

## **Information Regarding Tax Basis for the Distribution of Science Applications International Corporation Common Stock and the Leidos Holdings, Inc. Reverse Stock Split as of September 27, 2013**

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If you did not receive either the Distribution (defined below) of Science Applications International Corporation common stock on September 27, 2013 or own shares of Leidos Holdings, Inc. (FKA SAIC, Inc.) common stock as of the effective time of the Reverse Stock Split (defined below) on September 27, 2013, you may disregard this notice. Additionally, this notice does not apply to shares of Leidos Holdings, Inc. common stock sold, exchanged or otherwise disposed of prior to the time of the Distribution.

On September 27, 2013, at 11:59 p.m., SAIC, Inc., a Delaware corporation ("SAIC"), distributed (the "Distribution") its outstanding shares of common stock of SAIC Gemini, Inc., a Delaware corporation ("SAIC Gemini"), to the holders of record of SAIC common stock that were issued and outstanding as of 5:00 p.m. Eastern Time on September 19, 2013 (each a "SAIC Shareholder"). As a result of the Distribution, each SAIC Shareholder was entitled to receive one share of SAIC Gemini common stock for every seven outstanding shares of SAIC common stock held by such SAIC Shareholder as of the record date. SAIC Shareholders received or will also receive cash in lieu of any fractional share of SAIC Gemini common stock resulting from the Distribution.

Immediately following the Distribution, SAIC effectuated an exchange of the shares of SAIC's common stock, \$0.0001 par value per share for shares of the SAIC's common stock, 0.0001 par value per share in connection with the its one-for-four reverse stock split (the "Reverse Stock Split.")

After the effective time of the Distribution, but prior to the opening of the market on September 30, 2013, SAIC changed its name to Leidos Holdings, Inc. ("Leidos") and SAIC Gemini, Inc. changed its name to Science Applications International Corporation ("New SAIC"). Going forward, the name changes have been reflected below. Prior to the name change, shares of Leidos common stock traded under the ticker symbol "SAI," but following the name change such securities began to trade under the ticker symbol "LDOS" and shares of New SAIC common stock trade under the ticker symbol "SAIC." Leidos Shareholders will be required to allocate the aggregate tax basis in their Leidos common stock held immediately prior to the Distribution among the shares of New SAIC common stock received (including the fractional share for which cash was received) in the Distribution and their shares of Leidos common stock. The excess of the cash received in lieu of a fraction of a share of New SAIC common stock over the basis allocable to such fractional share will be treated as proceeds from the sale of stock.

Following the consummation of the spin-off, irrespective of the Reverse Stock Split, a SAIC Shareholder will own 1 share of Leidos (LDOS) common stock and 0.1429 of a share of New SAIC (SAIC) common stock for every share of Leidos (SAI) common stock owned as of the close of business on September 19, 2013. In addition, a SAIC Shareholder may receive cash in lieu of any fractional shares of New SAIC common stock.

### **CONSULT YOUR TAX ADVISOR**

**The information contained herein provides a general summary regarding the application of certain provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code") and the Treasury regulations thereunder (the "Regulations") relating to the allocation of tax basis among a shareholder's Leidos and New SAIC common stock following the Distribution and the Reverse Stock Split. The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. Leidos does not provide tax advice to its shareholders. The example provided**

below is provided solely for illustrative purposes and as a convenience to shareholders and their tax advisors when establishing their specific tax position. You are urged to consult your own tax advisor regarding the particular consequences of the Distribution to you, including the applicability and effect of all U.S. Federal, state and local and foreign tax laws. We urge you to read the Information Statements for Science dated September 27, 2013 under the heading “The Spin-Off—U.S. Federal Income Tax Consequences of the Spin-Off.” You may access the Final Information Statement at our website at:

<http://investors.leidos.com/phoenix.zhtml?c=193857&p=irol-IRHome>.

If you did not receive the Distribution of New SAIC common stock on September 27, 2013 or own shares as of the effective time of the Reverse Stock Split, this information does not apply to you.

