

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

Form 10-K

(Mark One)

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

For the fiscal year ended January 31, 2014

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	Exact Name of Registrant as Specified in its Charter, Address of Principal Executive Offices and Telephone Number	State or jurisdiction of Incorporation	I.R.S. Employer Identification No.
001-33072	Leidos Holdings, Inc. 11951 Freedom Drive, Reston, Virginia 20190 (571) 526-6000	Delaware	20-3562868
000-12771	Leidos, Inc. 11951 Freedom Drive, Reston, Virginia 20190 (571) 526-6000 Securities registered pursuant to Section 12(b) of the Act:	Delaware	95-3630868
	<u>Title of each class</u> Leidos Holdings, Inc. Common Stock, Par Value \$.0001 Per Share Securities registered pursuant to Section 12(g) of the Act: None	<u>Name of each exchange on which registered</u> New York Stock Exchange	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Leidos Holdings, Inc. Yes No

Leidos, Inc. 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.

Leidos Holdings, Inc. Yes No

Leidos, Inc. 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.

Leidos Holdings, Inc. Yes No

Leidos, Inc. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Leidos Holdings, Inc. Yes No

Leidos, Inc. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (\$229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Leidos Holdings, Inc. Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Leidos, Inc. Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Leidos Holdings, Inc. Yes No

Leidos, Inc. Yes No

As of August 2, 2013, which was the last business day of the registrant's most recently completed second fiscal quarter and prior to the separation transaction described herein, 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 \$5,324,836,935.

The number of shares issued and outstanding of each registrant's classes of common stock as of March 18, 2014 was as follows:

Leidos Holdings, Inc.	79,070,415 shares of common stock (\$.0001 par value per share)
Leidos, Inc.	5,000 shares of common stock (\$.01 par value per share) held by Leidos Holdings, Inc.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Leidos Holdings, Inc.'s definitive Proxy Statement for the 2013 Annual Meeting of Stockholders are incorporated by reference in Part III of this Annual Report on Form 10-K.

Explanatory Note

This Annual Report on Form 10-K is a combined report being filed by Leidos Holdings, Inc. ("Leidos") and Leidos, Inc. Leidos is a holding company and Leidos, Inc. is a direct, 100%-owned subsidiary of Leidos. Each of Leidos and Leidos, Inc. is filing on its own behalf all of the information contained in this report that relates to such company. Where information or an explanation is provided that is substantially the same for each company, such information or explanation has been combined in this report. Where information or an explanation is not substantially the same for each company, separate information and explanation has been provided. In addition, separate consolidated financial statements for each company, along with combined notes to the consolidated financial statements, are included in this report. Unless indicated otherwise, references in this report to the "Company", "we", "us" and "our" refer collectively to Leidos Holdings, Inc., Leidos, Inc. and its consolidated subsidiaries. Unless otherwise noted, references to years are for fiscal years ended January 31. For example, we refer to the fiscal year ended January 31, 2014 as "fiscal 2014".

LEIDOS HOLDINGS, INC.
LEIDOS, INC.
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Item 1. Business**Our Company**

Leidos Holdings, Inc. (Leidos), formerly known as SAIC, Inc., is a holding company. Its principal operating company, Leidos, Inc. (formerly known as Science Applications International Corporation) was formed in 1969 by a small group of scientists led by physicist Dr. Robert Beyster. Since our founding 45 years ago, we have applied our expertise in science, research and engineering in rapidly evolving technologies and markets to solve complex problems of national concern.

Leidos is an applied technology company delivering solutions and services that leverage the power of data analytics, systems integration, and cybersecurity across three markets: national security, health, and engineering. Our services are provided to agencies of the U.S. Department of Defense (DoD), the intelligence community, the U.S. Department of Homeland Security, and other U.S. Government civil agencies, state and local government agencies, foreign governments and customers across a variety of commercial markets. By leveraging our expertise in multiple disciplines and using advanced analytics, we work to securely deliver solutions that not only meet our customers' current goals, but to support their future endeavors. With a focus on delivering mission-critical solutions, we generate over 78% of our total revenues from U.S. government contracts. A majority of that work supports the U.S. intelligence community.

On September 27, 2013, Leidos completed the spin-off of our technical services and enterprise information technology services business into an independent, publicly traded company. As part of the spin-off, we changed our name to Leidos, and the spin-off company assumed the name Science Applications International Corporation (referred to herein as "New SAIC"). The spin-off was designed to allow us to expand the addressable market for our offerings that were previously constrained by regulations governing organizational conflicts of interest, which generally prohibit companies from selling products to the U.S. Government under a particular program if the company also provides certain services under the same program. In addition, the discrete services business that is now part of New SAIC had different financial and operational requirements than our other business, and the spin-off allows us to better focus management's attention on our core businesses. As a result of the spin-off, the assets, liabilities, results of operations and cash flows of New SAIC have been classified as discontinued operations for all periods presented. References to financial data are our continuing operations, unless otherwise noted. Immediately following the spin-off, Leidos effectuated a one-for-four reverse stock split of its shares of common stock. Each reference to the number of shares outstanding or per share amounts has been adjusted to reflect the reverse stock split for all periods presented.

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.

We use the terms "Company," "we," "us," and "our" to refer collectively to Leidos Holdings, Inc., Leidos, Inc., and its consolidated subsidiaries. Unless otherwise noted, references to years are for fiscal years ended January 31. For example, we refer to the fiscal year ended January 31, 2013 as "fiscal 2013".

Our Business Segments

Our business is aligned into three reportable segments: Health and Engineering (HES); National Security Solutions (NSS); and Corporate and Other. While each reportable segment is organized around the markets served and the nature of the products and services provided to customers in those markets, we provide a wide array of scientific, engineering, and technical services and solutions across these reportable segments.

Health and Engineering

Our Health and Engineering businesses are using our knowledge and experience in technology and innovation. Major customers of Health and Engineering primarily include the U.S. federal government, state and local governmental agencies, foreign governments and commercial enterprises in various industries. Health and Engineering represented 30%, 28% and 28% of total revenues for fiscal 2014, 2013, and 2012, respectively.

Our Health business provides services and solutions to commercial hospitals and the Department of Defense as well as conducting research and development for U.S. Government and Commercial enterprises in the life sciences field. Our healthcare business is focused on improving the overall availability and quality of data and services that ultimately improves the quality of care while lowering cost for our customers.

- **Commercial Health** - We implement and optimize Electronic Health Record (EHR) systems at commercial hospitals. In addition, we provide consulting services and operational support focused on high-level initiatives including health care legislation for Meaningful Use and ICD-10 transition, IT strategy, revenue cycle management, accountable care transformation, risk management, technology infrastructure, and project management. Our teams are staffed with clinical subject matter experts who draw upon their deep experienced and knowledge of healthcare and IT systems. In this rapidly changing environment, our teams provide adaptable solutions in healthcare IT to help our customers improve the effectiveness and efficiency of health care.
- **Federal Health** - We developed, fielded and currently maintain a full end-to-end EHR system and numerous behavior health services - healthcare beyond the clinic - for the Department of Defense. Within the DoD, we serve the Defense Health Agency, which provides healthcare to active duty and retired military personnel and their dependents. We strive to improve the availability, quality, and cost effectiveness of healthcare for our military service members and their families.
- **Life Sciences** - We provide Life Science research and development support to the National Institute of Health, Army Medical Research community, commercial biotech companies and the Frederick National Laboratory for Cancer Research where we employ about 1,800 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.

Our Engineering business leverages technology and skills in process engineering, engineering design and systems integration to create innovative and cost effective solutions for our customers. We carry out our engineering business in five key areas of expertise:

- **Process Industries Engineering** - We provide process industries engineering services and solutions to a large US market for capital improvement programs for key clients across a number of industries, including mid-tier refineries and large industrial companies. We exploit use of Building Information Modeling as a design tool and to manage the complexities of the systems we design and build. Our leadership in the use of these tools allows us to manage and design complex process systems as efficiently as possible.
- **Security Products** - We provide security products, services and solutions that leverage our design, integration and process engineering technologies to build small footprint, minimally-intrusive secure commerce systems for our customers. Our VACIS systems enable the rapid scanning of vehicles and cargo using patented technology that produces a high-quality image using a low radiation dose while using less space and processing higher volumes of cars and trucks than other scanning systems. Our Reveal line of explosive detection systems for checked airline baggage pioneered the "reduced size" segment of this market, with small, flexible systems that can be installed at airport check-in counters. We also have a line of Exploranium radiation detection systems, which are used today at ports, border crossings, and industrial facilities around the world - including most ports and border crossings in the United States.
- **Power Grid Engineering** - We provide power grid engineering services and solutions to a broad customer set and have unique offerings including a smart grid as a service solution. We are working with energy companies to develop analytical products that fully exploit the data enabled by smart grid technology. We provide engineering and consulting to electric utilities and transmission companies. Our focus is on

engineering design of the grid from distribution through transmission, and significant substation design and upgrade work. We also administer energy efficiency programs for states and utilities and provide an array of consulting services for utilities.

- **Federal Environmental and Engineering** - We provide consulting and engineering, primarily for the Department of Defense (DoD). We support the requirements of the National Environmental Policy Act (NEPA) as well as other permitting activities. We also have specialty consulting associated with specific environmental issues, such as underwater environmental issues, radiologic clean up, risk assessment training ranges and other specific needs. We support site cleanup and remediation efforts. The other portion of this business is engineering design and build, where we design high-content facilities such as unique testing facilities and training centers.
- **Transaction and Valuation Consulting** - We provide transaction and asset valuation services for the power industry. Our primary customers are the large lending institutions that require a comprehensive assessment of proposed projects for financing. Our analysts study technologies, designs, operational plans, fuel needs and financial trends in power markets to evaluate the viability of projects. We also provide oversight work at projects site on behalf of lenders or owners.

National Security Solutions

National Security Solutions provides solutions and systems for air, land, sea, space and cyberspace for the U.S. intelligence community, the DoD, the military services, the U.S. Department of Homeland Security and government agencies of U.S. allies abroad. Our solutions deliver technology, large scale intelligence systems, command and control, data analytics, cyber solutions, and intelligence analysis and operations support to critical missions around the world. Major customers of National Security Solutions include national and military intelligence agencies, and other federal, civilian and commercial customers in the national security complex. National Security Solutions represented 70%, 72% and 79% of total revenues for fiscal 2014, 2013 and 2012, respectively.

We are redeploying our investments in business development to broaden our national security customer base in areas that were previously constrained by organizational conflict of interest regulations and which are now available to us as a result of the spin-off of New SAIC. While this investment will take time to develop, we are committed to moving a larger portion of our business to the longer term procurement accounts in the defense budget. Our national security business is focused on rapidly providing agile, cost effective solutions to the ever changing missions of our customers in the areas of technology, intelligence and cybersecurity.

- **Technology** - We have a history of successfully delivering a wide range of technology capabilities rapidly to the field. We provide solutions for the arms control and the intelligence agencies and the DoD service arms, including the Defense Advanced Research Projects Agency (DARPA). This group focuses largely on distributed autonomous capabilities and systems, tying software and data capabilities together. We were an early developer of the first full spectrum ISR capability and placed it in theater during recent conflicts.
- **Intelligence** - We offer intelligence services and solutions and are deeply embedded in our customer's most important missions. We provide systems development and operations support around the globe. We have over a decade of experience dealing with large data ingest, structured and unstructured data, modern cloud processing tools and agile development. We are supporting the army's migration of intelligence applications and infrastructure into the cloud and provide cloud computing architectures to the intelligence and the defense communities.
- **Cybersecurity** - We offer high-end cybersecurity solutions that detect and manage the most sophisticated cyber threats. Our solutions include key management systems to protect transmitted data, development tools to exploit cyber intelligence, and programs to build comprehensive situational awareness on our nation's military and intelligence networks.

