms and Conditions

Units Payable Only in Stock. Notwithstanding anything to the contrary in the Plan, the Units shall be paid in shares of Stock only and do not provide the Grantee with any right to receive a cash payment. This provision is without prejudice to the application of Section 4 of the Terms and Conditions of Restricted Stock Unit Award.

Responsibility for Taxes. The following provision supplements Section 4 of the Terms and Conditions of Restricted Stock Unit Award:

Without limitation to Section 4 of the Terms and Conditions of Restricted Stock Unit Award, the Grantee agrees that the Grantee is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company or the Employer or by Her Majesty’s Revenue and Customs (“HMRC”) (or any other tax authority or any other relevant authority). The Grantee also agrees to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Grantee’s behalf.

Notwithstanding the foregoing, if the Grantee is a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), the Grantee understands that he or she may not be able to indemnify the Company or the Employer for the amount of income tax not collected from or paid by the

¹ A shadow director is an individual who is not on the board of the Singapore Subsidiary but who has sufficient control so that the board of directors acts in accordance with the “directions or instructions” of the individual.

Grantee, as it may be considered a loan. In this case, the amount of any income tax not collected within 90 days of the end of the U.K. tax year in which the event giving rise to the Tax-Related Item(s) occurs may constitute an additional benefit to the Grantee on which additional income tax and National Insurance Contributions (“**NICs**”) may be payable. The Grantee will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying the Company or the Employer, as applicable, for the amount of any employee NICs due on this additional benefit which may be recovered from the Grantee by the Company or the Employer at any time thereafter by any of the means referred to in Section 4 of the Terms and Conditions of Restricted Stock Unit Award.



**LEIDOS HOLDINGS, INC.
2017 OMNIBUS INCENTIVE PLAN**

**NOTICE OF GRANT OF RESTRICTED STOCK UNIT AWARD (PERFORMANCE SHARE AWARD)
FY24-FY26**

Leidos Holdings, Inc. (the “**Company**”) hereby grants this Restricted Stock Unit Award (the “**Award**”) of the number of Restricted Stock Units set forth in this Notice of Grant of Restricted Stock Unit Award (the “**Notice**”) to the Grantee designated in this Notice, pursuant to the provisions of the Company’s 2017 Omnibus Incentive Plan (the “**Plan**”) and subject to certain restrictions as outlined below in this Notice and the additional provisions set forth in the attached Terms and Conditions of Restricted Stock Units Award (the “**Terms**”). Together, this Notice, the attached Terms and all exhibits and appendices hereto constitute the “**Agreement**.” The terms and conditions of the Plan are incorporated by reference in their entirety into this Agreement. When used in this Agreement, the terms that are defined in the Plan shall have the meanings given to them in the Plan, as modified herein (if applicable).

Award Details: The Grantee’s name, the number of Restricted Stock Units awarded, and the Grant Date can be found in the Grant Summary located in the electronic stock plan award administration system maintained by the Company or its designee that contains a link to this Agreement (which summary information is set forth in the appropriate records of the Company authorizing such award).

Vesting Schedule: Subject to the terms of the Plan and this Agreement, the Restricted Stock Units shall become earned and vested as follows:

(a) Performance-Vesting Condition. The number of Restricted Stock Units that become earned and vested (if any) will be determined based on performance during the Performance Period in accordance with the provisions of Exhibit A.

(b) Time-Vesting Conditions. In addition to the performance-vesting condition stated above, subject to the terms of the Plan and this Agreement, the Restricted Stock Units shall become earned and vested, and shares of Stock shall be issued in settlement of vested Restricted Stock Units, in accordance with the following schedule, in the event the Grantee does not have a Separation from Service prior to the applicable vesting date(s):

<u>Vesting Date</u>	<u>% Vesting</u>
[add applicable vesting date(s)]	

Only a whole number of Restricted Stock Units will become vested as of any given vesting date. If the number of Restricted Stock Units determined as of a vesting date is a fractional number, the number vesting will be rounded down to the nearest whole number with any fractional portion carried forward. Exhibit B to this Notice sets forth the terms and provisions regarding treatment of the Award upon Separation from Service. No Restricted Stock Units shall become earned and vested following the Grantee’s Separation from Service except as otherwise expressly provided in Exhibit B to this Notice or as otherwise provided pursuant to the terms of the Plan.

Award Acceptance: The Grantee must accept the Agreement electronically pursuant to the online acceptance procedure established by the Company by no later than three months following the Grant Date. If the Grantee does not accept the Agreement through the online acceptance process by that date, or such other date that may be communicated, the Grantee will be deemed to have accepted the Agreement and the Company will automatically accept the Agreement on the Grantee’s behalf. If the Grantee declines the Agreement, the Award will be canceled, and the Grantee will not be entitled to any benefits from the Award nor any compensation or benefits in lieu of the canceled award.

EXHIBIT A

Performance-Vesting Condition –Performance Period FY24-FY26

(a) Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“**Determination Date**” means the date on which the Committee certifies whether and to what extent the Performance Goals have been achieved, which shall be no later than March 15 following the end of the Performance Period.

“**Performance Goals**” means the performance goals specified in paragraph (b) below.

“**Performance Period**” means the period of three consecutive fiscal years of the Company, with the first such fiscal year being the year in which the Grant Date occurs.

[add defined terms as needed of the specific performance metrics]

(b) Performance Goals. Pursuant to this Award, the number of shares of Stock, if any, that the Grantee may be entitled to receive will be based on the performance level achieved for **[insert relevant performance measures]** over the Performance Period. Each performance measure is weighted as follows: **[insert weighting if multiple]**. The payout for each measure will be determined separately based on the performance level achieved for each measure at the end of the Performance Period. The following sets forth the specific performance goals and payout scales: [**•**].

EXHIBIT B

Separation from Service and Change in Control

(a) Impact of Separation from Service; Change in Control. If the Grantee has a Separation from Service before any of the vesting date(s) specified under “Vesting Schedule” in the Notice, then any unvested Restricted Stock Units shall become earned and vested or be canceled depending on the reason for Separation from Service as follows:

(i) Death. If the Grantee has a Separation from Service due to the Grantee’s death, any unearned and unvested Restricted Stock Units shall become immediately earned and vested as of the date of such Separation from Service assuming target performance. In addition, in the event of the Grantee’s death after Separation from Service due to Disability, Involuntary Termination without Cause or Special Retirement, any Restricted Stock Units that had not yet become earned and vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice shall become immediately vested as of the date of such death assuming target performance.

(ii) Disability, Involuntary Termination without Cause or Special Retirement. If the Grantee has Separation from Service due to (A) Disability, (B) Involuntary Termination without Cause that occurs at least six months after the Grant Date, or (C) Special Retirement, a prorated portion of any unearned Restricted Stock Units shall become earned and vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice (including the performance condition) as if the Grantee had not had a Separation from Service. Any such vested Restricted Stock Units shall not be paid until the Determination Date. Such prorated vesting shall be determined as follows: (A) the total target number of Restricted Stock Units granted shall be multiplied by the Pro Rata Fraction, rounded up to the next whole number, and (B) such prorated target Restricted Stock Units shall be adjusted for performance results as provided under Exhibit A. Any such continued vesting shall be subject to the following additional requirements: (x) the Grantee must execute, deliver and not revoke, no later than sixty (60) days following Separation from Service, a general release of claims if requested by, and in a form satisfactory to, the Company, and (y) the Grantee complies with the requirements of Section 7 of the Terms (regarding compliance with post-employment covenants). Notwithstanding the preceding sentences, if the Company receives an opinion of counsel that there has been a legal judgment and/or legal development in the Grantee’s jurisdiction that likely would result in the favorable Special Retirement treatment that otherwise would apply to the Restricted Stock Units pursuant to this Section (a)(ii) being deemed unlawful and/or discriminatory, then the Company will not apply this favorable Special Retirement treatment at the time of the Grantee’s Separation from Service and the Restricted Stock Units will be treated as they would under the rules that otherwise would have applied if the Grantee’s Separation from Service did not qualify as a Special Retirement.

(iii) Change in Control. Notwithstanding anything in this Agreement to the contrary but subject to the provisions of Section 15.3.1(i) of the Plan, if (A) a Change in Control occurs and (B) the Grantee has a Change in Control Termination, then any unearned and unvested Restricted Stock Units then the Restricted Stock Units shall become immediately earned and vested as of the date of such Change in Control Termination at the greater of (y) target or (z) the actual level of performance under Exhibit A determined as if the Performance Period had ended as of the Company’s fiscal quarter end preceding the Change in Control.

(iv) Any other Separation from Service. If the Grantee has a Separation from Service for any reason other than as specified in subparagraphs (i) through (iii) above, any Restricted Stock Units that were not already earned and vested pursuant to the schedule specified under “Vesting Schedule” in the Notice as of the date of the Separation from Service shall be immediately canceled as of the date of Separation from Service.

(b) Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“Cause” for the termination of Service will be deemed to exist if the Grantee:

- (i) has been convicted, or entered a plea of nolo contendere, for committing an act of fraud, embezzlement, theft or other act constituting a felony or crime of similar magnitude under applicable law (other than traffic related offenses or as a result of vicarious liability).

- (ii) willfully engages in illegal conduct or gross misconduct that is significantly injurious to the Company or a Subsidiary, including the Grantee's material breach of his or her obligations under any written Company policy, including any code of ethics or conduct, which is not cured, if curable, within ten (10) days after the Company or a Subsidiary notifies the Grantee of such breach; however, no act or failure to act on the Grantee's part shall be considered "willful" unless done or omitted to be done by the Grantee not in good faith and without reasonable belief that his or her action or omission was in the best interest of the Company or a Subsidiary; or
- (iii) fails to perform his or her duties in a reasonably satisfactory manner after the receipt of a notice from the Company or a Subsidiary detailing such failure if the failure is incapable of cure, and if the failure is capable of cure, upon the failure to cure such failure within 30 days of such notice or upon its recurrence.

"Change in Control Termination" means the Grantee's Separation from Service on or within two years after a Change in Control if such Separation from Service is either (i) by action of the Company or, if different, the Grantee's employing Subsidiary (the "**Employer**") without Cause or (ii) by action of the Grantee with Good Reason.

"Disability" means the status of disability determined conclusively by the Company based upon certification of disability by the Social Security Administration or an equivalent authority outside the U.S. or, to the extent compliant with Section 409A, upon such other proof as the Company may require, effective upon receipt of such certification or other proof by the Company.

"Good Reason" means the occurrence of any of the following events or conditions without the Grantee's prior written consent:

- (i) any material adverse change in the Grantee's authority, duties or responsibilities (including reporting responsibilities) from the Grantee's authority, duties or responsibilities as in effect at any time within 90 days preceding the date of the Change in Control or at any time thereafter.
- (ii) a material reduction in Grantee's base salary or any failure to pay the Grantee any cash compensation to which the Grantee is entitled within 15 days after the date when due.
- (iii) the imposition of a requirement (other than for reasonably required travel on Company business which is not materially greater in frequency or duration than prior to the Change in Control) that the Grantee be based at any place outside a 50-mile radius from the Grantee's principal place of employment immediately prior to the Change in Control and which has a material adverse effect on the Grantee's commuting requirements; or
- (iv) if the Grantee is a participant in the Company's Executive Severance Plan, any other event that constitutes "Good Reason" under that plan.

Notwithstanding anything to the contrary in this Agreement, no termination will be deemed to be for Good Reason hereunder unless (i) the Grantee provides written notice to the Company identifying the applicable event or condition within 120 days of the occurrence of the event or the initial existence of the condition, (ii) the Company or a Subsidiary fails to remedy the event or condition within a period of 30 days following such notice, and (iii) the Grantee's Separation from Service occurs within 90 days after the date the Company or a Subsidiary fails to remedy the event or condition.

"Involuntary Termination without Cause" means a Grantee's Separation from Service by action of the Company or the Employer without Cause, including due to divestiture by the Company of the business unit with which the Grantee is employed.

“Pro Rata Fraction” means a fraction, the numerator of which is the number of days from the first day of the Performance Period through the date of Involuntary Termination without Cause, and the denominator of which is the total number of days in the Performance Period.

“Special Retirement” means a Grantee’s Separation from Service on or after the first anniversary of the Grant Date for any reason other than death or by the Company or the Employer for Cause after the Grantee has attained at least age 59-1/2 and either (i) the Grantee has at least ten years of Service or (ii) the Grantee’s combined age and years of Service equals at least 70. The Company’s determination of years of Service for such purpose shall be final and binding on all parties. Notwithstanding the foregoing, if the Grantee’s Separation from Service during the two-year period following a Change in Control could be treated as either a Special Retirement or a Change in Control Termination, it shall be treated as a Change in Control Termination to the extent permitted by Section 409A.



LEIDOS HOLDINGS, INC.

2017 OMNIBUS INCENTIVE PLAN

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

The Restricted Stock Unit Award (the “**Award**”) granted by Leidos Holdings, Inc. (the “**Company**”) to the Grantee specified in the Notice of Grant of Restricted Stock Unit Award (the “**Notice**”) to which these Terms and Conditions of Restricted Stock Unit Award, including any additional terms and conditions for Grantees outside the United States set forth in Appendices A and B (collectively, the “**Terms**”) are attached, is subject to the terms and conditions of the Plan, the Notice, and these Terms. The terms and conditions of the Plan are incorporated by reference in their entirety into these Terms. The Notice and these Terms together constitute the “**Agreement**.” A Prospectus describing the Plan has been delivered to the Grantee. The Plan itself is available upon request. When used in this Agreement, the terms which are defined in the Plan shall have the meanings given to them in the Plan, as modified herein (if applicable).

1. Grant of Units.

(a) As of the Grant Date set forth in the Notice, the Company grants to the Grantee the number of Restricted Stock Units (“**Units**”) set forth in the Notice. Each Unit represents the right to receive one share of Stock at a future date after the Unit has become earned and vested, subject to the terms and conditions of this Agreement.