## TAX BASIS INFORMATION

As described in the Final Information Statement, Leidos shareholders will be required to allocate the aggregate tax basis in their shares of Leidos common stock held immediately before the Distribution among the shares of New SAIC common stock received in the Distribution and their shares of Leidos common stock.

In general, a shareholder’s aggregate tax basis in his or her shares of Leidos common stock held immediately prior to the Distribution should be allocated in proportion to the relative fair market value of the New SAIC common stock and the Leidos common stock held immediately after the Distribution under Code section 358. Shareholders that acquired Leidos common stock at different times or different prices will need to calculate their tax basis in each block of Leidos common stock and then allocate the basis in separate blocks of Leidos stock to separate blocks of New SAIC common stock.

Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the facts. U.S. federal income tax law does not specifically prescribe how you should determine the fair market values of the Leidos common stock or the New SAIC common stock for purposes of allocating your tax basis. You should consult your tax advisor to determine what measure of fair market value is appropriate.

One possible approach to determining the fair market value of the Leidos common stock and the New SAIC common stock may be to use (i) the New York Stock Exchange “when issued” closing price of \$44.15 per share of Leidos common stock on September 27, 2013, and (ii) the New York Stock Exchange “when issued” closing price of \$35.25 per share of New SAIC common stock on September 27, 2013.

In order to allocate basis in proportion to the relative fair market value of the New SAIC common stock received in the Distribution and each share of Leidos common stock, you must divide the \$35.25 closing price per share of New SAIC stock by seven (7) to arrive at a value of \$5.0357 for each fractional share of New SAIC common stock received with respect to a share of Leidos common stock. Further, as a result of the Reverse Stock Split immediately following the Distribution on September 27, 2013, you must divide the \$44.15 closing price per share of Leidos common stock by four (4) to arrive at a post-Distribution value of \$11.0375 for each share of Leidos common stock on which the Distribution was made.

Based on such amounts, the relative value of the shares of Leidos common stock and New SAIC common stock is as follows:

$$\text{Leidos: } \frac{(\$44.15 / 4)}{((\$44.15 / 4) + (\$35.25 / 7))} = 68.67\%$$

$$\text{New SAIC: } \frac{(\$35.25 * / 7)}{((\$44.15 / 4) + (\$35.25 / 7))} = 31.33\%$$

Under this approach, 68.67% of a Leidos shareholder's tax basis in a share or block of Leidos common stock prior to the Distribution would be allocated to such shareholder's share or block of Leidos common stock, respectively, and 31.33% would be allocated to such shareholder's fractional share or shares of New SAIC common stock received with respect to such share or block of Leidos common stock, respectively. Other approaches to determine fair market value may also be possible, and you should determine, in consultation with your tax advisor, what approach to use in determining fair market values for Leidos shares and New SAIC shares.

As a result of the Reverse Stock Split, a Leidos shareholder's tax basis in a share of Leidos common stock will generally equal four times the amount of tax basis in a share of Leidos common stock held immediately after the Distribution but prior to the Reverse Stock Split. Shareholders that acquired Leidos common stock at different times or different prices will need to calculate their tax basis in each block of Leidos common stock and then allocate the basis in separate blocks of Leidos common stock held immediately after the Distribution to separate blocks of Leidos common stock held immediately after the Reverse Stock Split.

Leidos shareholders generally will not recognize gain or loss for U.S. federal income tax purposes in the Distribution or Reverse Stock Split, except to the extent of cash received in lieu of fractional shares in the Reverse Stock Split. In the Distribution, the receipt by a Leidos shareholder of cash in lieu of fractional shares of New SAIC stock will be treated for U.S. federal income tax purposes as if the fractional shares had been distributed to a Leidos shareholder pursuant to the Distribution and then disposed of by such shareholder for the amount of such cash received in a sale or exchange. The gain or loss, if any, should be determined using the basis allocated to the fractional shares as described herein. Shareholders receiving cash in lieu of fractional shares would need to decrease their aggregate tax basis allocated to shares of New SAIC common stock received in the Distribution by the basis allocated to fractional shares exchanged.