Corporate and Other

The Corporate and Other business segment includes the operations of various corporate activities, certain expense items that are not reimbursed by our U.S. Government customers and certain other revenue and expense items excluded from a reportable segment's performance. Corporate and Other represented an immaterial percentage of revenue for fiscal 2014 and fiscal 2013. The Corporate and Other segment in fiscal 2012 represented a negative

percentage of revenue of 7% primarily due to a revenue adjustment related to \$540 million loss provision recorded in connection with the resolution of the CityTime matter.

For additional information regarding our reportable segments, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II and Note 16 of the combined notes to consolidated financial statements contained within this Annual Report on Form 10-K.

Acquisitions

During the last five fiscal years, we have completed 13 acquisitions, most notably:

- In fiscal 2014, we gained 100% control of a special purpose limited liability company, Plainfield Renewable Energy LLC (Plainfield), formed to create a renewable energy project. The Plainfield Renewable Energy Project involves the design, construction, and financing of a 37.5 megawatt biomass-fueled power plant in Plainfield, Connecticut. The acquisition was effected by a consensual foreclosure agreement pursuant to which the project owners agreed to transfer to us all of their equity interest in Plainfield in full satisfaction of certain secured obligations owed by the project owner to us. The foreclosure agreement constituted a change in control and was accounted for as a business combination.
- In fiscal 2013, we acquired maxIT Healthcare Holdings, Inc. (maxIT), a provider of clinical, business and information technology services primarily to commercial hospital groups and other medical delivery organizations. This acquisition by our Health and Engineering segment expanded our commercial consulting practice in Electronic Health Record (EHR) implementation and optimization and strengthened our capabilities to provide these services to our federal healthcare customers as those customers migrate to commercial off-the-shelf EHR applications.
- In fiscal 2012, we acquired Vitalize Consulting Solutions, Inc. (Vitalize), a provider of clinical, business and information technology services for healthcare enterprises. This acquisition by our Health and Engineering segment expanded our capabilities in both federal and commercial markets to help customers address EHR implementation and optimization demand.
- In fiscal 2011, we acquired Cloudshield Technologies, Inc. (Cloudshield) a provider of cybersecurity and management services solutions. This acquisition by our National Security Solutions segment was intended to enhance our cybersecurity offerings and positions to bring to market deep packet inspection solutions for high speed networks, enabling us to better meet emerging customer requirements. We also acquired Reveal Imaging Technologies, Inc. (Reveal), a provider of threat detection products and services. This acquisition by our Health and Engineering segment enhanced our homeland security solutions portfolio by adding U.S. Transportation Security Administration certified explosive detection systems for checked baggage screening to our passenger and cargo inspections systems product offerings.
- In fiscal 2010, we acquired R.W. Beck Group, Inc., a provider of business, engineering, energy and infrastructure consulting services. This acquisition by our Health and Engineering segment both enhanced our existing capabilities and offerings in the areas of energy and infrastructure consulting services and provided new capabilities and offerings in disaster preparedness and recovery services. We also acquired Science, Engineering and Technology Associates Corporation, a provider of intelligence, surveillance and reconnaissance information technologies. This acquisition by our National Security Solutions segment enhanced our service offerings and capabilities by adding technologies used to detect if an individual is concealing explosive devices or other hidden weapons.

Dispositions

From time to time, we divest or management may commit to plans to divest of non-strategic components of our business. During the last five fiscal years, our most notable dispositions included:

- In fiscal 2014, we committed to plans to dispose of Cloudshield, which was historically included in our National Security Solutions segment, primarily focused on producing a suite of cybersecurity hardware and associated software and services.

- In fiscal 2013, we completed the sale of certain components of our business, which were historically included in our Health and Engineering segment, primarily focused on providing operational test and evaluation services to U.S. Government customers.
- In fiscal 2012, we completed the sale of certain components of our business which were historically included in our Health and Engineering segment, primarily focused on providing information technology services to international oil and gas companies.

Key Customers

Substantially all of our revenues are generated in the United States. Our total revenues are largely attributable to prime contracts or to subcontracts with other contractors engaged in work for the U.S. Government, with remaining being 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, research agencies like the Defense Advanced Research Projects Agency (DARPA), the Department of Homeland Security, NASA and others.

The percentage of total revenues for the U.S. Government its agencies and other customers comprising more than 10% of total revenues for each of the three years ended January 31, 2014 were as follows:

	Year Ended January 31		
	2014	2013	2012
U.S. Government	78%	81%	83%
U.S. DoD	68%	69%	72%
U.S. Army	19%	23%	25%

These customers have a number of subsidiary agencies which 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.

Employees and Consultants

As of January 31, 2014, we employed approximately 22,000 full and part-time employees. We also utilize consultants to provide specialized technical and other services on specific projects. The experience and expertise of our employees makes Leidos capable of solving the most daunting problems facing our customers. More than 40% of our employees have greater than five years of service with our company and more than 10,400 Leidos employees possess DoD, TS/SCI, SAP/SAR, and DoE security clearances.

The highly technical and complex services and products that we provide are dependent upon the availability of professional, administrative and technical personnel having high levels of training and skills and, in many cases, security clearances. Due to the increased competition for qualified personnel, we have experienced and may continue to face difficulties in attracting and retaining employees. We intend to continue to devote significant resources to recruit, develop and retain qualified employees.

Leidos has a framework of values, beliefs, and expectations that guide the company's employees. The company has three tenants that define the actions and behaviors of its employees:

- Employees are inspired to make a difference. We solve the world's toughest problems; connect cross-enterprise knowledge and technology; and unlock creativity and innovation by embracing differences.
- Employees are passionate about customer success. We make customer needs our own; create market-leading solutions; and deliver superior results.
- Employees are united as a team. We behave with ethics and integrity; trust one another; collaborate and share ideas; and create value for our employees, shareholders and communities.

Research and Development

We conduct research and development activities under customer-funded contracts and with company-funded internal research and development (IR&D) funds. IR&D efforts consist of projects involving basic research, applied research, development, and systems and other concept formulation studies. IR&D expenses are included in selling, general and administrative expenses and are generally allocated to U.S. Government contracts. In fiscal 2014, 2013, and 2012, our company-funded IR&D expense was \$45 million, \$47 million, and \$74 million, respectively. We charge expenses for research and development activities performed under customer contracts directly to cost of revenues for those contracts.

Patents and Proprietary Information

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 by copyrights, trade secrets, licenses, contracts and other means. We selectively pursue opportunities to license or transfer our technologies to third parties.

In connection with the performance of services, 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 may also have certain rights to the programs and products that we develop under the subcontract.

Competition

Competition for contracts is intense, and we often compete against a large number of established multinational corporations that may have greater name and brand recognition, financial resources, and larger technical staffs. We also compete against smaller, more specialized companies that concentrate their resources on particular areas, as well as 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. We believe that our principal competitors currently include the following companies:

- the engineering and technical services divisions of large defense contractors that provide U.S. Government IT services in addition to other hardware systems and products, including companies such as The Boeing Company, General Dynamics Corporation, Lockheed Martin Corporation, Northrop Grumman Corporation, BAE Systems plc, L-3 Communications Corporation and Raytheon Company;
- contractors focused principally on technical services, including U.S. Government IT services, such as Booz Allen Hamilton Inc., Engility Holdings, Inc., CACI International Inc, ManTech International Corporation, Serco Group plc, SRA International, Inc. and MITRE Corporation;
- diversified commercial and U.S. Government IT providers, such as Accenture plc, Computer Sciences Corporation, HP Enterprise Services, International Business Machines Corporation and Unisys Corporation;
- contractors that provide engineering, consulting, design and construction services, such as Jacobs Engineering Group, URS Corporation, KBR, Inc. and CH2M Hill Companies Ltd.;
- contractors focused on supplying homeland security product solutions, including American Science and Engineering, Inc., OSI Systems, Inc., L-3 Communications Corporation, General Electric Company and Smiths Group plc; and
- contractors providing supply chain management and other logistics services, including Agility Logistics Corp.

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, and the size and geographic presence of our company.

The U.S. Government has indicated that it intends to increase competition for future procurement of products and services, which has led to fewer sole source awards and more emphasis on cost-competitiveness and affordability. In addition, procurement initiatives to improve efficiency, refocus priorities, and enhance best practices could result in fewer new opportunities for our industry as a whole, which would intensify competition within the industry as companies compete for a more limited set of new programs.

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:

- **Single Award Contracts.** U.S. Government agencies may procure services and products through single 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 process of issuing solicitations or request for proposals and evaluating contractor bids requires the agency to maintain a large, professional procurement staff and 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 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-selected contractor. Under a multiple-award IDIQ contract, task orders can be awarded to any of the pre-selected 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.
- **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.

We often team with other parties, 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 teammates, 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 teammates.

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 provide for reimbursement of our direct contract costs and allocable indirect costs, plus a fee. This type of contract is generally 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 generally require us to use our best efforts to accomplish the scope of the work within a specified time and amount of costs.
- 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 of 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 generally used when the government acquires products and services on the basis of reasonably definitive specifications and which 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. While FFP contracts allow us to benefit from cost savings, these contracts also 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, 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 and award fee contracts, is finally determined. Cost reimbursement and T&M contracts generally have lower profitability than FFP contracts. For the proportionate amount of revenues derived from each type of contract for fiscal 2014, 2013 and 2012 see "Key Performance Measures—Contract Types" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of this Annual Report on Form 10-K.

Backlog

Backlog represents the estimated amount of future revenues to be recognized under negotiated contracts as work is performed. Our backlog consists of funded backlog and negotiated unfunded backlog, each of which are described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II of this Annual Report on Form 10-K. We expect to recognize a substantial portion of our funded backlog from U.S. Government customers 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. Federal Government customers included in funded backlog may include provisions that allow the customer to cancel at any time. Many 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. For additional discussion and analysis of backlog, see “Key Performance Measures—Bookings and Backlog” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II of this Annual Report on Form 10-K.

Seasonality

The U.S. Government’s fiscal year ends on September 30 of each year. It is not uncommon for U.S. Government agencies to award extra tasks or complete other contract actions in the time frame leading up to the end of its fiscal year in order to avoid the loss of unexpended funds, which may favorably impact our third fiscal quarter. In addition, as a result of the cyclical nature of the U.S. Government budget process and a greater number of holidays in our fourth fiscal quarter as compared to our third fiscal quarter, we typically experience sequentially higher revenues in our third fiscal quarter and lower revenues in our fourth fiscal quarter. For selected quarterly financial data, see Note 19 of the combined notes to consolidated financial statements contained within this Annual Report on Form 10-K.

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 intelligence community and the Department of Homeland Security (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. U.S. Government contracts generally are subject to the Federal Acquisition Regulation (FAR), which sets forth policies, procedures and requirements for the acquisition of goods and services by the U.S. Government, agency-specific regulations that implement or supplement FAR, such as the DoD’s Defense Federal Acquisition Regulation Supplement (DFARS) and other applicable laws and regulations. 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-based U.S. Government contracts;
- require reviews by the Defense Contract Audit Agency (DCAA), Defense Contract Management Agency (DCMA) and other U.S. Government agencies of compliance with government standards for a contractor’s business systems;
- restrict the use and dissemination of 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 organizational conflict of interest, as defined by these laws and regulations, related to such work exists and/or cannot be appropriately mitigated.

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 training and other compliance training relevant to their position.

Some of our operations and service offerings involve access to and use by us of personally identifiable information and/or protected health information, which activities are regulated by extensive federal and state privacy and data security laws requiring organizations to provide certain privacy protections and security safeguards for such information.