(b) The Units covered by this Award shall become earned and vested in accordance with the schedule set forth in the Notice. Each earned and vested Unit shall be settled on the date(s) specified in the Notice by issuance of one share of Stock on or as soon as administratively practicable (but no more than 75 days) after the applicable vesting date specified in the Notice, subject to the requirements of the Plan and this Agreement.

(c) Units constitute an unfunded and unsecured obligation of the Company. The Grantee shall not have any rights of a stockholder of the Company with respect to the shares of Stock underlying the Units unless and until the Units become earned and vested and are settled by the issuance of shares of Stock. Upon issuance of shares of Stock in connection with the settlement of vested Units, the Grantee shall be the record owner of the shares of Stock unless and until such shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a stockholder of the Company (including voting rights).

(d) Units earned will receive dividend equivalents paid in cash (without interest) based on the dividend rates in effect during the vesting period applied to the number of Units in which the Grantee vests, subject to the vesting provisions set forth in the Notice. Cash dividend equivalents accrued on the earned Units will be paid in cash on or about the same time the earned Units are settled and paid.

(e) Notwithstanding any provision herein to the contrary, if the Grantee is a U.S. taxpayer, payment of Units that become earned and vested under this Agreement may be deferred under the terms of the Company’s Key Executive Stock Deferral Plan (or any similar plan or program) in which the Grantee is eligible to participate, subject to the terms and conditions of such plan and the requirements of Section 409A. Any Units deferred under any such plan shall be administered in accordance with the terms and provisions of such plan.

2. Restrictions. Subject to any exceptions set forth in this Agreement, until such time as the Units become earned and vested and are settled in shares of Stock in accordance with Section 1, the Units or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Units or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Units will be forfeited by the Grantee

and all of the Grantee's rights to such Units shall immediately terminate without any payment of consideration by the Company.

3. Cancellation of Rights. If any portion of the Units fail to become earned and vested (for example, because the Grantee fails to satisfy the vesting conditions specified in the Notice prior to a Separation from Service), then such Units shall be immediately forfeited as of the date of such failure and all of the Grantee's rights to such Units shall immediately terminate without any payment of consideration by the Company.

4. Responsibility for Taxes.

(a) Regardless of any action the Company or, if different, the Subsidiary which employs the Grantee (the "**Employer**") takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable or deemed legally applicable to the Grantee ("**Tax-Related Items**"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the grant or vesting of the Units, the subsequent sale of shares of Stock acquired upon vesting, the payment of any dividend equivalents on the Units or the payment of any dividends on the shares of Stock; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result.

(b) In connection with any relevant taxable or tax withholding event, as applicable, the Grantee shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Company and/or the Employer, or their respective agents, in their sole discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following methods:

- (i) withholding from the Grantee's wages or other cash compensation payable to the Grantee by the Company, the Employer, or any other Subsidiary.
- (ii) withholding from proceeds of the sale of shares of Stock acquired at vesting either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization without further consent).
- (iii) withholding shares of Stock otherwise issuable to the Grantee upon vesting of the Units; or
- (iv) any other method of withholding determined by the Company, to the extent permitted under the Plan and applicable laws.

The Company may withhold or account for Tax-Related Items by considering statutory withholding amounts or other applicable withholding rates, including maximum rates applicable in the Grantee's jurisdiction(s), in which case the Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent amount in shares of Stock. In the event of over-withholding, the Grantee may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent amount in shares of Stock), from the Company or the Employer; otherwise, the Grantee may be able to seek a refund from the local tax authorities. In the event of under-withholding, the Grantee may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Company and/or the Employer. If the obligation for Tax-Related Items is satisfied by withholding shares of Stock, for tax purposes, the Grantee is deemed to have been issued the full number of shares of Stock subject to the vested Units, notwithstanding that a number of the shares is held back solely for the purpose of paying the Tax-Related Items.

Finally, the Grantee agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a

result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue and deliver shares of Stock in payment of any earned and vested Units, or the proceeds from the sale of shares of Stock, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as described in this Section 4.

5. Grantee Representations. The Grantee hereby represents that the Grantee has read and fully understands the provisions of this Agreement, the Prospectus and the Plan, and the Grantee's decision to participate in the Plan is completely voluntary. Further, the Grantee acknowledges that the Grantee is relying solely on his or her own advisors with respect to the tax consequences of this Award.
6. Regulatory Restrictions on the Shares Issued Upon Settlement. Notwithstanding the other provisions of this Agreement, the Committee shall have the sole discretion to impose such conditions, restrictions and limitations on the issuance of shares of Stock with respect to this Award unless and until the Committee determines that such issuance complies with (i) any applicable registration requirements under the Securities Act or the Committee has determined that an exemption therefrom is available, (ii) any applicable listing requirement of any stock exchange on which the Stock is listed, (iii) any applicable Company policy or administrative rules, and (iv) any other applicable provision of U.S. or non-U.S. federal, state or local law.
7. Non-Solicitation and Non-Competition.

(a) Applicability. The provisions of this Section 7 apply to Awards made to employees of the Company and its Subsidiaries, and not Awards made to Non-Employee Directors. The Grantee acknowledges that the Company conducts business throughout the United States and that the Company has a legitimate business interest in protecting this business, including but not limited its interest in its employees, programs, and projects below, against unfair competition through the promises in this Section 7. In addition, Sections 7 (b), (c) and (e) do not apply in California.

(b) Solicitation of Employees. The Grantee agrees that, both while in Service and for one year after Separation from Service, the Grantee will not solicit or attempt to solicit any employee of the Company or any Subsidiary with whom the Grantee has worked on a program or project during the 12 months prior to Separation from Service to leave his or her employment or to violate the terms of any agreement or understanding that employee may have with the Company or any Subsidiary. The foregoing obligations apply to both the Grantee's direct and indirect actions and apply to actions intended to benefit the Grantee or any other person, business or entity.

(c) Solicitation of Customers. The Grantee agrees that, for one year after Separation from Service, the Grantee will not participate in any solicitation of any customer or prospective customer of the Company or any Subsidiary concerning any business that:

- (i) involves the same programs or projects for that customer in which the Grantee was personally and/or substantially involved during the 12 months prior to Separation from Service; or
- (ii) has been, at any time during the 12 months prior to Separation from Service, the subject of any capture effort, bid, offer or proposal activity by the Company or any Subsidiary in respect of that customer or prospective customer, or any negotiations or discussions about the possible performance of services by the Company or any Subsidiary to that customer or potential customer, in which the Grantee was personally and/or substantially involved.

For purposes of (c)(i) and (ii), in the case of a governmental, regulatory or administrative agency, commission, department or other governmental authority, the customer or prospective customer will be determined by reference to the specific program offices or activities for which the Company or any Subsidiary provides (or may reasonably provide) goods or services.

(d) Non-Disclosure and Non-Use of Proprietary Information. During the term of the Grantee's employment and following the voluntary or involuntary termination of that employment for any reason, and with or without cause, Grantee will not, except as authorized and required to

perform the Grantee's duties for the Company or any Subsidiary, directly or indirectly: use, disclose, reproduce, distribute, or otherwise disseminate the Company or any Subsidiary's Proprietary Information, or take any action causing, or fail to take any action necessary, to prevent any such information to lose its character or cease to qualify as Proprietary Information. Grantee agrees to ask the Company or any Subsidiary, both during and after employment, if Grantee has any questions about whether particular information is Proprietary Information before using or disclosing such information.

The term “**Proprietary Information**” will mean any and all confidential knowledge, data or information of the Company, its affiliates, parents and subsidiaries, which has economic value as a result of its remaining confidential, whether having existed, now existing, or to be developed during Grantee’s employment, including information developed by Grantee. By way of illustration but not limitation, “Proprietary Information” includes (1) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, algorithms, software programs, schematics, improvements, discoveries, developments, designs and techniques and any other proprietary technology and all Proprietary Rights therein (collectively, “**Inventions**”); (2) information regarding research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, margins, discounts, credit terms, pricing and billing policies, quoting procedures, methods of obtaining business, forecasts, future plans and potential strategies, financial projections and business strategies, operational plans, financing and capital- raising plans, activities and agreements, internal services and operational manuals, methods of conducting Company business, suppliers and supplier information, and purchasing; (3) information regarding Customers and potential Customers of the Company and its Subsidiaries, including customer lists, names, representatives, their needs or desires with respect to the types of products or services offered by the Company, proposals, bids, contracts and their contents and parties, the type and quantity of products and services provided or sought to be provided to Customers and potential Customers of the Company and other non-public information relating to Customers and potential Customers; (4) information regarding any of the Company’s business partners and their services, including names, representatives, proposals, bids, contracts and their contents and parties, the type and quantity of products and services received by the Company, and other non- public information relating to business partners that Grantee acquires as a result of their employment; (5) information regarding personnel, employee lists, compensation, and employee skills; and (6) any other non-public information which a competitor of the Company could use to the competitive disadvantage of the Company.

(e) Non-Competition. To the extent allowed by and consistent with applicable law, the Grantee agrees that, for one year after Separation from Service, the Grantee will not, directly or indirectly, on behalf of the Grantee or any other person or entity other than the Company, perform on or support any program, or provide oversight on any program, product, or service in which the Grantee was personally and/or substantially involved during the 12 months prior to Separation from Service:

- (i) that would more likely than not cause the Grantee to use, disclose, or access Proprietary Information of any such program, product, or service; or
- (ii) that is competitive with any such program, product, or service and where the Grantee’s new responsibilities and duties will be similar to those previously held with the Company or any Subsidiary; or
- (iii) that is associated with any program, product or service that was the subject of any capture effort, bid, offer or proposal activity by the Company or any Subsidiary in which the Grantee was personally and substantially involved during the 12 months prior to Separation from Service and of which the Grantee possesses Proprietary Information.

(f) Remedies. The Grantee acknowledges and agrees that a breach of any of the promises or agreements contained in this Section 7 will result in immediate, irreparable and continuing damage to the Company and its Subsidiaries for which there is no adequate remedy at law, and the Company and its Subsidiaries will be entitled to injunctive relief, a decree for specific performance, and other relief as may be proper, including money damages such as, but not limited

to, the disgorgement of any profits, commissions, or fees realized by the Grantee, any subsequent employers, any business owned or operated by the Grantee, or any of Grantee's agents, heirs, or assigns because of any such breach. Furthermore, to the extent allowed by and consistent with applicable law and any applicable limitations period, if it is determined at any time by the Company or any Subsidiary that the Grantee has materially breached any employment-related covenants, including the covenants in this Section 7, the Company will be entitled to (i) cause any unvested portion of the Award to be immediately canceled without any payment of consideration by the Company and/or (ii) cause, upon written demand by the Company to the Grantee, that the Grantee promptly return to the Company some or all of the shares of Stock (or proceeds received by the Grantee from such shares of Stock) paid to the Grantee pursuant to this Agreement. If the Company must resort to litigation to enforce the Grantee's obligation in (ii), the Company will be entitled to an award of reasonable attorneys' fees and costs should it prevail in the litigation.

8. No Interference with Rights. Grantee understands that Grantee shall not be held criminally or civilly liable under any U.S. or non-U.S. federal or state trade secret law for the disclosure of a trade secret that: (1) is made in confidence to a U.S. or non-U.S. federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The Grantee also understands that disclosure of trade secrets to attorneys, made under seal, or pursuant to court order is also protected under 18 U.S. Code § 1833 in a retaliation lawsuit based on the reporting of a suspected violation of law.

9. Miscellaneous.

(a) Notices. Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as the Company may notify the Grantee from time to time; and to the Grantee at the Grantee's electronic mail or postal address as shown on the records of the Company from time to time, or at such other electronic mail or postal address as the Grantee, by notice to the Company, may designate in writing from time to time.

(b) Waiver. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach.

(c) Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties with respect to the subject matter hereof. Any prior agreements, commitments or negotiations concerning the Award are superseded.

(d) Binding Effect; Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto and to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in this Agreement, express or implied, is intended to confer on any person other than the parties hereto and as provided above, their respective heirs, successors, assigns and representatives any rights, remedies, obligations or liabilities.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law, and applicable U.S. federal law.

(f) Venue. Any legal or equitable action or any proceeding arising directly, indirectly, or otherwise in connection with, out of, related to or from the Agreement, or any provision hereof, shall exclusively be filed and adjudicated in the Circuit Court for Fairfax County, Virginia, or the United States District Court for the Eastern District of Virginia, Alexandria Division, and no other venue. Any arbitration will be conducted according to the terms of the applicable arbitration agreement.

(g) Headings. The headings contained herein are for the sole purpose of convenience of reference and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

(h) Conflicts; Amendment. The provisions of the Plan are incorporated in this Agreement in their entirety. In the event of any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan shall control. This Agreement may be amended at any time by the Committee, provided that no amendment may, without the consent of the Grantee, materially impair the Grantee's rights with respect to the Award, except as otherwise required pursuant to Section 9(l) below. The Committee shall have full authority and discretion, subject only to the terms of the Plan, to decide all matters relating to the administration or interpretation of the Plan, the Award, and the Agreement, and all such action by the Committee shall be final, conclusive, and binding upon the Company and the Grantee.

(i) No Right to Continued Employment. Nothing in this Agreement shall confer upon the Grantee any right to continue in the Service of the Company or any Subsidiary or affect the right of the Company or any Subsidiary to terminate the Grantee's Service at any time.

(j) Further Assurances. The Grantee agrees, upon demand of the Company or the Committee, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Company or the Committee, as the case may be, to implement the provisions and purposes of this Agreement and the Plan.

(k) Appendices. By accepting this Award, the Grantee acknowledges and agrees that, should the Grantee reside and/or work in a country outside the United States at any time during the life of the Award, this Award is subject to the additional terms set forth in the Appendices A and B hereto. Appendices A and B constitute part of this Agreement. Please review the provisions of Appendices A and B carefully, as this Award will be null and void absent the Grantee's acceptance of such provisions.