Further, in the Reverse Stock Split, the receipt by a Leidos shareholder of cash in lieu of fractional shares of Leidos common stock will be treated for U.S. federal income tax purposes as if the fractional shares had been distributed to a Leidos shareholder pursuant to the Reverse Stock Split and then disposed of by such shareholder for the amount of cash received in a sale or exchange. The gain or loss, if any, should be determined using the basis allocated to the fractional shares as described herein. The gain or loss, if any, should be determined using the basis allocated to the fractional shares as described herein. Shareholders receiving cash in lieu of fractional shares would need to decrease their aggregate post-Distribution tax basis allocated to shares of Leidos common stock received in the Reverse Stock Split by the basis allocated to fractional shares exchanged.

Following is an example of how the basis allocation would be so applied:

Assumptions:

- Shares of Leidos common stock owned before Reverse Stock Split 700
- Shareholder's tax basis in the 700 shares of Leidos common stock \$5,400
- Shares of New SAIC common stock received in the Distribution 100
- Shares of Leidos common stock following the Distribution but prior to the Reverse Stock Split 700
- Shares of LHI Leidos common stock following the Reverse Stock Split (700 shares divided by four) 175\*

Tax Basis Allocation:

	# Shares Owned Following Reverse Stock Split	Closing Price	Fair Market Value (Closing price * #Shares)	Percentage of Total Fair Market Value	Allocated Tax Basis
LDOS	175	\$44.15	\$7,726.25	68.67%	\$3,708.18
SAIC	100	\$35.25	\$3,525.00	31.33%	\$1,691.82
Total			<b>\$11,251.25</b>		<b>\$5,400.00</b>

\* In the Reverse Stock Split, shareholders of Leidos stock may receive cash in lieu of fractional shares. Accordingly, the aggregate basis in a shareholder's post-Reverse Stock Split shares of Leidos common stock may need to be adjusted for the basis allocated to a fractional share that is exchanged for cash.

Please note that some brokerage houses might not use the information provided in this document, and the information is only provided as an example of one potential method. There are various ways brokerage houses may calculate the cost basis, including but not limited to September 27, 2013 opening, closing, or average prices. Please contact your individual brokerage house to determine which calculation they may have used and contact your tax advisor for additional information and clarification.

**INFORMATION REQUIRED UNDER CODE SECTION 6045B**

Code Section 6045B and the Regulations thereunder provide that effective January 1, 2011, corporations that engage in certain actions that affect the basis of their stock have 45 days after the date of such action to file with the Internal Revenue Service ("IRS") an information return describing, among other things, the action and the action's quantitative effect on the basis of their stock. As an alternative to filing this information return with the IRS, an issuer may post the information return to its public website. Although the Code and Regulations contemplate a specific form of the information return, the IRS has not yet provided such form. Nonetheless, the information below is being provided to comply with Code Section 6045B to the extent possible with respect to the Distribution and Reverse Stock Split.

Reporting issuer Reg. § 1.6045B-1(a)(1)(i)	Leidos Holdings, Inc. Taxpayer Identification # 20-3562868
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<p>Security identifiers Reg. § 1.6045B-1(a)(1)(ii)</p>	<p>Leidos Holdings, Inc Common Stock CUSIP # 525327102 Ticker Symbol: LDOS</p> <p>Science Applications International Corporation Common Stock CUSIP # 808625107 Ticker Symbol: SAIC</p>
<p>Contact at reporting issuer Reg. § 1.6045B-1(a)(1)(iii)</p>	<p>John P. Sweeney Investor Relations Leidos Holdings, Inc. 11951 Freedom Drive Reston, VA 20190 ir@leidos.com (571) 526-6402</p>
<p>Information about action Reg. § 1.6045B-1(a)(1)(iv)</p>	<p>Distribution of the common stock of New SAIC by Leidos following the closing of the market on September 27, 2013 at 11:59:00 p.m., Eastern Time.</p> <p>Reverse Stock Split of Leidos common stock effective as of September 27, 2013 11:59:01p.m., Eastern Time.</p>
<p>Effect of the action Reg. § 1.6045B-1(a)(1)(v)</p>	<p>As a result of the Distribution, Leidos shareholders will be required to allocate the aggregate tax basis in their Leidos common stock held immediately before the Distribution among the shares of New SAIC common stock received in the Distribution (including any fractional share interest in New SAIC stock for which cash is received) and their shares of Leidos common stock held immediately after the Reverse Stock Split (including any fractional share interest in Leidos common stock for which cash is received). In general, a shareholder's aggregate tax basis in his or her shares of Leidos common stock held immediately prior to the Distribution should be allocated in proportion to the relative fair market value of the New SAIC common stock and the Leidos common stock held after the Distribution under Code Section 358.</p> <p>As a result of the Reverse Stock Split, a Leidos shareholder's tax basis in a share of Leidos common stock will generally equal four times the tax basis in a share of Leidos common stock after the Distribution but prior to the Reverse Stock Split under Code Section 358.</p> <p>For additional information on the quantitative effect of the Distribution and Reverse Stock Split on the basis of Leidos common stock and an example of a detailed calculation for determining basis, please see the discussion above under "Tax Basis Information."</p> <p>Leidos shareholders generally will not recognize gain or loss for U.S. federal income tax purposes in the Distribution or Reverse Stock Split, except to the extent of cash received in lieu of fractional shares in the Reverse Stock Split.</p>