Internationally, we are subject to special U.S. Government laws and regulations, local government laws and regulations and procurement policies and practices (including laws and regulations relating to bribery of foreign government officials, import-export control, investments, exchange controls and repatriation of earnings) and varying currency, political and economic risks.

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. Failure to comply with these 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, or could cause us to incur costs to change, upgrade, remediate and/or close some of our operations or properties. Some environmental laws hold current or previous owners or operators of businesses and real property liable for hazardous substance releases, even if they did not know of and were not responsible for the releases. Our services and operations involve the assessment or remediation of environmental hazards, as well as using, handling or disposing of hazardous substances. Environmental laws may impose liability on any person who disposes, transports, or arranges for the disposal or transportation of hazardous substances to any site. In addition, we may face liability for personal injury, property damage and natural resource damages relating to hazardous substance releases for which we are otherwise liable or relating to exposure to or the mishandling of hazardous substances in connection with our current and former operations or services, including our current and prior ownership of properties. 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.

Company Website and Information

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 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 information on our website is not incorporated by reference into and is not a part of this Annual Report on Form 10-K.

You may request a copy of the materials identified in the preceding paragraph, at no cost, by writing or telephoning us at our corporate headquarters at the following:

Leidos Holdings, Inc.
11951 Freedom Drive
Reston, VA 20190
Attention: Corporate Secretary
Telephone: (571) 526-6000

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 included elsewhere in this Annual Report on Form 10-K 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 the price of our stock 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 and exchange rates, 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 and result in a decline in the price of our stock.

Risks Relating to Our Business

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

We generated over 78% of our total revenues during each of the last three fiscal years 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. We generated more than 10% of our total revenues during each of the last three fiscal years from the U.S. Army. We expect to continue to derive most of our revenues from work performed under U.S. Government contracts. Our reputation and relationship with the U.S. Government, and in particular with the agencies of the DoD and the U.S. intelligence community, are key factors in maintaining and growing our revenues. Negative press reports or publicity, which could pertain to employee or subcontractor misconduct, conflicts of interest, poor contract performance, deficiencies in services, reports, products or other deliverables, information security breaches or other aspects of our business, regardless of accuracy, could harm our reputation, particularly with these agencies. If our reputation is negatively affected, or if we are suspended or debarred from contracting with government agencies for any reason, the amount of business with government and other customers would decrease and our future revenues and growth prospects would be adversely affected.

A decline in the U.S. Government defense 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, either as a prime contractor or subcontractor to other contractors, represented approximately 68% of our total revenues in fiscal 2014. Levels of DoD spending are difficult to predict and subject to significant risk. Our operating results could be adversely affected by spending caps or changes in the budgetary priorities of the U.S. Government or the DoD, as well as delays in program starts or the award of contracts or task orders under contracts. Current U.S. Government spending levels for defense-related programs may not be sustained and future spending and program authorizations may not increase or may decrease or shift to programs in areas in which 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 the rapid growth of the federal budget deficit, increasing political pressure and legislation, shifts in spending priorities from defense-related programs as a result of competing demands for federal funds, the number and intensity of military conflicts or other factors.

In particular, the Budget Control Act of 2011 reduced DoD baseline spending and provides for additional automatic spending cuts, referred to as sequestration, that reduced the DOD and other federal agency budgets. There remains much uncertainty about how exactly sequestration cuts will be implemented and the impact those cuts will have on contractors supporting the government. In light of the current uncertainty, we are not able to predict the impact of budget cuts, including sequestration, on our company or our financial results. However, we expect that budgetary constraints and concerns related to the national debt will continue to place downward pressure on DoD spending levels and that implementation of the automatic spending cuts without change will reduce, delay or cancel funding for certain of our contracts – particularly those with unobligated balances – and programs and could adversely impact our operations, financial results and growth prospects.

The U.S. Government also conducts periodic reviews of U.S. defense strategies and priorities, which may shift DoD budgetary priorities, reduce overall U.S. Government spending or delay contract or task order awards for defense-

related programs, including programs from which we expect to derive a significant portion of our future revenues. In addition, changes to the 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 limit our growth prospects.

Because we depend on U.S. Government contracts, a delay in the completion of the U.S. Government's budget process could delay procurement of the products, services and solutions we provide and have an adverse effect on our future revenues.

The funding of U.S. Government programs is subject to an annual congressional budget authorization and appropriation process. In years when the U.S. Government does not complete its budget process before the end of its fiscal year on September 30, government operations are typically funded pursuant to a "continuing resolution," which allows federal government agencies to operate at spending levels approved in the previous budget 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. We have from time to time experienced a decline in revenues in our fourth quarter ending January 31 and beyond as a result of this annual budget cycle, and we could experience similar declines in revenues from future delays in the budget process. In years when the U.S. Government fails to complete its budget process or to provide for a continuing resolution, a 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, or the delay or cancellation of key programs, which could have a negative effect on our cash flows and adversely affect our future results. In addition, when supplemental appropriations are required to operate the U.S. Government or fund specific programs and passage of legislation needed to approve any supplemental appropriation bill is delayed, the overall funding environment for our business could be adversely affected.

Our failure to comply with a variety of 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 and may impose added costs on our business. Some significant statutes and regulations that affect us include:

- the FAR and supplements, 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;
- 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; and
- the U.S. Government Cost Accounting Standards, which impose accounting requirements that govern our right to reimbursement under certain cost-based U.S. Government contracts.

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.

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. 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, 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 those contracts are re-competed. Any new contracting requirements or procurement methods could be costly or administratively difficult for us to implement and could adversely affect our future revenues, profitability and prospects.

Our business is subject to reviews, audits and cost adjustments by the U.S. Government, which, if resolved unfavorably to us, could adversely affect our profitability, cash position or growth prospects.

U.S. Government agencies, including the DCAA, DCMA and others, routinely audit and review a contractor's performance on government contracts, indirect rates and pricing practices, and compliance with applicable contracting and procurement laws, regulations and standards. 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.

Both contractors and the U.S. Government agencies conducting these audits and reviews have come under increased scrutiny. As a result, the current audits and reviews have become more rigorous and the standards to which we are held are being more strictly interpreted, increasing the likelihood of an audit or review resulting in an adverse outcome. During the course of its current audits, the DCAA is closely examining and questioning several of our long established and disclosed practices that it had previously audited and accepted, increasing the uncertainty as to the ultimate conclusion that will be reached.

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 our remediations are accepted by DCMA. 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 non-compliance with applicable contracting and procurement laws, regulations and standards could also result in the U.S. Government imposing penalties and sanctions against us, including withholding of payments, suspension of payments and increased government scrutiny that could 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.

Our indirect cost audits by the DCAA remain open for fiscal 2008 and subsequent fiscal years. Although we have recorded contract revenues subsequent to fiscal 2008 based upon our estimate of costs that we believe will be approved upon final audit or review, we do not know the outcome of any ongoing or future audits or reviews and adjustments and, if future adjustments exceed our estimates, our profitability would 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 civil or criminal penalties or administrative sanctions, including the termination of contracts, forfeiture of profits, the triggering of price reduction clauses, suspension of payments, fines and suspension or debarment from doing business with governmental agencies. 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 from government organizations, legislative bodies or agencies into business practices and into major programs supported by contractors may lead to increased legal costs and may harm our reputation, revenues, profitability and growth prospects.

Misconduct of employees, subcontractors, agents and business partners could cause us to lose existing contracts or customers and adversely affect our ability to obtain new contracts and customers and could have a significant adverse impact on our business and reputation.

Misconduct could include fraud or other improper activities such as falsifying time or other records and violations of laws, including the Anti-Kickback Act. Other examples could include 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 sanctions against us, loss of current and future contracts and serious harm to our reputation. Although we have implemented policies, procedures and 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. Our failure to comply with applicable laws or regulations or misconduct by any of our employees, subcontractors, agents or business partners could damage our reputation and subject us to fines and penalties, restitution or other damages, loss of security clearance, loss of current and future customer contracts and 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.

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 competitive bidding process, including IDIQ, GSA Schedule and other multi-award contracts, which has resulted in greater competition and increased pricing pressure. The competitive bidding process involves substantial costs and a number of risks, including significant cost and managerial time to prepare bids and proposals for contracts that may not be awarded to us, or that may be awarded but for which we do not receive meaningful task orders, and to 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/or 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. Our failure to compete effectively in this procurement environment would adversely affect our revenues and/or profitability.

The U.S. Government may terminate, cancel, modify or curtail our contracts at any time prior to their completion and, if we do not replace them, we may be unable to achieve or sustain revenue growth and may suffer a decline in 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 normally 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 not to exercise contract options or to terminate, cancel, modify or curtail our major programs or contracts would adversely affect our revenues, revenue growth and profitability.

We have experienced and continue to experience periodic performance issues under certain of our contracts. Some of our contracts involve the development of 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 aggressive 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 that have greater name recognition, financial resources and larger technical staffs. We also compete with smaller, more specialized companies that are able to concentrate their resources on particular areas. Additionally, we compete with the U.S. Government's own capabilities and federal non-profit contract research centers.

The markets in which we operate are characterized by rapidly changing technology and the needs of our customers change and evolve regularly. Accordingly, our success depends on our ability to develop services and products that address these changing needs and to provide people and technology needed to deliver these services and products. To remain competitive, we must consistently provide superior service, technology and performance on a cost-effective basis to our customers. 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. In addition, our competitors may consolidate or establish teaming or other relationships among themselves or with third parties to increase their ability to address customers' needs. Accordingly, we anticipate that larger or new competitors or alliances among competitors may emerge, which may adversely affect our ability to compete.

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

Our business involves the development of tailored solutions for our customers, a process that relies heavily upon the expertise and services of our employees. Our continued success depends on our ability to recruit and retain highly trained and skilled engineering, technical and professional personnel. Competition for skilled personnel is intense and competitors aggressively recruit key employees. In addition, many U.S. Government programs require contractors to have security clearances. Depending on the level of required clearance, security clearances can be difficult and time-consuming to obtain and personnel with security clearances are in great demand. Particularly in highly specialized areas, it has become more 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 recruit, train and retain 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. Additionally, we recently completed the relocation of our corporate functions and the spin-off of our former technical, engineering, and enterprise information technology services business into a separate company, which resulted in higher than typical employee turnover and the transfer of personnel to the spin-off company. While we have hired and are training replacement personnel, there is little redundancy or overlap of responsibilities in our corporate functions.

and loss of key personnel in critical functions could lead to lack of business continuity or disruptions in our operations, financial reporting or control processes.

In addition to attracting and retaining qualified engineering, technical and professional personnel, we believe that 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 and generate new business. Our senior management team is important to our business because personal reputations and individual business relationships are a critical element of retaining and obtaining customer contracts in our industry, particularly with agencies performing classified operations. In February 2014, we announced that our Chief Executive Officer plans to retire upon the appointment of his successor and that we have initiated a process to identify our next Chief Executive Officer. We have also recently undergone other changes in our senior management team. These changes in key management could create uncertainty among our employees, customers and other third parties with which we do business. In addition, we could be adversely affected if we fail to adequately plan for the succession of members of our senior management team. Our inability to retain appropriately qualified and experienced senior executives could cause us to lose customers or new business opportunities.

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

As of January 31, 2014, our total backlog was \$9 billion including \$3 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 or in some cases 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 accurately estimate and manage costs, time and resources.

We generate revenues under various types of contracts, which include cost reimbursement, 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, as well as the achievement of performance objectives and the stage of performance at which the right to receive fees, particularly under incentive 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 customer's variable purchasing patterns of our more profitable proprietary products.

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 that we could underestimate 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 27% of our total revenues for fiscal 2014. 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 in 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, 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.

Revenues from our contracts are primarily recognized using the percentage-of-completion method or on the basis of partial performance towards completion. These methodologies require 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.