(l) Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Award to the extent that the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Award and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(m) Recovery of Compensation. In accordance with Section 3.3 of the Plan, the Award is subject to the requirements of (i) Section 954 of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) any policies adopted by the Company to implement such requirements, and (iii) the Company's compensation recoupment policy as amended and restated on June 26, 2023, as in effect from time to time (the "**Compensation Recoupment Policy**"), all to the extent determined by the Committee to be applicable to the Grantee.

(n) Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(o) Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

10. No Advice Regarding Grant. The Company is not providing any tax, legal, or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan or the Grantee's acquisition of any shares of Stock under the Plan or subsequent sale of such shares of Stock. The Grantee should consult with the Grantee's personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action in relation thereto.

11. Insider Trading/Market Abuse Laws. The Grantee acknowledges that he or she may be subject to insider trading restrictions and/or market abuse laws which may affect the Grantee's ability to accept, acquire, sell or otherwise dispose of shares of Stock, rights to shares of Stock (e.g., the Award) or rights linked to the value of Stock during such times as the Grantee is considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Grantee placed before the Grantee possessed inside information. Furthermore, the Grantee could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's insider trading policy as may be in effect from time to time. The Grantee acknowledges that it is the Grantee's responsibility to comply with any applicable insider trading restrictions and/or market abuse laws, and the Grantee should speak to his or her personal advisor on this matter.

APPENDIX A

TO THE TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

General Additional Terms Applicable to Awards Held by Grantees Outside the U.S.

1. Data Privacy.

(a) **Data Collection and Usage.** *The Company and the Employer collect, process and use certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all Awards under the Plan or any other entitlement to shares of Stock or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in the Grantee favor ("Data"), for the legitimate purpose of implementing, administering and managing the Grantee's participation in the Plan. The legal basis, where required, for the processing of Data by the Company and the third-party service providers described below is the Grantee's consent.*

(b) **Stock Plan Administration Service Providers.** *The Company transfers Data to Computershare and certain of its affiliated companies (collectively, "Computershare"), an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan. The Grantee acknowledges and understands that Computershare will open an account for the Grantee to receive and trade shares of Stock acquired under the Plan and that the Grantee will be asked to agree on separate terms and data processing practices with Computershare, with such agreement being a condition to the ability to participate in the Plan. The legal basis, where required, for the transfer of Data by the Company to Computershare is the Grantee's consent.*

(c) **International Data Transfers.** *The Company is based in the United States. The Grantee's country or jurisdiction may have different data privacy laws and protections than the United States. As a result, in the absence of appropriate safeguards such as standard data protection clauses, the processing of the Grantee's Data in the United States or, as the case may be, other countries might not be subject to substantive data processing principles or supervision by data protection authorities. In addition, the Grantee might not have enforceable rights regarding the processing of the Grantee's Data in such countries. The Company's legal basis, where required, for the transfer of Data is the Grantee's consent.*

(d) **Data Retention.** *The Company will hold and use Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan, or as required to comply with applicable law, exercise or defense of legal rights, and archiving, back-up and deletion processes. This means Data may be held even after the Grantee's employment or service is terminated.*

(e) **Voluntariness and Consequences of Consent Denial or Withdrawal.** *Participation in the Plan is voluntary, and the Grantee is providing any consents herein on a purely voluntary basis. The Grantee understands that the Grantee may withdraw his or her consent at any time with future effect for any or no reason. If the Grantee does not consent, or if the Grantee later seeks to revoke his or her consent, the Grantee's Service with the Employer will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant the Awards under the Plan or other equity awards to the Grantee or administer or maintain the Grantee's participation in the Plan.*

(f) **Data Subject Rights.** *The Grantee may have a number of rights under data privacy laws in the Grantee's jurisdiction. Depending on where the Grantee is based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in the Grantee's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Grantee can contact his or her local human resources representative.*

2. Nature of Grant. By entering into this Agreement and accepting the grant of Units evidenced hereby, the Grantee acknowledges, understands and agrees that:
- (a) the Plan is established voluntarily by the Company, it is discretionary in nature, and it may be terminated, suspended or amended by the Company at any time, to the extent permitted by the Plan.
 - (b) the grant of Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future awards of Units or benefits in lieu of Units, even if such awards have been awarded in the past.
 - (c) all decisions with respect to future awards, if any, will be at the sole discretion of the Company.
 - (d) the grant of Units shall not create a right to Service or be interpreted as forming an employment or service contract with the Company or any other Subsidiary and shall not interfere with the ability of the Employer to terminate the Grantee's Service relationship (if any) at any time.
 - (e) the Grantee is voluntarily participating in the Plan.
 - (f) the Units and any payment made pursuant to the Units, and the income from and value of same, are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, long-service awards, leave-related payments, pension or retirement benefits or welfare benefits or similar payments;
 - (g) unless otherwise agreed with the Company, the Award and any shares of Stock subject to the Award, and income from and value of same, are not granted as consideration for, or in connection with, any service the Grantee may provide as a director of any Subsidiary.
 - (h) the future value of the shares of Stock which may be delivered in settlement of vested Units is unknown, indeterminable and cannot be predicted with certainty.
 - (i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Units resulting from the Grantee's Separation from Service (for any reason whatsoever, whether or not such termination is later found to be invalid or in breach of applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any) or recoupment of all or any portion of any payment made pursuant to the Units as provided by the Company's Compensation Recoupment Policy;
 - (j) for purposes of the Units, the date of the Grantee's Separation from Service (for any reason whatsoever, whether or not such termination is later found to be invalid or in breach of applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any) will be deemed to occur as of the date the Grantee is no longer actively providing Service to the Company or any of its Subsidiaries, and unless otherwise expressly provided in this Agreement or otherwise determined by the Company, the Grantee's right to vest in any portion of the Units (and any related dividend equivalents) under the Plan, if any, will terminate as of such date and will not be extended by any notice period (*e.g.*, the Grantee's active employment or period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any). For the avoidance of doubt, actively providing Service during only a portion of the vesting period prior to a vesting date shall not entitle the Grantee to vest in a pro-rata portion of the unvested Units that would have vested as of such vesting date, nor will it entitle the Grantee to any compensation for lost vesting. The Company, in its sole discretion, shall determine when the Grantee is no longer actively providing Service for purposes of the Units (including whether the Grantee may still be considered to be actively providing Service while on an approved leave of absence).
 - (k) unless otherwise provided in the Plan or by the Company in its discretion, the Units and the benefits evidenced by this Agreement do not create any entitlement to have the Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Stock; and

(l) neither the Company, the Employer, nor any other Subsidiary shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the Units, any payment made pursuant to the Units or the subsequent sale of any shares of Stock acquired under the Plan.

3. Language. The Grantee acknowledges and represents that the Grantee is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow the Grantee to understand the terms of this Agreement and any other documents related to the Plan. If the Grantee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version differs from the English version, the English version shall control.
4. Foreign Asset/Account, Exchange Control, and Tax Reporting. The Grantee may be subject to certain foreign asset and/or account reporting requirements and/or exchange controls which may affect the Grantee's ability to acquire or hold shares of Stock acquired under the Plan or cash received from participating in the Plan (including from any dividend equivalents or dividends received or sale proceeds arising from the sale of shares of Stock) in a brokerage or bank account outside the Grantee's country. The Grantee may be required to report such accounts, assets or transactions to the tax or other authorities in the Grantee's country. The Grantee also may be required to repatriate sale proceeds or other funds received as a result of the Grantee's participation in the Plan to the Grantee's country through a designated bank or broker and/or within a certain time after receipt. The Grantee further acknowledges that it is the Grantee's responsibility to comply with such regulations and that the Grantee should consult the Grantee's personal legal advisor for any details.

APPENDIX B

TO THE TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

Country-Specific Additional Terms Applicable to Awards Held by Grantees Outside the U.S.

Capitalized terms used but not otherwise defined herein shall have the meaning given to such terms in the Plan and/or this Agreement.

Terms and Conditions

This Appendix B includes additional terms and conditions that govern the Grantee's participation in the Plan if the Grantee resides and/or works in one of the countries listed below. If the Grantee is a citizen or resident of a country other than the one in which he or she is currently residing and/or working (or if the Grantee is considered as such for local law purposes), or if the Grantee moves or transfers Service to another country after the Grant Date, the Company will, in its sole discretion, determine the extent to which the terms and conditions herein will be applicable to the Grantee.

Notifications

This Appendix B also includes information regarding securities laws, exchange controls and certain other issues of which the Grantee should be aware with respect to the Grantee's participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of January 2022. Such laws are often complex and change frequently. As a result, the Company recommends that the Grantee not rely on the information in this Appendix B as the only source of information relating to the consequences of the Grantee's participation in the Plan because the information included herein may be out of date at the time that the Units vest or the Grantee subsequently sells the shares of Stock acquired at vesting.

In addition, the Grantee understands that the information contained herein is general in nature and may not apply to the Grantee's particular situation and the Company is not in a position to assure the Grantee of any particular result. Accordingly, the Grantee acknowledges that he or she should seek appropriate professional advice as to how the relevant laws in the Grantee's country may apply to the Grantee's situation.

If the Grantee is a citizen or resident of a country other than the one in which the Grantee is currently residing and/or working (or if the Grantee is considered as such for local law purposes), or if the Grantee moves or transfers Service to another country after the Units are granted, the Grantee understands that the information contained herein may not be applicable to the Grantee in the same manner.

AUSTRALIA

Notifications

Securities Law Information. This offer of Units is being made under Division 1A, Part 7.12 of the *Corporations Act 2001 (Cth)*. Please note that if the Grantee offers shares of Stock for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. The Grantee should obtain legal advice on applicable disclosure obligations prior to making any such offer.

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding A\$10,000 and international fund transfers. The Australian bank assisting with the transaction may file the report for the Grantee. If there is no Australian bank involved in the transfer, the Grantee will have to file the report. The Grantee should consult with his or her personal advisor to ensure that the Grantee is properly complying with applicable reporting requirements in Australia.

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in the Act).

BELGIUM

Notifications

Foreign Asset/Account Reporting Information. Belgian residents are required to report any securities accounts (*e.g.*, those related to shares of Stock acquired under the Plan) or bank accounts (including brokerage accounts) maintained outside Belgium on their annual tax return. In a separate report, they must provide the National Bank of Belgium with certain details regarding such foreign accounts (including the account number, bank name and country in which any such account was opened). The forms to complete this report are available at the website of the National Bank of Belgium. Belgian residents should consult with their personal tax advisors to determine their reporting obligations.

Stock Exchange Tax. A stock exchange tax applies to transactions executed by a Belgian resident through a non-Belgian financial intermediary, such as a U.S. broker. The stock exchange tax may apply when shares of Stock acquired under the Plan are sold. Belgian residents should consult with a personal tax or financial advisor for additional details on their obligations with respect to the stock exchange tax.

Annual Securities Accounts Tax. An annual securities accounts tax may be payable if the total value of securities held in a Belgian or foreign securities account (*e.g.*, shares of Stock) exceeds a certain threshold on four reference dates within the relevant reporting period (*i.e.*, December 31, March 31, June 30 and September 30). Different payment obligations may apply, depending on whether the securities account is held with a Belgian or foreign financial institution. The Grantee should consult with his or her personal tax or financial advisor for additional details.

ISRAEL

Terms and Conditions

Tax Consent. On January 20, 2020, the Israeli Tax Authority issued a tax ruling to the Company in connection with the non-trustee track of Section 102 of the Income Tax Ordinance [New Version], 1961 (the “**Tax Ruling**”) regarding the taxation of Units granted under the Plan. The Grantee may review a copy of the Tax Ruling by contacting stockprograms@leidos.com. In accordance with the Tax Ruling and by accepting the Units granted under the Plan, the Grantee hereby declares that the Grantee understands the provisions of the Tax Ruling and the obligation to report and pay any capital gains tax due upon the sale of the shares of Stock issued under the Plan (including filing an annual tax return).

Further, the Grantee agrees to act in accordance with the Tax Ruling and will not request to amend, cancel, and/or replace it with a different ruling and/or demand any additional tax benefit beyond the provisions of the Tax Ruling.

Notifications

Securities Law Information. This offer of Awards under the Plan does not constitute a public offering under the Securities Law, 1968.

MEXICO

Terms and Conditions

Acknowledgment of the Agreement. By participating in the Plan, the Grantee acknowledges that the Grantee has received a copy of the Plan, has reviewed the Plan in its entirety and fully understands and accepts all provisions of the Plan. The Grantee further acknowledges that the Grantee has read and expressly approves the terms and conditions set forth in the Nature of Grant section of Appendix A, in which the following is clearly described and established: (i) the Grantee’s participation in the Plan does not constitute an acquired right; (ii) the Plan and the Grantee’s participation in the Plan are offered by the Company on a wholly discretionary basis; (iii) the Grantee’s participation in the Plan is voluntary; and (iv) the Company and its Subsidiaries are not responsible for any decrease in the value of the underlying Shares.

Labor Law Policy and Acknowledgment. By participating in the Plan, the Grantee expressly recognizes that the Company, with registered offices at 1750 Presidents Street, Reston, Virginia 20190, U.S.A., is solely responsible for the administration of the Plan and that the Grantee’s participation in the

Plan and acquisition of Shares does not constitute an employment relationship between the Grantee and the Company since the Grantee is participating in the Plan on a wholly commercial basis and the Participant's Employer is a Mexican Subsidiary of the Company. Based on the foregoing, the Grantee expressly recognizes that the Plan and the benefits that the Grantee may derive from participation in the Plan do not establish any rights between the Grantee and the Employer and do not form part of the employment conditions and/or benefits provided by the Employer and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of the Grantee's employment.