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**IRS Circular 230 disclosure:** To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this communication was not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under federal, state or local tax law or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

STATEMENT PURSUANT TO TREAS. REG. § 1.355-5(b)

BY \_\_\_\_\_, A SIGNIFICANT DISTRIBUTE

On September 27, 2013, at 11:59 p.m., Leidos Holdings, Inc. (f/k/a SAIC, Inc.) (FEIN 20-3562868), a Delaware corporation ("Leidos"), distributed (the "Distribution") its outstanding shares of common stock of Science Application International Corporation (f/k/a SAIC Gemini, Inc.) (FEIN 46-1932921), a Delaware corporation ("New SAIC"), to the holders of record of Leidos common stock that were issued and outstanding as of 5:00 p.m. Eastern Time on September 19, 2013 (the "Record Date"). After the effective time of the Distribution, but prior to the opening of the Market on September 30, 2013, SAIC Inc. changed its name to Leidos Holding, Inc. and SAIC Gemini, Inc. changed its name to Science Applications International Corporation. As a result of the Distribution, each holder of record of shares of Leidos common stock as of the Record Date was entitled to receive one share of New SAIC common stock for every seven outstanding shares of Leidos common stock held by such shareholder as of the Record Date. Leidos shareholders received or will also receive cash in lieu of any fractional share of New SAIC common stock resulting from the Distribution.

1. Name, address and employer identification number of the distributing corporation:

Leidos Holdings, Inc. (f/k/a SAIC, Inc.)  
11951 Freedom Drive  
Reston, VA 20190  
EIN: 20-3562868

2. Name, Address and employer identification number of the controlled corporation:

Science Applications International Corporation (f/k/a SAIC Gemini, Inc.)  
1710 SAIC Drive  
McLean, VA 22102  
EIN: 46-1932921

3. The undersigned was a shareholder owning Leidos common stock as of the Record Date and received shares of New SAIC common stock, par value \$0.0001 per share, in the Distribution. The undersigned received cash in lieu of a fractional share of New SAIC common stock, which fractional shares were aggregated and sold by the distribution agent. The aggregate fair market value of the New SAIC common stock and cash received by the shareholder was \$\_\_\_\_\_.
4. The undersigned did not surrender any stock or securities in Leidos in connection with the Distribution.
5. The Distribution is a transaction that is described under Section 355 of the Internal Revenue Code of 1986, as amended.

\_\_\_\_\_  
Shareholder's Name (please print)

\_\_\_\_\_  
Shareholder's Signature

\_\_\_\_\_  
Taxpayer Identification Number or Social Security Number

**THIS STATEMENT SHOULD BE ATTACHED TO YOUR 2013 U.S. FEDERAL INCOME TAX RETURN. CONSULT YOUR TAX ADVISOR. IT SHOULD NOT BE SENT TO LEIDOS HOLDING, INC. OR SCEINCE APPLICATIONS INTERNATIONAL CORPORATION.**