Our failure to comply with the terms of our deferred prosecution agreement or our administrative agreement would have a material adverse effect on our business and future prospects.

In connection with the resolution of certain investigations related to our CityTime contract, we entered into a three year deferred prosecution agreement with the U.S. Attorney's Office for the Southern District of New York. We also entered into a five year administrative agreement with the Army on behalf of the U.S. Government in order to confirm our continuing eligibility to enter into and perform contracts with the U.S. Government. Our compliance with the terms and conditions of both the deferred prosecution agreement and the administrative agreement, including the appointment of an independent monitor, will require significant resources and management involvement. If we fail to comply with the deferred prosecution agreement, including its ongoing legal and regulatory compliance obligations, the U.S. Attorney's Office may extend the term of the deferred prosecution agreement or independent monitor or we could face criminal prosecution, additional damages and penalties. If we fail to comply with the administrative agreement, the Army may extend the term of the administrative agreement or initiate suspension or debarment proceedings against us. The CityTime investigations received adverse publicity, and we are required to disclose information concerning the deferred prosecution agreement in certain proposals for contracts, which may make it more difficult to compete effectively and may adversely affect our revenues and growth prospects. In addition, we continue to be subject to risks in connection with government reviews and investigations and other legal disputes unrelated to the CityTime matter, which may subject us to civil or criminal penalties or administrative sanctions, including the termination of contracts, forfeiture of profits, the triggering of price reduction clauses, suspension of payments, fines and suspension or debarment from doing business with governmental agencies.

Legal disputes could require us to pay potentially large damage awards and could be costly to defend, which would adversely affect our cash balances and profitability, and could damage our reputation.

We are subject to a number of lawsuits and claims described in "Legal Proceedings" in Part I of this Annual Report on Form 10-K, as may be updated in our future filings with the SEC, including our Quarterly Reports on Form 10-Q. We are also subject to, and may become a party to, a variety of other litigation or claims and suits 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 if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or obtain adequate insurance in the future. Litigation and other claims, including those described in "Legal Proceedings," are subject to inherent uncertainties and management's view of these matters may change in the future.

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 federal, state and foreign legal requirements on matters as diverse as data privacy and protection, employment and labor relations, immigration, taxation, anticorruption, import/export controls, trade restrictions, internal and disclosure control obligations, securities regulation and anti-competition. Compliance with diverse and changing legal requirements is costly, time-consuming and requires significant resources. For example, the SEC's adoption of a new rule requiring certain disclosures about "conflict minerals" in certain products may impact our procurement practices and increase our costs. We are also focused on expanding our business in certain identified growth areas, such as health information technology, energy and environment, which are highly regulated and may expose us to increased compliance risk. Violations of one or more of these diverse 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/or 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 and financial results could be negatively affected by cyber or other security threats.

As a U.S. Government contractor and a provider of information technology services operating in multiple regulated industries and geographies, we handle sensitive information. Therefore, we are continuously exposed to cyber attacks and other security threats, including physical break-ins. Any electronic or physical break-in or other security breach or compromise may jeopardize security of information stored or transmitted through our information technology systems and networks. This could lead to disruptions in mission-critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Although we have implemented policies, procedures and controls to protect against, detect and mitigate these threats, we face advanced and persistent attacks on our information systems and attempts by others to gain unauthorized access to our information technology systems are becoming more sophisticated. These attempts include covertly introducing malware to our computers and networks and impersonating authorized users, among others, and may be perpetrated by well-funded organized crime or state sponsored efforts. We seek to detect and investigate all security incidents and to prevent their occurrence 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 cybersecurity 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 have or will detect or prevent any of these threats and we cannot predict the full impact of any such past or future incident. We may experience similar security threats to the information technology systems that we develop, install or maintain under customer contracts. Although we work cooperatively with our customers and other business partners to seek to minimize the impacts of cyber and other security threats, we must rely on the safeguards put in place by those entities. Any remedial costs or other liabilities related to cyber or other security threats may not be fully insured or indemnified by other means. Occurrence of any of these security threats could expose us to claims, contract terminations and damages and could adversely affect our reputation, ability to work on sensitive U.S. Government contracts, business operations and financial results.

Internal system or service failures 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 the delivery of services, whether through our shared services organization or outsourced services, if not anticipated and appropriately mitigated, could have a material adverse effect on our business including, among other things, an adverse effect on our ability to 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 are also subject to systems failures, including network, software or hardware failures, whether caused by us, third-party service providers, cybersecurity threats, natural disasters, power shortages, terrorist attacks 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 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 that may occur as a result of any system or operational failure or disruption and, as a result, our future results could be adversely affected.

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 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.

Many of our contracts contain performance obligations that require innovative design capabilities, are technologically complex, or are dependent upon factors not wholly within our control. Failure to meet these obligations could adversely affect our profitability and future prospects.

We design and develop technologically advanced and innovative products and services applied by our customers in a variety of environments. 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 contractual requirements.

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 and unplanned degradation of product performance. 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 cost and fee payments we previously received.

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

We derive a portion of our revenues from programs with the U.S. Government that are subject to security restrictions (classified programs), which preclude the dissemination of information that is classified for national security purposes. 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 programs than our other businesses and therefore less ability to fully evaluate the risks related to our classified business.

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

We selectively pursue strategic acquisitions, investments and joint ventures. These transactions require significant investment of time and resources and may disrupt our business and distract our management from other responsibilities. Even if successful, these transactions could reduce earnings for a number of reasons, including the amortization of intangible assets, impairment charges, 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:

- 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 and we may not realize anticipated synergies or acquisitions may not result in improved operating performance;
- we may encounter performance problems with acquired technologies, capabilities and products, particularly with respect to those that are still in development when acquired;

- we may have trouble retaining key employees and customers of an acquired business or otherwise integrating such businesses, such as incompatible accounting, information management, or other control systems, which could result in unforeseen difficulties;
- we may assume material liabilities that were not identified as part of our due diligence or for which we are unable to receive a purchase price adjustment or reimbursement through indemnification;
- we may assume legal or regulatory risks, particularly with respect to smaller businesses that have immature business processes and compliance programs;
- acquired entities or joint ventures may not operate profitably, which could adversely affect our operating income or operating margins and we may be unable to recover investments in any such acquisitions;
- acquisitions, investments and joint ventures may require us to spend a significant amount of cash or to issue capital stock, resulting in dilution of ownership; and
- we may not be able to effectively influence the operations of our joint ventures or we may be exposed to certain liabilities if our joint venture partners do not fulfill their obligations.

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 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 approximately 43% of our total assets and any impairment of these assets could negatively impact our results of operations.

Intangible assets with indefinite lives, including goodwill, are tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets with finite lives are assessed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. 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, 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. We face continued uncertainty in our business environment due to the substantial fiscal and economic challenges facing the U.S. Government, our primary customer, as well as challenges in the commercial healthcare industry, compounded by lower levels of U.S. Government reimbursements, including reductions in Medicare reimbursements which in turn impact hospital IT spending. Adverse changes in fiscal and economic conditions, such as the manner in which the budget cuts are implemented, including sequestration, and issues related to the nation's debt ceiling, could adversely impact our future revenues and profitability. These circumstances could result in an impairment of goodwill and/or other intangibles. Also adverse equity market conditions that result in a decline in market multiples and our stock price could result in an impairment of goodwill and/or other intangibles. Any future impairment of goodwill or other intangible assets would have a negative impact on our profitability and financial results.

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 in order to submit bids for large procurements or other opportunities where we believe the combination of services and products provided by us and the 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. Uncertain economic conditions heighten the risk of financial stress of our subcontractors, which could adversely impact their ability to meet their contractual requirements to us. If any of our subcontractors fail to timely meet their contractual obligations 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.

Our spin-off of New SAIC subjects us to risk relating to joint performance on government contracts that could negatively affect our results of operations and diminish our competitive position.

On September 27, 2013, we completed the spin-off of our technical, engineering and enterprise information technology services business as an independent, publicly traded company named Science Applications International Corporation ("New SAIC") through a spin-off transaction. In connection with the spin-off, we agreed to novate to New SAIC those customer contracts and contract vehicles that relate primarily to the New SAIC business, including certain contract vehicles involving existing or potential task orders, delivery orders and other work that we are performing or would seek to perform in the future. If we are unable to access these contract vehicles through commercial arrangements with New SAIC or another prime contractor, or to transition this work to an alternative contract vehicle on a timely basis, our revenues would be negatively affected. In addition, we expect to enter into commercial arrangements for New SAIC to perform tasks on certain contracts that we retained in the spin-off. If we engage New SAIC as a subcontractor, our ability to achieve the small business subcontracting goals established by our government customers may be impaired, which could diminish our competitive position on future contract proposals.

We provide professional engineering and other services, including engineering-procurement-construction, design build, project delivery and commissioning, in connection with complex projects that involve significant risks and may require long-term capital.

In connection with certain projects, we may commit to a specific completion date or performance standards, which may expose us to significant additional costs and reputational damage if we miss the completion date or fail to achieve the performance standards, including agreed upon financial damages. Project performance can be affected by a number of factors beyond our control, including delays from governmental inaction, public opposition, inability to obtain financing, weather, unavailability of materials, changes in project scope, accidents, environmental hazards, labor disruptions and other factors. If we assume risks related to these events, such risks may not be insurable or may only be insurable on unacceptable terms. If these events occur, the total project costs could exceed our estimates and we could experience reduced profits or, in some cases, incur a loss on a project, which may reduce or eliminate overall profitability and have an adverse effect on our financial position and cash flows.

We have recently gained ownership of a biomass-powered generating facility in Plainfield, Connecticut. Our lack of experience in owning and operating such a facility, as well as the risks and uncertainties associated with the renewable energy industry, may adversely affect the profitability of the facility and our ability to recover our investment.

On October 11, 2013, Leidos Renewable Energy, LLC, an indirect wholly owned subsidiary of Leidos, entered into a consensual foreclosure agreement with Plainfield Renewable Energy Owner, LLC and Plainfield Renewable Energy Holdings, LLC pursuant to which, on October 11, 2013, we became the sole owner of a 37.5 (net) megawatt biomass-powered generating facility located in Plainfield, Connecticut. The plant is newly-constructed and only recently commenced commercial operations. We have no experience owning and operating a power plant, which may impair our ability to do so effectively and profitably. Our ability to optimize the value of the plant and achieve a return on our investment is dependent upon our ability to maintain and manage the plant's feedstock supply, reliably operate the facility at or near full generating capacity, receive a 1603 Cash Grant available to builders of certain energy properties, meet certain emission requirements and to finalize off-take arrangements for the remaining power capacity that is not currently committed to purchasers. The operation of a biomass-powered generating facility is subject to other risks and uncertainties, including compliance with regulations and permitting related to owning and operating such a facility, equipment failures or other external factors that could reduce the availability of the facility, and changes in legislation relating to renewable energy plants.

Our services and operations sometimes involve using, handling or disposing of hazardous substances, which could expose us to potentially significant liabilities.

Some of our services and operations involve the assessment or remediation of environmental hazards, as well as the use, handling or disposal of hazardous substances. These activities and our operations generally subject us to extensive foreign, federal, state and local environmental protection and health and safety laws and regulations, which, among other things, require us to incur costs to comply with these regulations and could impose liability on us for handling or disposing of hazardous substances. Furthermore, failure to comply with these environmental protection and 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. Our current and previous ownership and operation of real property also subjects us to environmental protection laws, some of which hold current or previous owners or operators of businesses and real property liable for hazardous substance releases, even if they did not know of and were not responsible for the releases. If we have any violations of, or incur liabilities pursuant to, these laws or regulations, our financial condition and operating results 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 design, develop, manufacture, sell, service and maintain various inspection systems that are designed to assist in the detection of bombs, explosives, weapons, contraband or other threats. In some instances, we also train operators of such systems. Many of these systems utilize software algorithms that are probabilistic in nature and subject to significant technical limitations. Many of these systems are also dependent on the performance of their operators. There are many factors, some of which are beyond our control, which 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 operator error, 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 systems fail to, or are perceived to have failed to help detect a threat, the negative publicity from such incident could have a material adverse effect on our business.