The Grantee further understands that the Grantee's participation in the Plan is as a result of a unilateral and discretionary decision of the Company; therefore, the Company reserves the absolute right to amend and/or discontinue the Grantee's participation at any time without any liability to the Grantee.

Finally, the Grantee hereby declares that Grantee does not reserve any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and the Grantee therefore grants a full and broad release to the Company, its subsidiaries, branches, representation offices, its shareholders, officers, agents or legal representatives with respect to any claim that may arise.

Reconocimiento del Contrato. *Al participar en el Plan, usted reconoce que ha recibido una copia del Plan, que ha revisado el Plan en su totalidad, y que entiende y acepta en su totalidad, todas y cada una de las disposiciones del Plan. Asimismo reconoce que ha leído y aprueba expresamente los términos y condiciones señalados en la sección titulado Naturaleza de la Oferta en Appendix A, en lo que claramente se describe y establece lo siguiente: (i) su participación en el Plan no constituye un derecho adquirido; (ii) el Plan y su participación en el Plan son ofrecidos por la Compañía sobre una base completamente discrecional; (iii) su participación en el Plan es voluntaria; y (iv) la Compañía y sus afiliadas no son responsables de ninguna por la disminución en el valor de las Acciones subyacentes.*

Política de Legislación Laboral y Reconocimiento. *Al participar en el Plan, usted reconoce expresamente que la Compañía, con oficinas registradas en 1750 Presidents Street, Reston, Virginia 20190, EE.UU, es la única responsable por la administración del Plan, y que su participación en el Plan, así como la adquisición de las Acciones, no constituye una relación laboral entre usted y la Compañía, debido a que usted participa en el Plan sobre una base completamente mercantil y el único Empleador de usted es una Subsidiaria Mexicana de la Compañía. Con base en lo anterior, usted reconoce expresamente que el Plan y los beneficios que pudiera obtener por su participación en el Plan, no establecen derecho alguno entre usted y el Empleador, y no forman parte de las condiciones y/o prestaciones laborales que el Empleador ofrece, y que las modificaciones al Plan o su terminación, no constituirán un cambio ni afectarán los términos y condiciones de su relación laboral.*

Asimismo usted entiende que su participación en el Plan es el resultado de una decisión unilateral y discrecional de la Compañía; por lo tanto, la Compañía se reserva el derecho absoluto de modificar y/o suspender su participación en cualquier momento, sin que usted incurra en responsabilidad alguna.

Finalmente, usted declara que no se reserva acción o derecho alguno para interponer reclamación alguna en contra de la Compañía, por concepto de compensación o daños relacionados con cualquier disposición del Plan o de los beneficios derivados del Plan, y por lo tanto, usted libera total y ampliamente de toda responsabilidad a la Compañía, a sus afiliadas, sucursales, oficinas de representación, sus accionistas, funcionarios, agentes o representantes legales, con respecto a cualquier reclamación que pudiera surgir.

Notifications

Securities Law Information. The Units granted, and any shares of Stock acquired, under the Plan have not been registered with the National Register of Securities maintained by the Mexican National Banking and Securities Commission and cannot be offered or sold publicly in Mexico. In addition, the Plan, Agreement and any other document relating to the Units may not be publicly distributed in Mexico. These materials are addressed to the Grantee because of the Grantee's existing relationship with the Company and these materials should not be reproduced or copied in any form. The offer contained in these materials does not constitute a public offering of securities, but rather a private placement of securities addressed specifically to certain employees of the Company and its Subsidiaries and are made

in accordance with the provisions of the Mexican Securities Market Law. Any rights under such offering shall not be assigned or transferred.

SINGAPORE

Terms and Conditions

Restriction on Sale of Shares of Stock. The Units are subject to section 257 of the SFA and the Grantee will not be able to make any subsequent sale of shares of Stock in Singapore or any offer of such subsequent sale of the Stock in Singapore, unless such offer or sale is made (i) after six (6) months from the Grant Date, (ii) pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”), or (iii) pursuant to, and in accordance with, any other applicable exemption in the SFA.

Notifications

Securities Law Information. The grant of the Units is being made pursuant to the “Qualifying Person” exemption under section 273(1) (f) of the SFA. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.

Director Notification Information. If the Grantee is the or a director (including an alternate, substitute or shadow director¹) of a Subsidiary in Singapore, the Grantee is subject to certain notification requirements under the Singapore Companies Act, regardless of whether the Grantee is a Singapore resident or employed in Singapore. Among these requirements is an obligation to notify the Singapore Subsidiary of an interest (*e.g.*, Units, shares of Stock) in the Company or a related company within two business days of (i) acquiring or disposing of such interest, (ii) any change in a previously disclosed interest (*e.g.*, vesting of Units, sale of shares of Stock), or (iii) becoming or a director if such an interest exists at the time. If the Grantee is the chief executive officer (“CEO”) of a Subsidiary in Singapore and the above notification requirements are determined to apply to the CEO of a Singapore Subsidiary, the above notification requirements also may apply to the Grantee.

UNITED KINGDOM

Terms and Conditions

Units Payable Only in Stock. Notwithstanding anything to the contrary in the Plan, the Units shall be paid in shares of Stock only and do not provide the Grantee with any right to receive a cash payment. This provision is without prejudice to the application of Section 4 of the Terms and Conditions of Restricted Stock Unit Award.

Responsibility for Taxes. The following provision supplements Section 4 of the Terms and Conditions of Restricted Stock Unit Award:

Without limitation to Section 4 of the Terms and Conditions of Restricted Stock Unit Award, the Grantee agrees that the Grantee is liable for all Tax-Related Items and hereby covenants to pay all such Tax- Related Items, as and when requested by the Company or the Employer or by Her Majesty’s Revenue and Customs (“HMRC”) (or any other tax authority or any other relevant authority). The Grantee also agrees to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Grantee’s behalf.

Notwithstanding the foregoing, if the Grantee is a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), the Grantee understands that he or she may not be able to indemnify the Company or the Employer for the amount of income tax not collected from or paid by the Grantee, as it may be considered a loan. In this case, the amount of any income tax not collected within 90 days of the end of the U.K. tax year in which the event giving rise to the Tax-Related Item(s) occurs may constitute an additional benefit to the Grantee on which additional income tax and National Insurance

¹ A shadow director is an individual who is not on the board of the Singapore Subsidiary but who has sufficient control so that the board of directors acts in accordance with the “directions or instructions” of the individual.

Contributions (“**NICs**”) may be payable. The Grantee will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying the Company or the Employer, as applicable, for the amount of any employee NICs due on this additional benefit which may be recovered from the Grantee by the Company or the Employer at any time thereafter by any of the means referred to in Section 4 of the Terms and Conditions of Restricted Stock Unit Award.



**LEIDOS HOLDINGS, INC.
2017 OMNIBUS INCENTIVE PLAN**

**NOTICE OF GRANT OF RESTRICTED STOCK UNIT AWARD
(TIME-VESTING)**

Leidos Holdings, Inc. (the “**Company**”) hereby grants this Restricted Stock Unit Award (the “**Award**”) of the number of Restricted Stock Units set forth in this Notice of Grant of Restricted Stock Unit Award (the “**Notice**”) to the Grantee designated in this Notice, pursuant to the provisions of the Company’s 2017 Omnibus Incentive Plan (the “**Plan**”) and subject to certain restrictions as outlined below in this Notice and the additional provisions set forth in the attached Terms and Conditions of Restricted Stock Units Award (the “**Terms**”). Together, this Notice, the attached Terms and all exhibits and appendices hereto and to the Terms constitute the “**Agreement**.” The terms and conditions of the Plan are incorporated by reference in their entirety into this Agreement. When used in this Agreement, the terms that are defined in the Plan shall have the meanings given to them in the Plan, as modified herein (if applicable).

Award Details: The Grantee’s name, the number of Restricted Stock Units awarded and the Grant Date can be found in the Grant Summary located in the electronic stock plan award administration system maintained by the Company or its designee that contains a link to this Agreement (which summary information is set forth in the appropriate records of the Company authorizing such award).

Vesting Schedule: Subject to the terms of the Plan and this Agreement, the Restricted Stock Units shall become vested, and shares of Stock shall be issued in settlement of vested Restricted Stock Units, in accordance with the following schedule, in the event the Grantee does not have a Separation from Service prior to the applicable vesting date(s):

<u>Vesting Date</u>	<u>% Vesting of Granted</u>
[add applicable vesting date(s)]	

Only a whole number of Restricted Stock Units will become vested as of any given vesting date. If the number of Restricted Stock Units determined as of a vesting date is a fractional number, the number vesting will be rounded down to the nearest whole number with any fractional portion carried forward. Exhibit A to this Notice sets forth the terms and provisions regarding treatment of the Award upon Separation from Service. No Restricted Stock Units shall become vested following the Grantee’s Separation from Service except as otherwise expressly provided in Exhibit A to this Notice or as otherwise provided pursuant to the terms of the Plan.

Award Acceptance: The Grantee must accept the Agreement electronically pursuant to the online acceptance procedure established by the Company by no later than three months following the Grant Date. If the Grantee does not accept the Agreement through the online acceptance process by that date, or such other date that may be communicated, the Grantee will be deemed to have accepted the Agreement and the Company will automatically accept the Agreement on the Grantee’s behalf. If the Grantee declines the Agreement, the Award will be canceled and the Grantee will not be entitled to any benefits from the Award nor any compensation or benefits in lieu of the canceled award.

EXHIBIT A

Separation from Service and Change in Control

(a) Impact of Separation from Service; Change in Control. If the Grantee has a Separation from Service before any of the vesting date(s) specified under “Vesting Schedule” in the Notice, then any unvested Restricted Stock Units shall become vested or be canceled depending on the reason for Separation from Service as follows:

(i) Death or Disability. If the Grantee has a Separation from Service due to the Grantee’s death or Disability, any unvested Restricted Stock Units shall become immediately vested as of the date of such Separation from Service. [In addition, in the event of the Grantee’s death after Separation from Service due to Special Retirement, any Restricted Stock Units that had not yet become vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice shall become immediately vested as of the date of such death.] **[add if applicable]**

(ii) Involuntary Termination without Cause. If the Grantee has an Involuntary Termination without Cause at least six months after the Grant Date, a prorated portion of any unvested Restricted Stock Units shall become immediately vested as of the date of such Involuntary Termination without Cause. Such prorated vesting shall be determined as follows: (A) the total number of Restricted Stock Units granted shall be multiplied by the Pro Rata Fraction, rounded up to the next whole number, and (B) such resulting amount shall be reduced by the number of Restricted Stock Units (if any) that previously vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice. In addition, the Grantee must execute, deliver and not revoke, no later than sixty (60) days following Separation from Service, a general release of claims if requested by, and in a form satisfactory to, the Company.

(iii) Special Retirement. If the Grantee has a Separation from Service due to Special Retirement, the Restricted Stock Units shall continue to become vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice as if the Grantee had not had a Separation from Service, but provided that the Grantee complies with the requirements of Section 7 of the Terms (regarding compliance with post-employment covenants). In addition, the Grantee must execute, deliver and not revoke, no later than sixty (60) days following Separation from Service, a general release of claims if requested by, and in a form satisfactory to, the Company. Notwithstanding the preceding sentences, if the Company receives an opinion of counsel that there has been a legal judgment and/or legal development in the Grantee’s jurisdiction that likely would result in the favorable Special Retirement treatment that otherwise would apply to the Restricted Stock Units pursuant to this Section (a)(iii) being deemed unlawful and/or discriminatory, then the Company will not apply this favorable Special Retirement treatment at the time of the Grantee’s Separation from Service and the Restricted Stock Units will be treated as they would under the rules that otherwise would have applied if the Grantee’s Separation from Service did not qualify as a Special Retirement.] **[add if applicable]**

(iv) Change in Control. Notwithstanding anything in this Agreement to the contrary but subject to the provisions of Section 15.3.1(i) of the Plan, if (A) a Change in Control occurs and (B) the Grantee has a Change in Control Termination, then any unvested Restricted Stock Units shall become immediately vested as of the date of such Change in Control Termination.

(v) Any other Separation from Service. If the Grantee has a Separation from Service for any reason other than as specified in subparagraphs (i) through (iv) above, any Restricted Stock Units that were not already vested pursuant to the schedule specified under “Vesting Schedule” in the Notice as of the date of the Separation from Service shall be immediately canceled as of the date of Separation from Service.

(b) Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“Cause” for the termination of Service will be deemed to exist if the Grantee:

- (i) has been convicted, or entered a plea of nolo contendere, for committing an act of fraud, embezzlement, theft or other act constituting a felony or crime of similar

magnitude under applicable law (other than traffic related offenses or as a result of vicarious liability);

- (ii) willfully engages in illegal conduct or gross misconduct that is significantly injurious to the Company or a Subsidiary, including the Grantee's material breach of his or her obligations under any written Company policy, including any code of ethics or conduct, which is not cured, if curable, within ten (10) days after the Company or a Subsidiary notifies the Grantee of such breach; however, no act or failure to act on the Grantee's part shall be considered "willful" unless done or omitted to be done by the Grantee not in good faith and without reasonable belief that his or her action or omission was in the best interest of the Company or a Subsidiary; or
- (iii) fails to perform his or her duties in a reasonably satisfactory manner after the receipt of a notice from the Company or a Subsidiary detailing such failure if the failure is incapable of cure, and if the failure is capable of cure, upon the failure to cure such failure within 30 days of such notice or upon its recurrence.

"Change in Control Termination" means the Grantee's Separation from Service on or within two years after a Change in Control if such Separation from Service is either (i) by action of the Company or, if different, the Grantee's employing Subsidiary (the **"Employer"**) without Cause or (ii) by action of the Grantee with Good Reason.

"Disability" means the status of disability determined conclusively by the Company based upon certification of disability by the Social Security Administration or an equivalent authority outside the U.S. or, to the extent compliant with Section 409A, upon such other proof as the Company may require, effective upon receipt of such certification or other proof by the Company. [Notwithstanding the foregoing, if the Grantee is eligible for Special Retirement as of the date of a Separation from Service due to Disability, the Separation from Service will be treated as Special Retirement and not Separation from Service due to Disability.] **[add if applicable]**

"Good Reason" means the occurrence of any of the following events or conditions without the Grantee's prior written consent:

- (i) any material adverse change in the Grantee's authority, duties or responsibilities (including reporting responsibilities) from the Grantee's authority, duties or responsibilities as in effect at any time within 90 days preceding the date of the Change in Control or at any time thereafter;
- (ii) a material reduction in Grantee's base salary or any failure to pay the Grantee any cash compensation to which the Grantee is entitled within 15 days after the date when due;
- (iii) the imposition of a requirement (other than for reasonably required travel on Company business which is not materially greater in frequency or duration than prior to the Change in Control) that the Grantee be based at any place outside a 50-mile radius from the Grantee's principal place of employment immediately prior to the Change in Control and which has a material adverse effect on the Grantee's commuting requirements;
- (iv) if the Grantee is a participant in the Company's Executive Severance Plan, any other event that constitutes "Good Reason" under that plan.

Notwithstanding anything to the contrary in this Agreement, no termination will be deemed to be for Good Reason hereunder unless (i) the Grantee provides written notice to the Company identifying the applicable event or condition within 120 days of the occurrence of the event or the initial existence of the condition, (ii) the Company or a Subsidiary fails to remedy the event or condition within a period of 30 days following such notice, and (iii) the Grantee's Separation from Service occurs within 90 days after the date the Company or a Subsidiary fails to remedy the event or condition.

“Involuntary Termination without Cause” means a Grantee’s Separation from Service by action of the Company or the Employer without Cause, including due to divestiture by the Company of the business unit with which the Grantee is employed. [Notwithstanding the foregoing, if the Grantee is eligible for Special Retirement as of the date of such Involuntary Termination without Cause, the Separation from Service will be treated as Special Retirement and not Involuntary Termination without Cause.] **[add if applicable]**

“Pro Rata Fraction” means a fraction, the numerator of which is the number of days from the Grant Date of the Restricted Stock Units through the date of Involuntary Termination without Cause, and the denominator of which is the number of days from the Grant Date of the Restricted Stock Units through the last vesting date set forth under “Vesting Schedule” in the Notice.

“Special Retirement” means a Grantee’s Separation from Service on or after the first anniversary of the Grant Date for any reason other than death or by the Company or the Employer for Cause after the Grantee has attained at least age 59-1/2 and either (i) the Grantee has at least ten years of Service or (ii) the Grantee’s combined age and years of Service equals at least 70. The Company’s determination of years of Service for such purpose shall be final and binding on all parties. Notwithstanding the foregoing, if the Grantee’s Separation from Service during the two-year period following a Change in Control could be treated as either a Special Retirement or a Change in Control Termination, it shall be treated as a Change in Control Termination to the extent permitted by Section 409A.] **[add if applicable]**



LEIDOS HOLDINGS, INC.
2017 OMNIBUS INCENTIVE PLAN

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

The Restricted Stock Unit Award (the “**Award**”) granted by Leidos Holdings, Inc. (the “**Company**”) to the Grantee specified in the Notice of Grant of Restricted Stock Unit Award (the “**Notice**”) to which these Terms and Conditions of Restricted Stock Unit Award, including any additional terms and conditions for Grantees outside the United States set forth in Appendices A and B (collectively, the “**Terms**”) are attached, is subject to the terms and conditions of the Plan, the Notice, and these Terms. The terms and conditions of the Plan are incorporated by reference in their entirety into these Terms. The Notice and these Terms together constitute the “**Agreement**.” A Prospectus describing the Plan has been delivered to the Grantee. The Plan itself is available upon request. When used in this Agreement, the terms which are defined in the Plan shall have the meanings given to them in the Plan, as modified herein (if applicable).

1. Grant of Units.

(a) As of the Grant Date set forth in the Notice, the Company grants to the Grantee the number of Restricted Stock Units (“**Units**”) set forth in the Notice. Each Unit represents the right to receive one share of Stock at a future date after the Unit has become vested, subject to the terms and conditions of this Agreement.

(b) The Units covered by this Award shall become vested in accordance with the schedule set forth in the Notice. Each vested Unit shall be settled on the date(s) specified in the Notice by issuance of one share of Stock on or as soon as administratively practicable (but no more than 75 days) after the applicable vesting date specified in the Notice, subject to the requirements of the Plan and this Agreement.

(c) Units constitute an unfunded and unsecured obligation of the Company. The Grantee shall not have any rights of a stockholder of the Company with respect to the shares of Stock underlying the Units unless and until the Units become vested and are settled by the issuance of shares of Stock. Upon issuance of shares of Stock in connection with the settlement of vested Units, the Grantee shall be the record owner of the shares of Stock unless and until such shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a stockholder of the Company (including voting rights).

(d) Units vested will receive dividend equivalents paid in cash (without interest) based on the dividend rates in effect during the vesting period applied to the number of Units in which the Grantee vests, subject to the vesting provisions set forth in the Notice. Cash dividend equivalents accrued on the vested Units will be paid in cash on or about the same time the vested Units are settled and paid.

(e) Notwithstanding any provision herein to the contrary, if the Grantee is a U.S. taxpayer, payment of Units that become vested under this Agreement may be deferred under the terms of the Company’s Key Executive Stock Deferral Plan (or any similar plan or program) in which the Grantee is eligible to participate, subject to the terms and conditions of such plan and the requirements of Section 409A. Any Units deferred under any such plan shall be administered in accordance with the terms and provisions of such plan.

2. Restrictions. Subject to any exceptions set forth in this Agreement, until such time as the Units become vested and are settled in shares of Stock in accordance with Section 1, the Units or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Units or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Units will be forfeited by the Grantee and all of the

Grantee's rights to such Units shall immediately terminate without any payment of consideration by the Company.

3. Cancellation of Rights. If any portion of the Units fail to become vested (for example, because the Grantee fails to satisfy the vesting conditions specified in the Notice prior to a Separation from Service), then such Units shall be immediately forfeited as of the date of such failure and all of the Grantee's rights to such Units shall immediately terminate without any payment of consideration by the Company.

4. Responsibility for Taxes.

(a) Regardless of any action the Company or, if different, the Subsidiary which employs the Grantee (the "**Employer**") takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable or deemed legally applicable to the Grantee ("**Tax-Related Items**"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the grant or vesting of the Units, the subsequent sale of shares of Stock acquired upon vesting, the payment of any dividend equivalents on the Units or the payment of any dividends on the shares of Stock; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result.

(b) In connection with any relevant taxable or tax withholding event, as applicable, the Grantee shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Company and/or the Employer, or their respective agents, in their sole discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following methods:

(i) withholding from the Grantee's wages or other cash compensation payable to the Grantee by the Company, the Employer, or any other Subsidiary;

(ii) withholding from proceeds of the sale of shares of Stock acquired at vesting either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization without further consent);

(iii) withholding shares of Stock otherwise issuable to the Grantee upon vesting of the Units; or

(iv) any other method of withholding determined by the Company, to the extent permitted under the Plan and applicable laws.

The Company may withhold or account for Tax-Related Items by considering statutory withholding amounts or other applicable withholding rates, including maximum rates applicable in the Grantee's jurisdiction(s), in which case the Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent amount in shares of Stock. In the event of over-withholding, the Grantee may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent amount in shares of Stock), from the Company or the Employer; otherwise, the Grantee may be able to seek a refund from the local tax authorities. In the event of under-withholding, the Grantee may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Company and/or the Employer. If the obligation for Tax-Related Items is satisfied by withholding shares of Stock, for tax purposes, the Grantee is deemed to have been issued the full number of shares of Stock subject to the vested Units,

notwithstanding that a number of the shares is held back solely for the purpose of paying the Tax-Related Items.

Finally, the Grantee agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue and deliver shares of Stock in payment of any vested Units, or the proceeds from the sale of shares of Stock, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as described in this Section 4.

5. Grantee Representations. The Grantee hereby represents that the Grantee has read and fully understands the provisions of this Agreement, the Prospectus and the Plan, and the Grantee's decision to participate in the Plan is completely voluntary. Further, the Grantee acknowledges that the Grantee is relying solely on his or her own advisors with respect to the tax consequences of this Award.
6. Regulatory Restrictions on the Shares Issued Upon Settlement. Notwithstanding the other provisions of this Agreement, the Committee shall have the sole discretion to impose such conditions, restrictions and limitations on the issuance of shares of Stock with respect to this Award unless and until the Committee determines that such issuance complies with (i) any applicable registration requirements under the Securities Act or the Committee has determined that an exemption therefrom is available, (ii) any applicable listing requirement of any stock exchange on which the Stock is listed, (iii) any applicable Company policy or administrative rules, and (iv) any other applicable provision of U.S. or non-U.S. federal, state or local law.
7. Non-Solicitation and Non-Competition.

(a) Applicability. The provisions of this Section 7 apply to Awards made to employees of the Company and its Subsidiaries, and not Awards made to Non-Employee Directors. The Grantee acknowledges that the Company conducts business throughout the United States and that the Company has a legitimate business interest in protecting this business, including but not limited its interest in its employees, programs, and projects below, against unfair competition through the promises in this Section 7. In addition, Sections 7 (b), (c) and (e) do not apply in California.

(b) Solicitation of Employees. The Grantee agrees that, both while in Service and for one year after Separation from Service, the Grantee will not solicit or attempt to solicit any employee of the Company or any Subsidiary with whom the Grantee has worked on a program or project during the 12 months prior to Separation from Service to leave his or her employment or to violate the terms of any agreement or understanding that employee may have with the Company or any Subsidiary. The foregoing obligations apply to both the Grantee's direct and indirect actions, and apply to actions intended to benefit the Grantee or any other person, business or entity.

(c) Solicitation of Customers. The Grantee agrees that, for one year after Separation from Service, the Grantee will not participate in any solicitation of any customer or prospective customer of the Company or any Subsidiary concerning any business that:

(i) involves the same programs or projects for that customer in which the Grantee was personally and/or substantially involved during the 12 months prior to Separation from Service; or

(ii) has been, at any time during the 12 months prior to Separation from Service, the subject of any capture effort, bid, offer or proposal activity by the Company or any Subsidiary in respect of that customer or prospective customer, or any negotiations or discussions about the possible performance of services by the Company or any Subsidiary to that customer or potential customer, in which the Grantee was personally and/or substantially involved.

For purposes of (c)(i) and (ii), in the case of a governmental, regulatory or administrative agency, commission, department or other governmental authority, the customer or prospective

customer will be determined by reference to the specific program offices or activities for which the Company or any Subsidiary provides (or may reasonably provide) goods or services.

(d) Non-Disclosure and Non-Use of Proprietary Information. During the term of the Grantee's employment and following the voluntary or involuntary termination of that employment for any reason, and with or without cause, Grantee will not, except as authorized and required to perform the Grantee's duties for the Company or any Subsidiary, directly or indirectly: use, disclose, reproduce, distribute, or otherwise disseminate the Company or any Subsidiary's Proprietary Information, or take any action causing, or fail to take any action necessary, to prevent any such information to lose its character or cease to qualify as Proprietary Information. Grantee agrees to ask the Company or any Subsidiary, both during and after employment, if Grantee has any questions about whether particular information is Proprietary Information before using or disclosing such information.

The term "**Proprietary Information**" will mean any and all confidential knowledge, data or information of the Company, its affiliates, parents and subsidiaries, which has economic value as a result of its remaining confidential, whether having existed, now existing, or to be developed during Grantee's employment, including information developed by Grantee. By way of illustration but not limitation, "Proprietary Information" includes (1) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, algorithms, software programs, schematics, improvements, discoveries, developments, designs and techniques and any other proprietary technology and all Proprietary Rights therein (collectively, "**Inventions**"); (2) information regarding research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, margins, discounts, credit terms, pricing and billing policies, quoting procedures, methods of obtaining business, forecasts, future plans and potential strategies, financial projections and business strategies, operational plans, financing and capital- raising plans, activities and agreements, internal services and operational manuals, methods of conducting Company business, suppliers and supplier information, and purchasing; (3) information regarding Customers and potential Customers of the Company and its Subsidiaries, including customer lists, names, representatives, their needs or desires with respect to the types of products or services offered by the Company, proposals, bids, contracts and their contents and parties, the type and quantity of products and services provided or sought to be provided to Customers and potential Customers of the Company and other non-public information relating to Customers and potential Customers; (4) information regarding any of the Company's business partners and their services, including names, representatives, proposals, bids, contracts and their contents and parties, the type and quantity of products and services received by the Company, and other non- public information relating to business partners that Grantee acquires as a result of their employment; (5) information regarding personnel, employee lists, compensation, and employee skills; and (6) any other non-public information which a competitor of the Company could use to the competitive disadvantage of the Company.

(e) Non-Competition. To the extent allowed by and consistent with applicable law, the Grantee agrees that, for one year after Separation from Service, the Grantee will not, directly or indirectly, on behalf of the Grantee or any other person or entity other than the Company, perform on or support any program, or provide oversight on any program, product, or service in which the Grantee was personally and/or substantially involved during the 12 months prior to Separation from Service:

(i) that would more likely than not cause the Grantee to use, disclose, or access Proprietary Information of any such program, product, or service; or

(ii) that is competitive with any such program, product, or service and where the Grantee's new responsibilities and duties will be similar to those previously held with the Company or any Subsidiary; or

(iii) that is associated with any program, product or service that was the subject of any capture effort, bid, offer or proposal activity by the Company or any Subsidiary in which the Grantee was personally and substantially involved during the 12 months prior to Separation from Service and of which the Grantee possesses Proprietary Information.