Our insurance 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. However, not every risk or liability is or can be protected by insurance, and, for those risks we insure, the limits of coverage we purchase or that are reasonably obtainable in the market may not be sufficient to cover all actual losses or liabilities incurred. If any of our third-party insurers fail, cancel our coverage or otherwise are unable to provide us with adequate insurance coverage, 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. If liability claims or losses exceed our current or available insurance coverage, our business, financial position, operating results and prospects may be harmed. Regardless of the adequacy of our liability insurance coverages, 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.

We face risks associated with our international business.

Our international business operations may be 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 and could expose us to administrative, civil or criminal penalties. Additionally, these risks relating to international operations may expose us to potentially significant contract losses.

In some countries, there is an increased chance for economic, legal or political changes that may adversely affect the performance of our services, sale of our products or repatriation of our profits. International transactions can also involve increased financial and legal risks arising from foreign exchange rate variability, imposition of tariffs or additional taxes, restrictive trade policies and differing legal systems. We provide services and products in support of U.S. Government customers in countries with governments that may be or may become unstable, which increases the risk of an incident resulting in injury or loss of life, or damage or destruction of property, or inability to meet our contractual obligations. Although our international operations have historically generated a small proportion of our revenues, we do not know the impact that these regulatory, geopolitical and other factors may have on our business in the future and any of these factors could adversely affect our business.

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

We rely principally on trade secrets to protect much of our intellectual property in cases where we do not believe that patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information. We may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to obtain or maintain trade secret protection could adversely affect our competitive business position. If we are unable to prevent third parties from infringing or misappropriating our copyrights, trademarks or other proprietary information, our competitive position could be adversely affected. In addition, in connection with the performance of services, the U.S. Government has certain rights to inventions, data, software codes and related material that we develop under government-funded contracts and subcontracts, which means that U.S. Government may disclose or license our information to third parties, including, in some instances, our competitors.

In the course of conducting our business, we may inadvertently infringe the intellectual property rights of others, resulting in claims against us or our customers. Our contracts generally indemnify our customers for third-party claims for intellectual property infringement by the services and products we provide. The expense of defending these claims may adversely affect our financial results.

Business disruptions caused by natural disasters and other crises could adversely affect our profitability and our overall financial position.

We have significant operations located in regions of the United States that may be exposed to damaging storms and other natural disasters, such as hurricanes, tornadoes, blizzards, flooding, wildfires or earthquakes. Our business could also be disrupted by pandemics and other national or international crises. Although preventative measures may help mitigate the damage from such occurrences, the damage and disruption to our business resulting from any of these events may be significant. If our insurance and other risk mitigation mechanisms are not sufficient to recover all costs, including loss of revenues from sales to customers, we could experience a material adverse effect on our financial position and results of operations. Performance failures and disruptions by our subcontractors due to these types of events may also adversely affect our ability to perform our obligations on a prime contract, which could reduce our profitability due to damages or other costs that may not be fully recoverable from the subcontractor or the customer and could result in a termination of the prime contract and have an adverse effect on our ability to compete for future contracts.

Our financial results may vary significantly from period-to-period.

Our financial results may fluctuate as a result of a number of factors, many of which are outside of our control. For these reasons, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our financial results may be negatively affected by any of the risk factors listed in this "Risk Factors" section and other matters described elsewhere in this Annual Report on Form 10-K.

We use estimates in accounting for many of our programs and changes in our estimates could adversely affect our future financial results.

Accounting for many of our programs requires judgment relative to assessing risks, including risks associated with estimating directed delays and reductions in scheduled deliveries, unfavorable resolutions of claims and contractual matters, judgments associated with estimating contract revenues and costs, and assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of total revenues and cost at completion is complicated and subject to many variables. For example, we must make assumptions regarding the length of time to complete the contract because costs also include expected increases in wages and prices for materials, consider whether the intent of entering into multiple contracts was effectively to enter into a single project in order to determine whether such contracts should be combined or segmented, consider incentives or penalties related to performance on contracts in estimating revenue and profit rates, and record them when there is sufficient information for us to assess anticipated performance; and use estimates of award fees in estimating revenue and profit rates based on actual and anticipated awards. Because of the significance of the judgments and estimation processes involved in accounting for construction and production type contracts, materially different amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances or estimates may adversely affect our future results of operations and financial condition.

The recently completed spin-off of our technical, engineering and enterprise information technology services business could result in substantial tax liability to us and our stockholders.

We received a private letter ruling from the IRS and an opinion of tax counsel substantially to the effect that, for U.S. federal income tax purposes, the spin-off and certain related transactions qualify for tax-free treatment under certain sections of the Internal Revenue Code. However, if the factual assumptions or representations made in the private letter ruling request or the opinion are inaccurate or incomplete in any material respect, including those relating to the past and future conduct of our business, we will not be able to rely on the ruling or the opinion. Furthermore, the opinion covered certain matters on which the IRS does not rule and will not be binding on the IRS or the courts. Accordingly, the IRS or the courts may challenge the conclusions stated in the opinion and such challenge could prevail.

If, notwithstanding receipt of the private letter ruling and opinion, the spin-off and certain related transactions are determined to be taxable, we would be subject to a substantial tax liability. In addition, if the spin-off transaction is taxable, each holder of our common stock who received shares of the new company would generally be treated as receiving a taxable distribution of property in an amount equal to the fair market value of the shares received, thereby potentially increasing such holder's tax liability.

Even if the spin-off otherwise qualified as a tax-free transaction, the distribution could be taxable to us (but not to our stockholders) in certain circumstances if future significant acquisitions of our stock or the stock of the new company are deemed to be part of a plan or series of related transactions that include the spin-off. In this event, the resulting tax liability could be substantial. In connection with the spin-off, we entered into a tax matters agreement with the new company, under which it agreed not to enter into any transaction without our consent that could cause any portion of the spin-off to be taxable to us and to indemnify us for any tax liabilities resulting from such transactions. These obligations and potential tax liabilities may discourage, delay or prevent a change of control of our company.

As a result of our name change, our existing and potential customers, suppliers, recruiting candidates and investors may not recognize our new brand name, which could harm our business.

In connection with the spin-off of our technical services and enterprise IT business, we assigned our former "SAIC" brand name to the spin-off company and changed our brand to "Leidos." Since we previously marketed our business under the former brand, some existing and potential customers, suppliers and market participants may not recognize our new name or may confuse the new SAIC with us, which may hinder our ability to maintain and develop our customer base, at least during an initial transition period. Our name change also may affect our ability to recruit qualified personnel. We may need to expend significant resources to develop our new brand in the marketplace, and if we fail to build strong new brand recognition, our revenue and profitability may decline and our business prospects may suffer.

Risks Relating to Our Stock

We cannot assure you that we will continue to pay dividends on our common stock.

In March 2012, our board of directors approved the initiation of a quarterly dividend program. The timing, declaration, amount and payment of any future dividends fall within the discretion of our board of directors and will depend on many factors, including our available cash, estimated cash needs, earnings, financial condition, operating results, capital requirements, as well as limitations in our contractual agreements, applicable law, regulatory constraints, industry practice and other business considerations that our board of directors considers relevant. A change in our dividend program could have an adverse effect on the market price of our common stock.

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 have the effect of delaying, discouraging or preventing 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 the following:

- Our certificate of incorporation provides that our bylaws and certain provisions of our certificate of incorporation may be amended by only two-thirds or more voting power of all of the outstanding shares entitled to vote. These supermajority voting requirements could impede our stockholders' ability to make changes to our certificate of incorporation and bylaws.
- Our certificate of incorporation contains certain supermajority voting provisions, which generally provide that mergers and certain other business combinations between us and a related person be approved by the holders of securities having at least 80% of our outstanding voting power, as well as by the holders of a majority of the voting power of such securities that are not owned by the related person.
- Our stockholders may not act by written consent. As a result, a holder, or holders, controlling a majority of our capital stock are limited in their ability to take certain actions other than in connection with its annual stockholders' meeting or a special meeting called at the request of qualified stockholders as provided in our certificate of incorporation and bylaws.
- Our board of directors may issue, without stockholder approval, shares of undesignated preferred stock. The ability to authorize undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us.

As a Delaware corporation, we are also subject to certain restrictions on business combinations. Under Delaware law, a corporation may not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years, or among other things, our board of directors has approved the business combination or the transaction pursuant to which such person became a 15% holder prior to the time the person became a 15% holder.

Forward-Looking Statement Risks

You may not be able to rely on forward-looking statements.

This Annual Report on Form 10-K contains forward-looking statements 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 budget, including budget reductions, sequestration, implementation of spending limits or changes in budgetary priorities, or delays in the U.S. Government budget process or approval of raising the debt ceiling;
- 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;
- 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 reliance on information technology spending by hospitals/health care 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 environment impact and remediation projects;
- 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 associated with our firm-fixed-price and other contracts;
- our ability to comply with certain agreements entered into in connection with the CityTime matter;
- 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 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, including complex engineering or design build projects;
- the failure of our inspection or detection systems to detect threats;
- the adequacy of our insurance programs designed to protect us from significant product or other liability claims;
- our ability to manage risks associated with our international business;
- our ability to declare future dividends based on our earnings, financial condition, capital requirements and other factors, including compliance with applicable law and our agreements;
- risks associated with the spin-off of our technical, engineering and enterprise information technology services business, such as unknown liabilities and risks associated with joint performance;
- our ability to grow our commercial health and engineering businesses, which could be negatively affected by budgetary constraints faced by hospitals and by developers of energy and infrastructure projects; 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 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of January 31, 2014, we conducted our operations in approximately 267 offices located in 43 states, the District of Columbia and various foreign countries. We consider our facilities suitable and adequate for our present needs. We occupy approximately 6.2 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 approximately 2.2 million square feet of floor space. We also have employees working at customer sites throughout the United States and in other countries. As of January 31, 2014, we owned the following properties:

Location	Number of buildings	Square footage	Acreage
McLean, Virginia	1	287,000	15.1
San Diego, California	2	262,000	6.2
Virginia Beach, Virginia	2	159,000	22.5
Columbia, Maryland	1	95,000	7.3
Colorado Springs, Colorado	1	86,000	5.8
Orlando, Florida	1	85,000	18.0
Oak Ridge, Tennessee	1	83,000	12.5
Reston, Virginia	1	62,000	2.6

The nature of our business is such that there is no practicable way to relate occupied space to our reportable segments. See Note 14 of the combined notes to consolidated financial statements contained within this Annual Report on Form 10-K for information regarding commitments under leases.

Item 3. *Legal Proceedings*

We have provided information about legal proceedings in which we are involved in Note 17 of the combined notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

In addition to the matters disclosed in Note 17, 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 18 “Commitments and Contingencies – Government Investigations and Reviews” of the combined notes to the consolidated financial statements contained with this Annual Report on Form 10-K.

Item 4. *Mine Safety Disclosures*

Not applicable.