(f) Remedies. The Grantee acknowledges and agrees that a breach of any of the promises or agreements contained in this Section 7 will result in immediate, irreparable and continuing damage to the Company and its Subsidiaries for which there is no adequate remedy at law, and the Company and its Subsidiaries will be entitled to injunctive relief, a decree for specific performance, and other relief as may be proper, including money damages such as, but not limited to, the disgorgement of any profits, commissions, or fees realized by the Grantee, any subsequent employers, any business owned or operated by the Grantee, or any of Grantee's agents, heirs, or assigns because of any such breach. Furthermore, to the extent allowed by and consistent with applicable law and any applicable limitations period, if it is determined at any time by the Company or any Subsidiary that the Grantee has materially breached any employment-related covenants, including the covenants in this Section 7, the Company will be entitled to (i) cause any unvested portion of the Award to be immediately canceled without any payment of consideration by the Company and/or (ii) cause, upon written demand by the Company to the Grantee, that the Grantee promptly return to the Company some or all of the shares of Stock (or proceeds received by the Grantee from such shares of Stock) paid to the Grantee pursuant to this Agreement. If the Company must resort to litigation to enforce the Grantee's obligation in (ii), the Company will be entitled to an award of reasonable attorneys' fees and costs should it prevail in the litigation.

8. No Interference with Rights. Grantee understands that Grantee shall not be held criminally or civilly liable under any U.S. or non-U.S. federal or state trade secret law for the disclosure of a trade secret that: (1) is made in confidence to a U.S. or non-U.S. federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The Grantee also understands that disclosure of trade secrets to attorneys, made under seal, or pursuant to court order is also protected under 18 U.S. Code § 1833 in a retaliation lawsuit based on the reporting of a suspected violation of law.

9. Miscellaneous.

(a) Notices. Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as the Company may notify the Grantee from time to time; and to the Grantee at the Grantee's electronic mail or postal address as shown on the records of the Company from time to time, or at such other electronic mail or postal address as the Grantee, by notice to the Company, may designate in writing from time to time.

(b) Waiver. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach.

(c) Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties with respect to the subject matter hereof. Any prior agreements, commitments or negotiations concerning the Award are superseded.

(d) Binding Effect; Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto and to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in this Agreement, express or implied, is intended to confer on any person other than the parties hereto and as provided above, their respective heirs, successors, assigns and representatives any rights, remedies, obligations or liabilities.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law, and applicable U.S. federal law.

(f) Venue. Any legal or equitable action or any proceeding arising directly, indirectly, or otherwise in connection with, out of, related to or from the Agreement, or any provision hereof, shall exclusively be filed and adjudicated in the Circuit Court for Fairfax County, Virginia, or the United States District Court for the Eastern District of Virginia, Alexandria Division, and no other venue. Any arbitration will be conducted according to the terms of the applicable arbitration agreement.

(g) Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

(h) Conflicts; Amendment. The provisions of the Plan are incorporated in this Agreement in their entirety. In the event of any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan shall control. This Agreement may be amended at any time by the Committee, provided that no amendment may, without the consent of the Grantee, materially impair the Grantee's rights with respect to the Award, except as otherwise required pursuant to Section 9(I) below. The Committee shall have full authority and discretion, subject only to the terms of the Plan, to decide all matters relating to the administration or interpretation of the Plan, the Award, and the Agreement, and all such action by the Committee shall be final, conclusive, and binding upon the Company and the Grantee.

(i) No Right to Continued Employment. Nothing in this Agreement shall confer upon the Grantee any right to continue in the Service of the Company or any Subsidiary or affect the right of the Company or any Subsidiary to terminate the Grantee's Service at any time.

(j) Further Assurances. The Grantee agrees, upon demand of the Company or the Committee, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Company or the Committee, as the case may be, to implement the provisions and purposes of this Agreement and the Plan.

(k) Appendices. By accepting this Award, the Grantee acknowledges and agrees that, should the Grantee reside and/or work in a country outside the United States at any time during the life of the Award, this Award is subject to the additional terms set forth in the Appendices A and B hereto. Appendices A and B constitute part of this Agreement. Please review the provisions of Appendices A and B carefully, as this Award will be null and void absent the Grantee's acceptance of such provisions.

(l) Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Award to the extent that the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Award and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(m) Recovery of Compensation. In accordance with Section 3.3 of the Plan, the Award is subject to the requirements of (i) Section 954 of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) any policies adopted by the Company to implement such requirements, and (iii) the Company's compensation recoupment policy as amended and restated on June 26, 2023, as in effect from time to time (the "Compensation Recoupment Policy"), all to the extent determined by the Committee to be applicable to the Grantee.

(n) Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(o) Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic

delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

10. No Advice Regarding Grant. The Company is not providing any tax, legal, or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan or the Grantee's acquisition of any shares of Stock under the Plan or subsequent sale of such shares of Stock. The Grantee should consult with the Grantee's personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action in relation thereto.
11. Insider Trading/Market Abuse Laws. The Grantee acknowledges that he or she may be subject to insider trading restrictions and/or market abuse laws which may affect the Grantee's ability to accept, acquire, sell or otherwise dispose of shares of Stock, rights to shares of Stock (*e.g.*, the Award) or rights linked to the value of Stock during such times as the Grantee is considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Grantee placed before the Grantee possessed inside information. Furthermore, the Grantee could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's insider trading policy as may be in effect from time to time. The Grantee acknowledges that it is the Grantee's responsibility to comply with any applicable insider trading restrictions and/or market abuse laws, and the Grantee should speak to his or her personal advisor on this matter.

APPENDIX A

TO THE TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

General Additional Terms Applicable to Awards Held by Grantees Outside the U.S.

1. Data Privacy.

(a) **Data Collection and Usage.** *The Company and the Employer collect, process and use certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all Awards under the Plan or any other entitlement to shares of Stock or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in the Grantee favor ("Data"), for the legitimate purpose of implementing, administering and managing the Grantee's participation in the Plan. The legal basis, where required, for the processing of Data by the Company and the third-party service providers described below is the Grantee's consent.*

(b) **Stock Plan Administration Service Providers.** *The Company transfers Data to Computershare and certain of its affiliated companies (collectively, "Computershare"), an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan. The Grantee acknowledges and understands that Computershare will open an account for the Grantee to receive and trade shares of Stock acquired under the Plan and that the Grantee will be asked to agree on separate terms and data processing practices with Computershare, with such agreement being a condition to the ability to participate in the Plan. The legal basis, where required, for the transfer of Data by the Company to Computershare is the Grantee's consent.*

(c) **International Data Transfers.** *The Company is based in the United States. The Grantee's country or jurisdiction may have different data privacy laws and protections than the United States. As a result, in the absence of appropriate safeguards such as standard data protection clauses, the processing of the Grantee's Data in the United States or, as the case may be, other countries might not be subject to substantive data processing principles or supervision by data protection authorities. In addition, the Grantee might not have enforceable rights regarding the processing of the Grantee's Data in such countries. The Company's legal basis, where required, for the transfer of Data is the Grantee's consent.*

(d) **Data Retention.** *The Company will hold and use Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan, or as required to comply with applicable law, exercise or defense of legal rights, and archiving, back-up and deletion processes. This means Data may be held even after the Grantee's employment or service is terminated.*

(e) **Voluntariness and Consequences of Consent Denial or Withdrawal.** *Participation in the Plan is voluntary and the Grantee is providing any consents herein on a purely voluntary basis. The Grantee understands that the Grantee may withdraw his or her consent at any time with future effect for any or no reason. If the Grantee does not consent, or if the Grantee later seeks to revoke his or her consent, the Grantee's Service with the Employer will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant the Awards under the Plan or other equity awards to the Grantee or administer or maintain the Grantee's participation in the Plan.*

(f) **Data Subject Rights.** *The Grantee may have a number of rights under data privacy laws in the Grantee's jurisdiction. Depending on where the Grantee is based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in the Grantee's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Grantee can contact his or her local human resources representative.*

2. Nature of Grant. By entering into this Agreement and accepting the grant of Units evidenced hereby, the Grantee acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be terminated, suspended or amended by the Company at any time, to the extent permitted by the Plan;

(b) the grant of Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future awards of Units or benefits in lieu of Units, even if such awards have been awarded in the past;

(c) all decisions with respect to future awards, if any, will be at the sole discretion of the Company;

(d) the grant of Units shall not create a right to Service or be interpreted as forming an employment or service contract with the Company or any other Subsidiary and shall not interfere with the ability of the Employer to terminate the Grantee's Service relationship (if any) at any time;

(e) the Grantee is voluntarily participating in the Plan;

(f) the Units and any payment made pursuant to the Units, and the income from and value of same, are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, long-service awards, leave-related payments, pension or retirement benefits or welfare benefits or similar payments;

(g) unless otherwise agreed with the Company, the Award and any shares of Stock subject to the Award, and income from and value of same, are not granted as consideration for, or in connection with, any service the Grantee may provide as a director of any Subsidiary;

(h) the future value of the shares of Stock which may be delivered in settlement of vested Units is unknown, indeterminable and cannot be predicted with certainty;

(i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Units resulting from the Grantee's Separation from Service (for any reason whatsoever, whether or not such termination is later found to be invalid or in breach of applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any) or recoupment of all or any portion of any payment made pursuant to the Units as provided by the Company's Compensation Recoupment Policy;

(j) for purposes of the Units, the date of the Grantee's Separation from Service (for any reason whatsoever, whether or not such termination is later found to be invalid or in breach of applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any) will be deemed to occur as of the date the Grantee is no longer actively providing Service to the Company or any of its Subsidiaries, and unless otherwise expressly provided in this Agreement or otherwise determined by the Company, the Grantee's right to vest in any portion of the Units (and any related dividend equivalents) under the Plan, if any, will terminate as of such date and will not be extended by any notice period (*e.g.*, the Grantee's active employment or period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any). For the avoidance of doubt, actively providing Service during only a portion of the vesting period prior to a vesting date shall not entitle the Grantee to vest in a pro-rata portion of the unvested Units that would have vested as of such vesting date, nor will it entitle the Grantee to any compensation for lost vesting. The Company, in its sole discretion, shall determine when the Grantee is no longer actively providing Service for purposes of the Units (including whether the Grantee may still be considered to be actively providing Service while on an approved leave of absence);

(k) unless otherwise provided in the Plan or by the Company in its discretion, the Units and the benefits evidenced by this Agreement do not create any entitlement to have the Units or any

such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Stock; and

(l) neither the Company, the Employer, nor any other Subsidiary shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the Units, any payment made pursuant to the Units or the subsequent sale of any shares of Stock acquired under the Plan.

3. Language. The Grantee acknowledges and represents that the Grantee is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow the Grantee to understand the terms of this Agreement and any other documents related to the Plan. If the Grantee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version differs from the English version, the English version shall control.
4. Foreign Asset/Account, Exchange Control, and Tax Reporting. The Grantee may be subject to certain foreign asset and/or account reporting requirements and/or exchange controls which may affect the Grantee's ability to acquire or hold shares of Stock acquired under the Plan or cash received from participating in the Plan (including from any dividend equivalents or dividends received or sale proceeds arising from the sale of shares of Stock) in a brokerage or bank account outside the Grantee's country. The Grantee may be required to report such accounts, assets or transactions to the tax or other authorities in the Grantee's country. The Grantee also may be required to repatriate sale proceeds or other funds received as a result of the Grantee's participation in the Plan to the Grantee's country through a designated bank or broker and/or within a certain time after receipt. The Grantee further acknowledges that it is the Grantee's responsibility to comply with such regulations and that the Grantee should consult the Grantee's personal legal advisor for any details.

APPENDIX B

TO THE TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

Country-Specific Additional Terms Applicable to Awards Held by Grantees Outside the U.S.

Capitalized terms used but not otherwise defined herein shall have the meaning given to such terms in the Plan and/or this Agreement.

Terms and Conditions

This Appendix B includes additional terms and conditions that govern the Grantee's participation in the Plan if the Grantee resides and/or works in one of the countries listed below. If the Grantee is a citizen or resident of a country other than the one in which he or she is currently residing and/or working (or if the Grantee is considered as such for local law purposes), or if the Grantee moves or transfers Service to another country after the Grant Date, the Company will, in its sole discretion, determine the extent to which the terms and conditions herein will be applicable to the Grantee.

Notifications

This Appendix B also includes information regarding securities laws, exchange controls and certain other issues of which the Grantee should be aware with respect to the Grantee's participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of January 2022. Such laws are often complex and change frequently. As a result, the Company recommends that the Grantee not rely on the information in this Appendix B as the only source of information relating to the consequences of the Grantee's participation in the Plan because the information included herein may be out of date at the time that the Units vest or the Grantee subsequently sells the shares of Stock acquired at vesting.

In addition, the Grantee understands that the information contained herein is general in nature and may not apply to the Grantee's particular situation and the Company is not in a position to assure the Grantee of any particular result. Accordingly, the Grantee acknowledges that he or she should seek appropriate professional advice as to how the relevant laws in the Grantee's country may apply to the Grantee's situation.

If the Grantee is a citizen or resident of a country other than the one in which the Grantee is currently residing and/or working (or if the Grantee is considered as such for local law purposes), or if the Grantee moves or transfers Service to another country after the Units are granted, the Grantee understands that the information contained herein may not be applicable to the Grantee in the same manner.

AUSTRALIA

Notifications

Securities Law Information. This offer of Units is being made under Division 1A, Part 7.12 of the *Corporations Act 2001 (Cth)*. Please note that if the Grantee offers shares of Stock for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. The Grantee should obtain legal advice on applicable disclosure obligations prior to making any such offer.

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding A\$10,000 and international fund transfers. The Australian bank assisting with the transaction may file the report for the Grantee. If there is no Australian bank involved in the transfer, the Grantee will have to file the report. The Grantee should consult with his or her personal advisor to ensure that the Grantee is properly complying with applicable reporting requirements in Australia.

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in the Act).