Executive and Other Key Officers of the Registrant

The following is a list of the names and ages (as of March 27, 2014) of our executive and other key 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
Sarah Allen*	55	Executive Vice President and Chief Human Resources Officer since 2013. Prior to joining Leidos in September 2008, Ms. Allen served as the Director of Human Resources in the TASC Business Unit of Northrop Grumman Corporation. Earlier in her career, she held positions with TRW Environmental Safety Systems, Honeywell and Hewlett-Packard Company.
John P. Jumper*	69	Chief Executive Officer since March 2012, Chair of the Board since June 2012, and Director since 2007. Mr. Jumper retired from the United States Air Force in 2005 after nearly 40 years of service. From September 2001 to November 2005, he was the Chief of Staff of the United States Air Force, serving as the senior uniformed Air Force officer responsible for the organization, training and equipping of 750,000 active-duty, Air National Guard, Air Force Reserve and civilian forces serving around the world. As a member of the Joint Chiefs of Staff, Mr. Jumper functioned as a military advisor to the Secretary of Defense, National Security Council and the President. He currently serves as an independent director on the boards of NACCO Industries, Inc., and Hyster-Yale Materials Handling, Inc., both publicly traded companies. He previously served on the boards of Goodrich Corporation, Jacobs Engineering Group, Inc., WESCO Aircraft Holdings, Inc., Somanetics Corporation, and Tech Team Global, Inc. In February 2014, Mr. Jumper notified our board of directors that he plans to retire as Chief Executive Officer upon the appointment of his successor.
Theodore W. Lay II	64	Senior Vice President, Ethics Compliance, Policy and Governance since September 2013. Mr. Lay joined the Ethics and Compliance Office in January 2011 as the Director of Employee Ethics & Chair of the Employee Ethics Council. He has served as an account manager and an operations manager at Leidos since joining the company in 2005. Mr. Lay joined the Employee Ethics Committee in 2009 while serving as Director of Account Management & Business Resources for the Analysis, Simulations, Systems Engineering, & Training Business Unit. Before transitioning to the civilian sector, he was Deputy Director of NATO's Joint Warfare Centre in Stavanger, Norway. Mr. Lay retired as a USAF Major General with 33 years of experience.
Vincent A. Maffeo*	63	Executive Vice President and General Counsel since 2010. Prior to joining us in June 2010, from 1977 to 2009, Mr. Maffeo was with ITT Corporation, a high-technology engineering and manufacturing company, where he served as Senior Vice President and General Counsel from 1995 until 2009. He held various other increasingly responsible legal positions at ITT Corporation in the telecommunications, defense and automotive businesses, and at the European Headquarters of ITT Europe, before becoming General Counsel.
Ken Sharp*	43	Senior Vice President, Chief Accounting Officer and Corporate Controller since 2013. Prior to joining us, Mr. Sharp held various positions of increasing responsibility over 11 years with Computer Sciences Corporation, most recently as Vice President Finance and Administration and Chief Financial Officer of its largest business unit. Prior to that, he served as a senior manager at Ernst & Young LLP. Mr. Sharp served in the United States Marine Corps. In addition, Mr. Sharp is a certified public accountant.

PART I

Name of officer	Age	Position(s) with the company and prior business experience
K. Stuart Shea*	57	Chief Operating Officer since March 2012 and President since September 2013. Mr. Shea also served as Group President from 2007 to March 2012 and as Senior Vice President and Business Unit General Manager from 2005 to 2007. Prior to joining us, Mr. Shea served as Vice President and Executive Director of Northrop Grumman Corporation's TASC Space and Intelligence operating unit from 1999 to 2005, and led other organizations from 1987 to 1999. Mr. Shea held positions with PAR Technology Corporation from 1982 to 1987. Mr. Shea's employment with us will terminate on April 6, 2014.
Mark W. Sopp*	48	Executive Vice President and Chief Financial Officer since 2005. Prior to joining us, Mr. Sopp served as Senior Vice President, Chief Financial Officer and Treasurer of Titan Corporation, a defense and intelligence contractor, from April 2001 to July 2005 and Vice President and Chief Financial Officer of Titan Systems Corporation, a subsidiary of Titan Corporation, from 1998 to 2001.
John D. Thomas	67	Executive Vice President and Chief Strategic Officer since 2013. Mr. Thomas also served as Sector President (Acting), National Security Solutions during early 2013 and Senior Vice President and Business Unit General Manager of the Intelligence Systems Business Unit from February 2011 to February 2013, and General Manager of Operations, Intelligence and Security Business Unit from October 2004 to February 2011. Mr. Thomas joined us in 2002 as an executive for U.S. Army intelligence programs within the then-Intelligence Solutions Group following a 33-year career in the U.S. Army, where he retired with the rank of major general.
Lou Von Thaeer*	53	President, National Security Solutions since 2013. Prior to joining Leidos, Mr. Von Thaeer was President of General Dynamics Advanced Information Systems, and Corporate Vice President of General Dynamics. He also previously served as Senior Vice President of Operations for General Dynamics Advanced Information Systems, and Senior Vice President for Advanced Technology Systems, a division of Lucent Technologies. Mr. Von Thaeer is a Member of IEEE and the Optical Society of America, and has previously held advisory or board positions for the International Engineering Consortium, International Council on Systems Engineering, and the Intelligence and National Security Alliance (INSA).

* Indicates an executive officer

Pursuant to General Instruction G(3) of General Instructions to Form 10-K, the list above is included as an unnumbered Item in Part I of this Annual Report on Form 10-K in lieu of being incorporated by reference from the definitive Proxy Statement to be used in connection with the solicitation of proxies for Leidos' 2014 Annual Meeting of Stockholders (2014 Proxy Statement).

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

Leidos' common stock is listed on the New York Stock Exchange (NYSE) under the ticker symbol "LDOS." Leidos, Inc. is a wholly-owned subsidiary of Leidos and there is no public trading market for common stock of Leidos, Inc.

Historical Stock Prices

On September 27, 2013 Leidos effectuated a one-for-four reverse stock split of its shares of common stock, so that every four shares of Leidos common stock issued and outstanding were combined and converted into one share of Leidos common stock. The range of high and low sales prices at closing of Leidos' common stock on the NYSE for each fiscal quarter during the last two fiscal years are presented below (adjusted to reflect the reverse stock split). In addition, the prices on and before September 27, 2013 include the value of our technical services and enterprise information technology services business, which was spun off on that date. The prices after that date reflect only the business of Leidos Holdings, Inc. after the spin off.

Fiscal Quarter	Fiscal 2013	
	High	Low
1st quarter (February 1, 2012 to April 30, 2012)	\$ 54.44	\$ 47.92
2nd quarter (May 1, 2012 to July 31, 2012)	\$ 49.04	\$ 41.52
3rd quarter (August 1, 2012 to October 31, 2012)	\$ 51.92	\$ 43.20
4th quarter (November 1, 2012 to January 31, 2013)	\$ 48.84	\$ 43.68

Fiscal Quarter	Fiscal 2014	
	High	Low
1st quarter (February 1, 2013 to May 3, 2013)	\$ 59.76	\$ 45.28
2nd quarter (May 4, 2013 to August 2, 2013)	\$ 62.60	\$ 51.68
3rd quarter (August 3, 2013 to September 27, 2013)	\$ 64.12	\$ 57.32
(Pre-spin Prices)		
(Post-spin Prices)		
3rd quarter (September 28, 2013 to November 1, 2013)	\$ 47.51	\$ 45.30
4th quarter (November 2, 2013 to January 31, 2014)	\$ 49.02	\$ 40.60

Holders of Common Stock

As of March 18, 2014, there were approximately 28,000 holders of record of Leidos common stock. The number of stockholders of record of Leidos 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. Leidos is the holder of record of all Leidos, Inc.'s common stock.

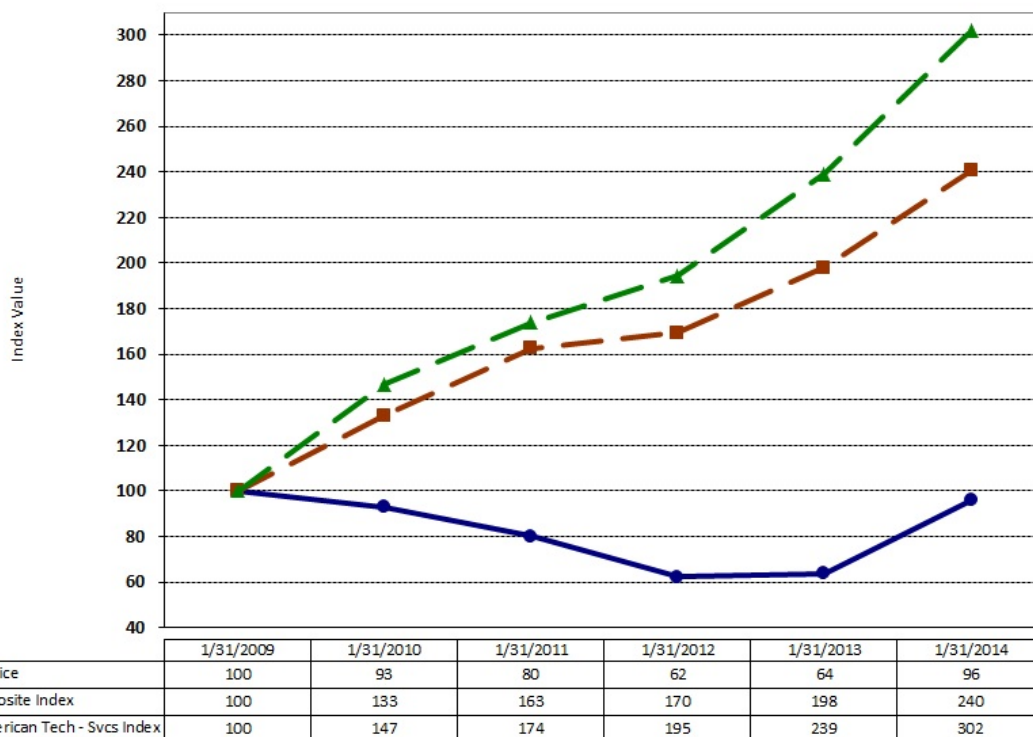
Dividend Policy

During fiscal 2013, Leidos declared and paid quarterly dividends totaling \$1.92 per share of Leidos common stock and during fiscal 2014, Leidos declared and paid a special dividend of \$4.00 per share of Leidos common stock and quarterly dividends totaling \$1.60 per share of Leidos common stock. Leidos currently intends to continue paying dividends on a quarterly basis, although the declaration of any future dividends will be determined by Leidos' board of directors and will depend on available cash, estimated cash needs, earnings, financial condition, operating results, capital requirements, as well as limitations in our contractual agreements, applicable law, regulatory constraints, industry practice and other business considerations that our 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.

Leidos, Inc. has not declared or paid cash dividends to Leidos Holdings, Inc. Leidos, Inc. may declare and pay cash dividends to Leidos Holdings, Inc. from time to time, but there is no present intention to do so in the foreseeable future.

Stock Performance Graph

The following graph compares the total cumulative five-year return on Leidos common stock through our fiscal year ended January 31, 2014 to two indices: (i) the Standard & Poor's 500 Composite Stock Index and (ii) the Standard & Poor's North American Technology-Services Index. The graph assumes an initial investment of \$100 on February 1, 2009 and that dividends, if any, have been reinvested. On September 27, 2013, we completed the spin-off of New SAIC. Our stockholders received one share of New SAIC common stock for every seven shares of our common stock held on the record date (September 19, 2013). The effect of the spin-off is reflected in the cumulative total return as a reinvested dividend. 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.



Purchases of Equity Securities

In December 2013, our board of directors authorized a stock repurchase program (2013 Stock Repurchase Program) under which we may repurchase up to 20 million shares of Leidos common stock. This share repurchase authorization replaces the March 2012 share repurchase authorization of 10 million shares. Stock repurchases may be made on the open market or in privately negotiated transactions with third parties. 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.