BELGIUM

Notifications

Foreign Asset/Account Reporting Information. Belgian residents are required to report any securities accounts (*e.g.*, those related to shares of Stock acquired under the Plan) or bank accounts (including brokerage accounts) maintained outside Belgium on their annual tax return. In a separate report, they must provide the National Bank of Belgium with certain details regarding such foreign accounts (including the account number, bank name and country in which any such account was opened). The forms to complete this report are available at the website of the National Bank of Belgium. Belgian residents should consult with their personal tax advisors to determine their reporting obligations.

Stock Exchange Tax. A stock exchange tax applies to transactions executed by a Belgian resident through a non-Belgian financial intermediary, such as a U.S. broker. The stock exchange tax may apply when shares of Stock acquired under the Plan are sold. Belgian residents should consult with a personal tax or financial advisor for additional details on their obligations with respect to the stock exchange tax.

Annual Securities Accounts Tax. An annual securities accounts tax may be payable if the total value of securities held in a Belgian or foreign securities account (*e.g.*, shares of Stock) exceeds a certain threshold on four reference dates within the relevant reporting period (*i.e.*, December 31, March 31, June 30 and September 30). Different payment obligations may apply, depending on whether the securities account is held with a Belgian or foreign financial institution. The Grantee should consult with his or her personal tax or financial advisor for additional details.

ISRAEL

Terms and Conditions

Tax Consent. On January 20, 2020, the Israeli Tax Authority issued a tax ruling to the Company in connection with the non-trustee track of Section 102 of the Income Tax Ordinance [New Version], 1961 (the “**Tax Ruling**”) regarding the taxation of Units granted under the Plan. The Grantee may review a copy of the Tax Ruling by contacting stockprograms@leidos.com. In accordance with the Tax Ruling and by accepting the Units granted under the Plan, the Grantee hereby declares that the Grantee understands the provisions of the Tax Ruling and the obligation to report and pay any capital gains tax due upon the sale of the shares of Stock issued under the Plan (including filing an annual tax return). Further, the Grantee agrees to act in accordance with the Tax Ruling and will not request to amend, cancel, and/or replace it with a different ruling and/or demand any additional tax benefit beyond the provisions of the Tax Ruling.

Notifications

Securities Law Information. This offer of Awards under the Plan does not constitute a public offering under the Securities Law, 1968.

MEXICO

Terms and Conditions

Acknowledgment of the Agreement. By participating in the Plan, the Grantee acknowledges that the Grantee has received a copy of the Plan, has reviewed the Plan in its entirety and fully understands and accepts all provisions of the Plan. The Grantee further acknowledges that the Grantee has read and expressly approves the terms and conditions set forth in the Nature of Grant section of Appendix A, in which the following is clearly described and established: (i) the Grantee’s participation in the Plan does not constitute an acquired right; (ii) the Plan and the Grantee’s participation in the Plan are offered by the Company on a wholly discretionary basis; (iii) the Grantee’s participation in the Plan is voluntary; and (iv) the Company and its Subsidiaries are not responsible for any decrease in the value of the underlying Shares.

Labor Law Policy and Acknowledgment. By participating in the Plan, the Grantee expressly recognizes that the Company, with registered offices at 1750 Presidents Street, Reston, Virginia 20190,

U.S.A., is solely responsible for the administration of the Plan and that the Grantee's participation in the Plan and acquisition of Shares does not constitute an employment relationship between the Grantee and the Company since the Grantee is participating in the Plan on a wholly commercial basis and the Participant's Employer is a Mexican Subsidiary of the Company. Based on the foregoing, the Grantee expressly recognizes that the Plan and the benefits that the Grantee may derive from participation in the Plan do not establish any rights between the Grantee and the Employer and do not form part of the employment conditions and/or benefits provided by the Employer and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of the Grantee's employment.

The Grantee further understands that the Grantee's participation in the Plan is as a result of a unilateral and discretionary decision of the Company; therefore, the Company reserves the absolute right to amend and/or discontinue the Grantee's participation at any time without any liability to the Grantee.

Finally, the Grantee hereby declares that Grantee does not reserve any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and the Grantee therefore grants a full and broad release to the Company, its subsidiaries, branches, representation offices, its shareholders, officers, agents or legal representatives with respect to any claim that may arise.

Reconocimiento del Contrato. *Al participar en el Plan, usted reconoce que ha recibido una copia del Plan, que ha revisado el Plan en su totalidad, y que entiende y acepta en su totalidad, todas y cada una de las disposiciones del Plan. Asimismo reconoce que ha leído y aprueba expresamente los términos y condiciones señalados en la sección titulado Naturaleza de la Oferta en Appendix A, en lo que claramente se describe y establece lo siguiente: (i) su participación en el Plan no constituye un derecho adquirido; (ii) el Plan y su participación en el Plan son ofrecidos por la Compañía sobre una base completamente discrecional; (iii) su participación en el Plan es voluntaria; y (iv) la Compañía y sus afiliadas no son responsables de ninguna por la disminución en el valor de las Acciones subyacentes.*

Política de Legislación Laboral y Reconocimiento. *Al participar en el Plan, usted reconoce expresamente que la Compañía, con oficinas registradas en 1750 Presidents Street, Reston, Virginia 20190, EE.UU, es la única responsable por la administración del Plan, y que su participación en el Plan, así como la adquisición de las Acciones, no constituye una relación laboral entre usted y la Compañía, debido a que usted participa en el Plan sobre una base completamente mercantil y el único Empleador de usted es una Subsidiaria Mexicana de la Compañía. Con base en lo anterior, usted reconoce expresamente que el Plan y los beneficios que pudiera obtener por su participación en el Plan, no establecen derecho alguno entre usted y el Empleador, y no forman parte de las condiciones y/o prestaciones laborales que el Empleador ofrece, y que las modificaciones al Plan o su terminación, no constituirán un cambio ni afectarán los términos y condiciones de su relación laboral.*

Asimismo usted entiende que su participación en el Plan es el resultado de una decisión unilateral y discrecional de la Compañía; por lo tanto, la Compañía se reserva el derecho absoluto de modificar y/o suspender su participación en cualquier momento, sin que usted incurra en responsabilidad alguna.

Finalmente, usted declara que no se reserva acción o derecho alguno para interponer reclamación alguna en contra de la Compañía, por concepto de compensación o daños relacionados con cualquier disposición del Plan o de los beneficios derivados del Plan, y por lo tanto, usted libera total y ampliamente de toda responsabilidad a la Compañía, a sus afiliadas, sucursales, oficinas de representación, sus accionistas, funcionarios, agentes o representantes legales, con respecto a cualquier reclamación que pudiera surgir.

Notifications

Securities Law Information. The Units granted, and any shares of Stock acquired, under the Plan have not been registered with the National Register of Securities maintained by the Mexican National Banking and Securities Commission and cannot be offered or sold publicly in Mexico. In addition, the Plan, Agreement and any other document relating to the Units may not be publicly distributed in Mexico. These materials are addressed to the Grantee because of the Grantee's existing relationship with the Company and these materials should not be reproduced or copied in any form. The offer contained in these materials does not constitute a public offering of securities, but rather a private placement of securities addressed specifically to certain employees of the Company and its Subsidiaries and are made

in accordance with the provisions of the Mexican Securities Market Law. Any rights under such offering shall not be assigned or transferred.

SINGAPORE

Terms and Conditions

Restriction on Sale of Shares of Stock. The Units are subject to section 257 of the SFA and the Grantee will not be able to make any subsequent sale of shares of Stock in Singapore or any offer of such subsequent sale of the Stock in Singapore, unless such offer or sale is made (i) after six (6) months from the Grant Date, (ii) pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”), or (iii) pursuant to, and in accordance with, any other applicable exemption in the SFA.

Notifications

Securities Law Information. The grant of the Units is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the SFA. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.

Director Notification Information. If the Grantee is the or a director (including an alternate, substitute or shadow director¹) of a Subsidiary in Singapore, the Grantee is subject to certain notification requirements under the Singapore Companies Act, regardless of whether the Grantee is a Singapore resident or employed in Singapore. Among these requirements is an obligation to notify the Singapore Subsidiary of an interest (*e.g.*, Units, shares of Stock) in the Company or a related company within two business days of (i) acquiring or disposing of such interest, (ii) any change in a previously disclosed interest (*e.g.*, vesting of Units, sale of shares of Stock), or (iii) becoming a director if such an interest exists at the time. If the Grantee is the chief executive officer (“CEO”) of a Subsidiary in Singapore and the above notification requirements are determined to apply to the CEO of a Singapore Subsidiary, the above notification requirements also may apply to the Grantee.

UNITED KINGDOM

Terms and Conditions

Units Payable Only in Stock. Notwithstanding anything to the contrary in the Plan, the Units shall be paid in shares of Stock only and do not provide the Grantee with any right to receive a cash payment. This provision is without prejudice to the application of Section 4 of the Terms and Conditions of Restricted Stock Unit Award.

Responsibility for Taxes. The following provision supplements Section 4 of the Terms and Conditions of Restricted Stock Unit Award:

Without limitation to Section 4 of the Terms and Conditions of Restricted Stock Unit Award, the Grantee agrees that the Grantee is liable for all Tax-Related Items and hereby covenants to pay all such Tax- Related Items, as and when requested by the Company or the Employer or by Her Majesty’s Revenue and Customs (“HMRC”) (or any other tax authority or any other relevant authority). The Grantee also agrees to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Grantee’s behalf.

Notwithstanding the foregoing, if the Grantee is a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), the Grantee understands that he or she may not be able to indemnify the Company or the Employer for the amount of income tax not collected from or paid by the Grantee, as it may be considered a loan. In this case, the amount of any income tax not collected within 90 days of the end of the U.K. tax year in which the event giving rise to the Tax-Related Item(s) occurs may constitute an additional benefit to the Grantee on which additional income

¹ A shadow director is an individual who is not on the board of the Singapore Subsidiary but who has sufficient control so that the board of directors acts in accordance with the “directions or instructions” of the individual.

tax and National Insurance Contributions (“NICs”) may be payable. The Grantee will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying the Company or the Employer, as applicable, for the amount of any employee NICs due on this additional benefit which may be recovered from the Grantee by the Company or the Employer at any time thereafter by any of the means referred to in Section 4 of the Terms and Conditions of Restricted Stock Unit Award.

Subsidiaries

Name	Jurisdiction of Formation
Leidos, Inc.	Delaware
Leidos Biomedical Research, Inc.	Delaware
Leidos Consulting Engineers, Inc.	California
Leidos Engineering, LLC	Delaware
Leidos Global Technology Corporation	Delaware
Leidos Services, Inc.	Delaware
Reveal Imaging Technologies, Inc.	Delaware
Varec Holdings, Inc.	Delaware
Varec, Inc.	Georgia
Leidos Intermediate Holdings, Inc.	Delaware
Leidos Government Services, Inc.	Maryland
Leidos Integrated Technology, LLC	Delaware
Hanford Mission Integration Solutions, LLC	Delaware
QTC Holdings, Inc.	Delaware
QTC Management, Inc.	California
QTC Medical Services, Inc.	California
Leidos Digital Solutions, Inc.	Virginia
Leidos New Zealand Limited	New Zealand
Dynetics, Inc.	Alabama
Dynetics Technical Solutions, Inc.	Alabama
SPIRE Manufacturing Solutions, LLC	Colorado
Leidos Security Detection & Automation, Inc.	Delaware
1901 Group, LLC	Virginia
Gibbs & Cox, Inc.	New York
Leidos Arabia Limited Company	Saudi Arabia

List of Guarantors and Subsidiary Issuers of Guaranteed Securities

Leidos Holdings, Inc. ("Guarantor") has fully and unconditionally guaranteed the debt securities of its subsidiary, Leidos, Inc. ("Issuer"), that were issued pursuant to transactions that were registered under the Securities Act of 1933, as amended (collectively, the "Registered Notes"). The following is a list of the Registered Notes guaranteed by Leidos Holdings, Inc.

Senior unsecured Registered Notes:

\$500 million 3.625% notes, due May 2025
\$750 million 4.375% notes, due May 2030
\$1,000 million 2.300% notes, due February 2031
\$750 million 5.750% notes, due March 2033

Leidos Holdings, Inc. has also fully and unconditionally guaranteed debt securities of Leidos, Inc. that were issued pursuant to transactions that were not registered under the Securities Act of 1933, as amended. The following is a list of unregistered debt securities guaranteed by Leidos Holdings, Inc.

Senior unsecured unregistered debt securities issued by Leidos, Inc.:

\$250 million 7.125% notes, due July 2032
\$300 million 5.500% notes, due July 2033

Additionally, Leidos, Inc. has fully and unconditionally guaranteed debt securities of Leidos Holding, Inc. that were issued pursuant to transactions that were not registered under the Securities Act of 1933, as amended. The following is a list of unregistered debt securities guaranteed by Leidos, Inc.

Senior unsecured unregistered debt securities issued by Leidos Holdings, Inc.:

\$300 million 5.950% notes, due December 2040

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-269820 on Form S-3, Registration Statement No. 333-255849 on Form S-4 and Registration Statement Nos. 333-138095, 333-153360, 333-169693 and 333-218435 on Forms S-8, of our reports dated February 13, 2024, relating to the financial statements of Leidos Holdings, Inc., and the effectiveness of the Leidos Holdings, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K for the fiscal year ended December 29, 2023.

/s/ Deloitte & Touche LLP

McLean, Virginia
February 13, 2024

LEIDOS HOLDINGS, INC.
CERTIFICATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas A. Bell, certify that:

1. I have reviewed this Annual Report on Form 10-K of Leidos Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including the registrant's consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2024

/s/ Thomas A. Bell

Thomas A. Bell
Chief Executive Officer

LEIDOS HOLDINGS, INC.