The following table presents repurchases of Leidos' common stock during the quarter ended January 31, 2014:

Period	Total Number of Shares (or Units) Purchased ⁽¹⁾	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Repurchase Plans or Programs ⁽²⁾	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
November 2, 2013 – November 30, 2013	15,311	\$ 47.25	—	20,000,000
December 1, 2013 – December 31, 2013 ⁽³⁾	4,806,280	\$ 45.84	4,800,000	15,200,000
January 1, 2014 – January 31, 2014 ⁽³⁾	768,459	\$ 45.86	763,283	14,436,717
Total	5,590,050	\$ 45.84	5,563,283	

- (1) The total number of shares purchased includes: (i) 5.6 million shares of common stock purchased under the term of an accelerated repurchase agreement; (ii) shares surrendered to satisfy statutory tax withholdings obligations related to vesting of restricted stock awards; and (iii) shares surrendered in payment of the exercise price of non-qualified stock options and/or to satisfy statutory tax withholdings obligations.
- (2) We may repurchase up to 20 million shares of Leidos common stock under the 2013 Stock Repurchase Program, which was publicly announced in December 2013.
- (3) In December 2013, we entered into an Accelerated Share Repurchase ("ASR") agreement with a financial institution, whereby we paid an aggregate of \$300 million and received approximately 5.6 million shares of Leidos outstanding shares of common stock during the fourth quarter of fiscal 2014, or approximately 85% of the shares repurchased under the ASR. The final delivery of the remaining shares under this program was completed by the end of the first quarter of fiscal 2015. All shares delivered were immediately retired. See Note 10 of the combined notes to consolidated financial statements contained within this Annual Report on Form 10-K for further information.

Item 6. Selected Financial Data

The selected financial data set forth below is derived from our consolidated financial statements for each of the fiscal years in the five year period ended January 31, 2014. As Leidos Holdings, Inc. is a holding company and it consolidates Leidos, Inc. for financial statement purposes, the following financial data relates to both companies, except where otherwise indicated. Leidos, Inc.'s revenues and expenses comprise 100% of Leidos Holdings, Inc.'s revenues and operating expenses. In addition, Leidos, Inc. comprises approximately the entire balance of Leidos Holdings, Inc.'s assets, liabilities and operating cash flows, except for an interest-bearing note between Leidos, Inc. and Leidos Holdings, Inc.

This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II and our consolidated financial statements and the combined notes thereto contained within this Annual Report on Form 10-K.

PART II

	Year Ended January 31 ⁽¹⁾				
	2014 ⁽²⁾	2013	2012 ⁽³⁾	2011	2010
(in millions, except per share data)					
Consolidated Statement of Income Data:					
Leidos Holdings, Inc.:					
Revenues	\$ 5,772	\$ 6,469	\$ 5,836	\$ 5,990	\$ 5,679
Operating income (loss)	164	423	(58)	551	411
Income (loss) from continuing operations	84	324	(235)	309	220
Income from discontinued operations, net of tax	80	201	294	310	276
Net income	\$ 164	\$ 525	\$ 59	\$ 619	\$ 496
Earnings per share:					
Basic:					
Income (loss) from continuing operations	\$ 0.98	\$ 3.82	\$ (2.80)	\$ 3.29	\$ 2.20
Income from discontinued operations	0.96	2.37	3.48	3.29	2.76
	\$ 1.94	\$ 6.19	\$ 0.68	\$ 6.58	\$ 4.96
Diluted:					
Income (loss) from continuing operations	\$ 0.98	\$ 3.82	\$ (2.80)	\$ 3.25	\$ 2.17
Income from discontinued operations	0.96	2.37	3.48	3.26	2.74
	\$ 1.94	\$ 6.19	\$ 0.68	\$ 6.51	\$ 4.91
Cash dividend per common share	\$ 5.60	\$ 1.92	\$ —	\$ —	\$ —
Leidos, Inc.:					
Revenues	\$ 5,772	\$ 6,469	\$ 5,836	\$ 5,990	\$ 5,679
Operating income (loss)	164	423	(58)	551	411
Income (loss) from continuing operations	86	325	(238)	301	206
Income from discontinued operations	80	201	294	310	276
Net income	\$ 166	\$ 526	\$ 56	\$ 611	\$ 482
January 31					
	2014	2013	2012	2011	2010
(in millions)					
Consolidated Balance Sheet Data:					
Total assets	\$ 4,162	\$ 5,875	\$ 6,667	\$ 6,223	\$ 5,295
Notes payable and long-term debt, including current portion	\$ 1,333	\$ 1,295	\$ 1,845	\$ 1,844	\$ 1,096
Other long-term liabilities	\$ 227	\$ 170	\$ 158	\$ 129	\$ 184

- (1) References to financial data are to the Company's continuing operations, unless otherwise noted. The operating results of the spin-off of New SAIC are included in discontinued operations.
- (2) Fiscal 2014 results include increased charges related to intangible asset impairments, bad debt expense, and separation transaction and restructuring expenses. For further information see, Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*.
- (3) Fiscal 2012 results include a \$540 million loss provision recorded in connection with resolution of the CityTime matter described in Note 17 of the combined notes to consolidated financial statements contained within this Annual Report on Form 10-K.

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

The following combined discussion and analysis of Leidos' and Leidos, Inc.'s financial condition and results of operations and quantitative and qualitative disclosures about market risk should be read in conjunction with our consolidated financial statements and related combined notes. As Leidos is a holding company and consolidates Leidos, Inc. for financial statement purposes, disclosures that relate to activities of Leidos, Inc. also apply to Leidos, unless otherwise noted. Leidos, Inc.'s revenues and expenses comprise 100% of Leidos' revenues and operating expenses. In addition, Leidos, Inc. comprises approximately the entire balance of Leidos' assets, liabilities and operating cash flows. Therefore, the following qualitative discussion is applicable to both Leidos and Leidos, Inc., unless otherwise noted.

The following discussion contains forward-looking statements, including statements regarding our intent, belief, or current expectations with respect to, among other things, trends affecting our financial condition or results of operations, backlog, our industry, government budgets and spending and the impact of competition. Such statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. See "Risk Factors—Forward-Looking Statement Risks" in Part I of this Annual Report on Form 10-K. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in "Risk Factors." Due to such uncertainties and risks, you are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to update these factors or to publicly announce the results of any changes to our forward-looking statements due to future events or developments.

Unless indicated otherwise, references in this report to the "Company", "we", "us" and "our" refer collectively to Leidos Holdings, Inc., Leidos, Inc. and their consolidated subsidiaries. Unless otherwise noted, references to years are for fiscal years ended January 31. For example, we refer to the fiscal year ended January 31, 2014 as "fiscal 2014". All information for the periods presented in this section has been recast to give effect to the change in reportable segments and for discontinued operations.

Overview

We are an applied technology company delivering solutions and services that leverage the power of data analytics, systems integration and cyber security across our three markets of national security, health, and engineering to agencies of the U.S. Department of Defense (DoD), the intelligence community, the U.S. Department of Homeland Security and other U.S. Government civil agencies, state and local government agencies, foreign governments and customers across a variety of commercial markets. We operate in the following segments: Health and Engineering; National Security Solutions; and Corporate and Other.

Effective February 1, 2013, we realigned certain business operations among our segments and renamed our reportable segments as follows: Health and Engineering; National Security Solutions; Technical Services and Information Technology; and Corporate and Other. In connection with the spin-off of New SAIC on September 27, 2013, the Technical Services and Information Technology reportable segment was distributed to New SAIC and was included as part of our discontinued operations. The prior periods presented were recast to give effect to these changes in our reportable segments.

All amounts in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" are presented for our continuing operations. For additional information regarding our reportable segments, see "Business" in Part I and Note 16 of the combined notes to consolidated financial statements contained within this Annual Report on Form 10-K.

Our Health and Engineering segment provides health systems integration services to implement and optimize the use of electronic health records, apply data analytics, and behavioral health research to help enable customers to improve healthcare quality and patient outcomes, detect and prevent diseases, enhance scientific discovery, and reduce costs to the healthcare system. We also provide engineering services and solutions focused on solving energy, environmental and infrastructure challenges. These include products and solutions in energy generation, efficiency and management, environmental services, securing critical infrastructure, and designing and building construction projects.

Our National Security Solutions segment provides solutions and systems for air, land, sea, space and cyberspace for the U.S. intelligence community, the DoD, the military services, and the U.S. Department of Homeland Security. Our solutions deliver technology, large-scale intelligence systems, data analytics, cyber solutions, logistics, and intelligence analysis and operations support to critical missions around the world.

Our significant management initiatives include the following:

- Achieving internal, or non-acquisition related, annual revenue growth through internal collaboration and better leveraging of key differentiators across our company and the deployment of resources and investments into higher growth markets;
- Increasing the growth of our operating profits through improving the quality of our revenues and contract profitability, continued improvement in our information technology (IT) systems 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 through internal growth initiatives, stock repurchases, dividends, strategic acquisitions and other uses to achieve our goals.

Key financial events during fiscal 2014 include:

- Revenues for fiscal 2014 decreased 11% from the prior year. Revenue contraction was due to a decrease in Health and Engineering segment revenues of 5% and National Security Solutions segment revenues of 13%.
- Operating income from continuing operations was \$164 million for fiscal 2014 down from \$423 million for fiscal 2013. In addition, to the aforementioned revenue contraction, the decrease in operating income from continuing operations was primarily due to an increase of \$54 million in separation transaction and restructuring expenses, \$51 million for intangible asset impairment charges, an increase of \$42 million of bad debt expense primarily related to receivables for two energy design-build construction projects, and an increase in infrastructure costs to establish two stand-alone companies of \$29 million.
- Diluted earnings per share from continuing operations for fiscal 2014 was \$0.98 as compared to \$3.82 in fiscal 2013 primarily due to the aforementioned operating income from continuing operations reductions of \$259 million. In addition, fiscal 2013 contained an income tax benefit of \$96 million, or \$1.12 impact on diluted earnings per share, as a result of an issue resolution with the IRS with respect to the tax deductible portion of the CityTime settlement.
- Cash and cash equivalents decreased \$305 million during fiscal 2014 primarily due to dividend payments of \$477 million on Leidos stock (\$342 million from our special cash dividend), the repurchase of stock primarily due to the accelerated stock repurchase program of \$319 million, and the repayment of notes assumed as part of the acquisition of Plainfield of \$165 million. These decreases in cash were partially offset by the dividend received from Science Applications International Corporation ("New SAIC") of \$269 million, net of contribution paid, cash flows provided by operating activities of continuing operations of \$195 million, cash from discontinued operations of \$97 million, and proceeds from the sale of facilities of \$65 million.
- Net bookings (as defined in "Key Performance Measures—Bookings and Backlog") were approximately \$5.0 billion for fiscal 2014, as compared to \$7.0 billion in the prior year. Total backlog was \$9.3 billion and \$10.1 billion at January 31, 2014 and 2013, respectively.

Spin-off Transaction

In accordance with a distribution agreement, on September 27, 2013 (the "Distribution Date"), Leidos completed a spin-off of its technical services and enterprise information technology services business into an independent, publicly traded company named Science Application International Corporation. The spin-off was effected through a tax-free distribution to Leidos' stockholders of 100% of the shares of New SAIC's common stock. On the Distribution Date, New SAIC's common stock was distributed, on a pro rata basis, to Leidos' stockholders of record as of the close of business on September 19, 2013, the record date. Each holder of Leidos common stock received one share of New SAIC common stock for every seven shares of Leidos common stock held on the record date. Prior to the Distribution Date, Leidos Holdings, Inc. was named SAIC, Inc. and Leidos, Inc. was named Science Applications International Corporation. As a result of the spin-off, the assets, liabilities, results of operations and cash flows of New SAIC have been classified as discontinued operations for all periods presented. References to financial information are to our continuing operations, unless otherwise noted.