CERTIFICATION OF EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher R. Cage, certify that:

1. I have reviewed this Annual Report on Form 10-K of Leidos Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including the registrant's consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2024

/s/ Christopher R. Cage

Christopher R. Cage

Executive Vice President and Chief Financial Officer

LEIDOS HOLDINGS, INC.
CERTIFICATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Leidos Holdings, Inc. (the "Company") on Form 10-K for the year ended December 29, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas A. Bell, Chief Executive Officer of Leidos Holdings, Inc., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 13, 2024

/s/ Thomas A. Bell

Thomas A. Bell
Chief Executive Officer

LEIDOS HOLDINGS, INC.
CERTIFICATION OF EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Leidos Holdings, Inc. (the "Company") on Form 10-K for the year ended December 29, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher R. Cage, Executive Vice President and Chief Financial Officer of Leidos Holdings, Inc., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 13, 2024

/s/ Christopher R. Cage

Christopher R. Cage
Executive Vice President and Chief Financial Officer

LEIDOS HOLDINGS, INC.
FINANCIAL RESTATEMENT COMPENSATION CLAWBACK POLICY

This Leidos Holdings, Inc. Financial Restatement Compensation Clawback Policy (“**Policy**”) has been adopted by the Human Resources and Compensation Committee of the Board of Directors (the “**Board**”) of Leidos Holdings, Inc. (the “**Company**”) on October 26, 2023. This Policy provides for the clawback of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under U.S. federal securities laws in accordance with the terms and conditions set forth herein. This Policy is intended to comply with the requirements of Section 10D of the Exchange Act (as defined below) and Section 303A.14 of the NYSE Listed Company Manual.

1. **Definitions.** For the purposes of this Policy, the following terms shall have the meanings set forth below. Capitalized terms used but not defined in this Policy shall have the meanings set forth in the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan (as may be amended from time to time).

(a) “**Committee**” means the Human Resources and Compensation Committee of the Board. If there is no Human Resources and Compensation Committee of the Board, references herein to the “Committee” shall refer to the Company’s committee of independent directors that is responsible for executive compensation decisions, or in the absence of such a compensation committee, the independent members of the Board.

(b) “**Covered Compensation**” means any Incentive-based Compensation “received” by a Covered Executive during the applicable Clawback Period; *provided that*:

(i) such Covered Compensation was received by such Covered Executive (A) on or after the Effective Date, (B) after he or she commenced service as an Executive Officer and (C) while the Company had a class of securities publicly listed on a United States national securities exchange; and

(ii) such Covered Executive served as an Executive Officer at any time during the performance period in respect of such Incentive-based Compensation.

For purposes of this Policy, Incentive-based Compensation is “received” by a Covered Executive during the fiscal period in which the Financial Reporting Measure applicable to such Incentive-based Compensation (or portion thereof) is attained, even if the payment or grant of such Incentive-based Compensation occurs thereafter.

(c) “**Covered Executive**” means any (i) current or former Executive Officer and (ii) any other employee of the Company and its subsidiaries designated by the Committee as subject to this Policy from time to time.

(d) “**Effective Date**” means the date on which Section 303A.14 of the NYSE Listed Company Manual, or such other listing standards implementing Section 10D of the Exchange Act of the national securities exchange on which the Company’s securities are listed become effective.

(e) “**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

(f) “**Executive Officer**” means, with respect to the Company, (i) its president, (ii) its principal financial officer, (iii) its principal accounting officer (or if there is no such accounting officer, its controller), (iv) any vice-president in charge of a principal business unit, division or function (such as sales, administration or finance), (v) any other officer who performs a policy-making function for the Company (including any officer of the Company’s parent(s) or subsidiaries if they perform policy-making functions for the Company), and (vi) any other person who performs similar policy-making functions for the Company. Policy-making function is not intended to include policy-making functions that are not significant.

(g) “**Financial Reporting Measure**” means any (i) measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, (ii) stock price measure or (iii) total shareholder return measure (and any measures that are derived wholly or in part from any measure referenced in clause (i), (ii) or (iii) above). For the avoidance of doubt, a Financial Reporting Measure does not need to be presented within the Company’s financial statements or included in a filing with the U.S. Securities and Exchange Commission.

(h) “**Financial Restatement**” means a restatement of the Company’s financial statements due to the material noncompliance of the Company with any financial reporting requirement under U.S. federal securities laws that is required in order to correct:

- (i) an error in previously issued financial statements that is material to the previously issued financial statements; or
- (ii) an error that would result in a material misstatement if the error were (A) corrected in the current period or (B) left uncorrected in the current period.

For purposes of this Policy, a Financial Restatement shall not be deemed to occur in the event of a restatement of the Company's financial statements due to an out-of-period adjustment or a retrospective (1) application of a change in accounting principles; (2) revision to reportable segment information due to a change in the structure of the Company's internal organization; (3) reclassification due to a discontinued operation; (4) application of a change in reporting entity, such as from a reorganization of entities under common control; or (5) revision for stock splits, reverse stock splits, stock dividends, or other changes in capital structure.

(j) **"Financial Restatement Preparation Date"** means the earlier of (i) the date that the Board (or a committee thereof, or the officer(s) of the Company authorized to take such action if Board action is not required) concludes, or reasonably should have concluded, that the Company is required to prepare a Financial Restatement, and (ii) the date on which a court, regulator or other legally authorized body causes the Company to prepare a Financial Restatement.

(k) **"Incentive-based Compensation"** means any compensation (including, for the avoidance of doubt, any cash or equity or equity-based compensation, whether deferred or current) that is granted, earned and/or vested based wholly or in part upon the achievement of a Financial Reporting Measure. For purposes of this Policy, "Incentive-based Compensation" shall also be deemed to include any amounts which were determined based on (or were otherwise calculated by reference to) Incentive-based Compensation (including, without limitation, any amounts under any long-term disability, life insurance or supplemental retirement plan or any notional account that is based on Incentive-based Compensation, as well as any earnings accrued thereon).

(l) **"NYSE"** means the New York Stock Exchange, or any successor thereof.

(m) **"Clawback Period"** means the three fiscal years completed immediately preceding the date of any applicable Financial Restatement Preparation Date. Notwithstanding the foregoing, the Clawback Period additionally includes any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years, *provided* that a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine (9) to twelve (12) months would be deemed a completed fiscal year.

2. Clawback of Erroneously Awarded Compensation.

(a) In the event of a Financial Restatement, if the amount of any Covered Compensation received by a Covered Executive (the **"Awarded Compensation"**) exceeds the amount of such Covered Compensation that would have otherwise been received by such Covered Executive if calculated based on the Financial Restatement (the **"Adjusted Compensation"**), the Company shall reasonably promptly recover from such Covered Executive an amount equal to the excess of the Awarded Compensation over the Adjusted Compensation (such excess amount, the **"Erroneously Awarded Compensation"**), subject to Section (2)(b) hereof.

(b) If the Financial Reporting Measure applicable to the relevant Covered Compensation is a stock price or total shareholder return measure (or any measure derived wholly or in part from either such measures), if the amount of such Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the Financial Restatement, then the amount of the Erroneously Awarded Compensation shall be determined based on the Company's reasonable estimate of the effect of the Financial Restatement on the Company's stock price or total shareholder return (or the derivative measure thereof) upon which such Covered Compensation was received.

(c) The amount of Erroneously Awarded Compensation shall be calculated on a pre-tax basis.

(d) For the avoidance of doubt, the Company's obligation to recover Erroneously Awarded Compensation is not dependent on (i) if or when the restated financial statements are filed; or (ii) any fault of the Covered Executive for the accounting errors leading to a restatement.

(e) Notwithstanding anything to the contrary in Sections 2(a) through (d) hereof, the Company shall not be required to recover any Erroneously Awarded Compensation in the event that (x) the conditions set forth in either of clause (i) or (ii) are satisfied and (y) the Committee (or a majority of the independent directors serving on the Board) has made a determination that recovery of the Erroneously Awarded Compensation would be impracticable:

(i) the direct expense paid to a third party to assist in enforcing the recovery of the Erroneously Awarded Compensation under this Policy would exceed the amount of such Erroneously Awarded Compensation to be recovered; *provided* that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation pursuant to this Section 2(e), the Company shall have first made a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to make such recovery, and provide that documentation to the NYSE; or

(ii) recovery of the Erroneously Awarded Compensation would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Sections 401(a)(13) or 411(a) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”).

(f) The Company shall not indemnify any Covered Executive, directly or indirectly, for any losses that such Covered Executive may incur in connection with the recovery of Erroneously Awarded Compensation pursuant to this Policy, including through the payment of insurance premiums or gross-up payments.

(g) The Committee shall determine, in its discretion, the manner and timing in which any Erroneously Awarded Compensation shall be recovered from a Covered Executive in accordance with applicable law, including, without limitation, by (i) requiring reimbursement of Covered Compensation previously paid in cash; (ii) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity or equity-based awards; (iii) offsetting the Erroneously Awarded Compensation amount from any compensation otherwise owed by the Company or any of its affiliates to the Covered Executive; (iv) cancelling outstanding vested or unvested equity or equity-based awards; and/or (v) taking any other remedial and recovery action permitted by applicable law. For the avoidance of doubt, except as set forth in Section 2(e), in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation; *provided* that, to the extent necessary to avoid any adverse tax consequences to the Covered Executive pursuant to Section 409A of the Code, any offsets against amounts under any nonqualified deferred compensation plans (as defined under Section 409A of Code) shall be made in compliance with Section 409A of the Code.

3. Administration. This Policy shall be administered by the Committee. All decisions of the Committee shall be final, conclusive and binding upon all the Company and the Covered Executives, their beneficiaries, executors, administrators and any other legal representative. The Committee shall have full power and authority to (i) administer and interpret this Policy, (ii) correct any defect, supply any omission, and reconcile any inconsistency in this Policy and (iii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of this Policy and to comply with applicable law (including Section 10D of the Exchange Act) and applicable stock market or exchange rules and regulations. Notwithstanding anything to the contrary contained herein, to the extent permitted by Section 10D of the Exchange Act and Section 303A.14 of the NYSE Listed Company Manual, the Board may, in its sole discretion, at any time and from time to time, administer this Policy.

4. Amendment/Termination. Subject to Section 10D of the Exchange Act and Section 303A.14 of the NYSE Listed Company Manual, this Policy may be amended or terminated by the Committee at any time. To the extent that any applicable law, or stock market or exchange rules or regulations require recovery of Erroneously Awarded Compensation in circumstances in addition to those specified herein, nothing in this Policy shall be deemed to limit or restrict the right or obligation of the Company to recover Erroneously Awarded Compensation to the fullest extent required by such applicable law, stock market or exchange rules and regulations. Unless otherwise required by applicable law, this Policy shall no longer be effective from and after the date that the Company no longer has a class of securities publicly listed on a United States national securities exchange.

5. Interpretation. Notwithstanding anything to the contrary herein, this Policy is intended to comply with the requirements of Section 10D of the Exchange Act and Section 303A.14 of the NYSE Listed Company Manual (and any applicable regulations, administrative interpretations or stock market or exchange rules and regulations adopted in connection therewith), and the provisions of this Policy shall be interpreted in a manner that satisfies such requirements, and this Policy shall be operated accordingly. If any provision of this Policy would otherwise frustrate or conflict with this intent, the provision shall be interpreted and deemed amended so as to avoid this conflict.

6. Other Compensation Clawback/Clawback Rights. Any right of clawback under this Policy is in addition to, and not in lieu of, any other remedies, rights, or requirements with respect to the clawback or clawback of any compensation that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, offer letter, equity award agreement or similar agreement and any other legal remedies available to the Company, as well as applicable law, stock market or exchange rules, listing standards or regulations; *provided, however*, that any amounts recouped or clawed back under any other policy shall count toward any required clawback or clawback under this Policy and vice versa.

7. Exempt Compensation. Notwithstanding anything to the contrary herein, the Company has no obligation to seek clawback of amounts paid to a Covered Executive which are granted, vested or earned based solely upon the occurrence or non-occurrence of nonfinancial events. Such exempt compensation includes, without limitation, base salary, time-vesting awards, compensation awarded on the basis of the achievement of metrics that are not Financial Reporting Measures or compensation awarded solely at the discretion of the Committee or the Board, *provided*, that such amounts are in no way contingent on the achievement of any Financial Reporting Measure.

8. Miscellaneous.

(a) Any applicable award agreement or other document setting forth the terms and conditions of any compensation covered by this Policy shall be deemed to include the restrictions imposed herein and incorporate this Policy by reference and, in the event of any inconsistency, the terms of this Policy will govern. For the avoidance of doubt, this Policy applies to all compensation that is received on or after the Effective Date, regardless of the date on which the award agreement or other document setting forth the terms and conditions of the Covered Executive's compensation became effective.

(b) This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

(c) All issues concerning the construction, validity, enforcement and interpretation of this Policy and all related documents, including, without limitation, any employment agreement, offer letter, equity award agreement or similar agreement, shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

(d) The Covered Executives, their beneficiaries, executors, administrators, and any other legal representative and the Company shall initially attempt to resolve all claims, disputes or controversies arising under, out of or in connection with this Policy by conducting good faith negotiations amongst themselves. To ensure the timely and economical resolution of disputes that arise in connection with this Policy, the federal and state courts sitting within the Commonwealth of Virginia shall be the sole and exclusive forums for any and all disputes, claims, or causes of action arising from or relating to the enforcement, performance or interpretation of this Policy. The Covered Executives, their beneficiaries, executors, administrators, and any other legal representative and the Company, shall not commence any suit, action or other proceeding arising out of or based upon this Agreement except in the United States District Court for the Eastern District of Virginia or any Virginia court, and hereby waive, and agree not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that such party is not subject to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Policy or the subject matter hereof may not be enforced in or by such courts. The Covered Executives, their beneficiaries, executors, administrators, and any other legal representative, and the Company, shall waive the right to resolve any such dispute through a trial by jury.

(e) If any provision of this Policy is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.