In connection with the spin-off transaction and in order to align our cost structure for post-separation, we took actions to reduce our real estate footprint by vacating facilities that are not necessary for our future requirements. We incurred approximately \$46 million in expenses related to lease termination costs, facility consolidation costs and other one time costs in connection with these facility savings efforts over fiscal 2014, which is expected to generate annualized cost savings of approximately \$30 million. During fiscal 2014, we incurred approximately \$19 million of additional separation transaction and restructuring expenses, besides the lease termination and facility consolidation costs discussed above, which included approximately \$10 million of incremental severance costs related to organizational streamlining. We do not expect to incur significant additional other separation transaction and restructuring expenses in fiscal 2015 related to the spin-off transaction.

Discontinued Operations

From time to time, we may dispose or management may commit to plans to dispose of non-strategic components of the business, which are reclassified as discontinued operations for all periods presented.

Fiscal Year 2014 Dispositions

In addition to the spin-off of New SAIC discussed above, in order to better align our business portfolio with our strategy, we sold or committed to plans to dispose of certain other components of our business, that were historically included in our National Security Solutions segment.

In August 2013, we committed to plans to dispose of a business primarily focused on technology used to detect if an individual is concealing explosive devices or other hidden weapons.

In November 2013 we sold a certain component of our business, focused on machine language translation, resulting in an insignificant gain.

In January 2014, we committed to plans to dispose of Cloudshield Technologies, Inc. (Cloudshield), previously acquired in fiscal 2011, which is focused on producing a suite of cybersecurity hardware and associated software and services.

Fiscal Year 2013 Dispositions

We sold certain components of our business, which were historically included in our Health and Engineering segment, primarily focused on providing operational test and evaluation services to U.S. Government customers.

Fiscal Year 2012 Dispositions:

We sold certain components of our business, which were historically included in our Health and Engineering segment, primarily focused on providing information technology services to international oil and gas companies. Pursuant to the definitive agreement, we retained the assets and obligations of a defined benefit pension plan in the United Kingdom.

There were no material proceeds from the sale of businesses in fiscal 2014, with two businesses still in the sales process. In fiscal 2013, we received net proceeds of \$51 million from the sale of a business resulting in a gain on

sale before income taxes of \$17 million. In fiscal 2012, we received net proceeds of \$167 million resulting in a gain on sale before income taxes of \$111 million.

The pre-sale operating results of our discontinued operations discussed above for the periods presented were as follows:

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Revenues	\$ 2,728	\$ 4,760	\$ 4,821
Costs and expenses:			
Cost of revenues	2,465	4,295	4,310
Selling, general and administrative expenses	66	115	119
Bad debt expense	—	2	1
Intangible asset impairment charges	2	6	18
Separation transaction and restructuring expenses	55	28	—
Operating income	\$ 140	\$ 314	\$ 373

Income from discontinued operations also includes other activity that is immaterial and therefore not described above.

Business Environment and Trends

U.S. Government Markets

In fiscal 2014, we generated approximately 78% of our total revenues 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, including subcontracts under which the DoD is the ultimate purchaser, represented approximately 68% of our total revenues in fiscal 2014. 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. Contributing to long term fiscal uncertainty is the continuing uncertainty over the debt ceiling extension, which will expire in spring of 2015.

While we believe that national security spending will continue to be a priority, U.S. Government budget deficits and the national debt have created increasing pressure to examine and reduce spending across all federal agencies. The Budget Control Act of 2011 raised the U.S. Government's debt ceiling and imposed 10-year discretionary spending caps expected to generate over \$1 trillion in savings for the U.S. Government. According to the Office of Management and Budget, these savings included \$487 billion in DoD baseline spending reductions over 10 years, which began to be implemented in the U.S. Government fiscal year ended September 30, 2013. In addition, roughly 60% of all healthcare in the United States is reimbursed by a government program. These reimbursements are tied to the government spending level and were significantly reduced as part of the Budget Control Act. This has had a direct effect in the amount of available discretionary spending on IT modernization in US hospitals and therefore slowed the growth we had experienced in our commercial Health IT practice.

In December 2013, the President signed into law the Bipartisan Budget Act of 2013, which reduced to the effects of sequestration in FY 2014 and FY 2015 for national security, but did not make the same concessions for the cuts in healthcare reimbursements. The implementation of sequestration spending cuts and associated government guidance and planning activities has impacted existing contracts, caused program delays and cancellations, and caused delays in other government contracting actions. In addition, future implementation of spending cuts as we return to Sequestration in FY 2016 could cause further delays in contract awards and continued uncertainty. We continue to evaluate the impact of spending reductions on our business. The amount and nature of these federal budget spending reductions could adversely impact our operations, future revenues and growth prospects.

Trends in the U.S. Government contracting process, including a shift towards multiple-awards contracts (in which certain contractors are preapproved using indefinite-delivery/indefinite-quantity (IDIQ) and U.S. General Services

Administration (GSA) contract vehicles) and awarding contracts on a low price, technically acceptable basis, have increased competition for U.S. Government 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.

Commercial and International Markets

Sales to our customers in commercial and international markets are dependent on U.S. and global economic conditions, which continue to experience economic and fiscal challenges, including slow GDP growth and collateral impacts from reduced government spending in those markets. These economic and fiscal challenges could adversely impact our operations, future revenues and growth prospects in those markets.

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 EPS. We also believe that bookings and backlog are useful measures for management and investors to evaluate our potential future revenues. In addition, we consider measures such as contract types and revenue mix to be useful measures to management and investors evaluating our operating income and margin performance.

Bookings and Backlog. We had net bookings worth an estimated \$5.0 billion and \$7.0 billion during fiscal 2014 and fiscal 2013, 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 less the backlog obtained in acquisitions during the year.

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

- *Funded Backlog.* Funded backlog for contracts with government agencies primarily represents contracts for which funding is appropriated less revenues previously recognized on these contracts, and does not include the unfunded portion of contracts where funding is incrementally appropriated or authorized on a quarterly or annual basis by the U.S. Government and other customers, even though the contract may call for performance over a number of years. Funded backlog for contracts with non-government agencies 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 these contracts.
- *Negotiated Unfunded Backlog.* Negotiated unfunded backlog represents estimated amounts of revenue to be earned in the future from (1) negotiated contracts for which funding has not been appropriated or otherwise authorized and (2) unexercised priced contract options. Negotiated unfunded backlog does not include future potential task orders expected to be awarded under IDIQ, GSA Schedule, or other master agreement contract vehicles.

The estimated value of our total backlog as of the end of the last two fiscal years was as follows:

	January 31	
	2014	2013
	(in millions)	
Health and Engineering:		
Funded backlog	\$ 1,153	\$ 1,295
Negotiated unfunded backlog	694	676
Total Health and Engineering backlog	\$ 1,847	\$ 1,971
National Security Solutions:		
Funded backlog	\$ 1,854	\$ 2,119
Negotiated unfunded backlog	5,604	6,037
Total National Security Solutions backlog	\$ 7,458	\$ 8,156
Total:		
Funded backlog	\$ 3,007	\$ 3,414
Negotiated unfunded backlog	6,298	6,713
Total backlog	\$ 9,305	\$ 10,127

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. Contract awards continue to be negatively impacted by ongoing industry-wide delays in procurement decisions, and budget cuts, including sequestration, by the U.S. Government as discussed in "Business Environment and Trends" in this Annual Report on Form 10-K.

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 customers 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 revenue, see "Business—Contract Types" in Part I of this Annual Report on Form 10-K. The following table summarizes revenues by contract type as a percentage of our total revenue for the last three fiscal years:

	Year Ended January 31		
	2014	2013	2012
Cost-reimbursement	47%	46%	45%
Time and materials (T&M) and fixed-price-level-of-effort (FP-LOE)	26	28	31
Firm-fixed-price (FFP)	27	26	24
Total	100%	100%	100%

The percentage of revenues generated from cost-reimbursement, T&M and FP-LOE, and FFP contracts remained relatively consistent from fiscal 2013 to fiscal 2014.

Revenue Mix. We generate revenues under our contracts from (1) the efforts of our technical staff, which we refer to as labor-related revenues, and (2) the materials provided on a contract and efforts of our subcontractors, which we refer to as M&S revenues. M&S revenues are generated primarily from large, multi-year systems integration contracts and contracts in our logistics, readiness and sustainment business area, as well as through sales of our proprietary products, such as our border, port and mobile security products and our checked baggage explosive detection systems.

PART II

The following table presents changes in labor-related revenues and M&S revenues for the last three fiscal years:

	Year Ended January 31				
	2014	Percent change	2013	Percent change	2012
	(dollars in millions)				
Labor-related revenues	\$ 3,513	(12)%	\$ 3,985	15%	\$ 3,479
As a percentage of revenues	61%		62%		60%
M&S revenues	2,259	(9)	2,484	5	2,357
As a percentage of revenues	39%		38%		40%

The percentage of revenues attributed to labor-related and M&S revenues remained relatively consistent from fiscal 2013 to fiscal 2014.

Geographic Location. Substantially all of our revenues and tangible long-lived assets are generated by or owned by entities located in the United States.

Results of Operations

The following table summarizes our results of operations for the last three fiscal years:

	Year Ended January 31				
	2014	Percent change	2013	Percent change	2012
	(dollars in millions)				
Revenues	\$ 5,772	(11)%	\$ 6,469	11 %	\$ 5,836
Cost of revenues	5,006	(10)	5,564	4	5,351
Selling, general and administrative expenses:					
General and administrative (G&A)	327	4	313	(15)	367
Bid and proposal (B&P)	70	(36)	109	7	102
Internal research and development (IR&D)	45	(4)	47	(36)	74
Bad debt expense	44	—	2	100	—
Intangible asset impairment charges	51	100	—	—	—
Separation transaction and restructuring expenses	65	—	11	100	—
Operating income (loss)	164	(61)	423	—	(58)
As a percentage of revenues	2.8%		6.5%		(1.0)%
Non-operating expense, net	(76)		(76)		(104)
Income (loss) from continuing operations before income taxes	88	(75)	347	—	(162)
Income tax expense	(4)	(83)	(23)	(68)	(73)
Income (loss) from continuing operations	84	(74)	324	—	(235)
Income from discontinued operations, net of tax	80		201		294
Net income	\$ 164	(69)	\$ 525	—	\$ 59

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

PART II

Reportable Segment Results. The following table summarizes changes in Health and Engineering revenues and operating income for the last three fiscal years:

Health and Engineering	Year Ended January 31				
	2014	Percent change	2013	Percent change	2012
	(dollars in millions)				
Revenues	\$ 1,735	(5)%	\$ 1,825	13%	\$ 1,612
Operating income	21	(85)%	140	1%	139
<i>Operating income margin</i>	1.2%		7.7%		8.6%

Health and Engineering revenues decreased \$90 million, or 5%, for fiscal 2014 compared to fiscal 2013. Internal revenue contracted 12% compared to the prior year when including revenues for maxIT before the August 2012 acquisition. The internal revenue contraction reflects a decline in our commercial and federal health business driven by lower hospital IT spending trends (\$112 million), lower volume in engineering services for the U.S. Government and commercial customers (\$91 million) and the completion of energy design-build construction projects (\$24 million).

Health and Engineering revenues increased \$213 million, or 13%, for fiscal 2013 as compared to fiscal 2012. This increase was primarily driven by revenues from acquired businesses, including the August 2012 acquisition of maxIT and the August 2011 acquisition of Vitalize. Internal revenues grew 2%, reflecting increases in healthcare IT consulting services with commercial clients (\$87 million), increased activity related to energy design-build construction projects (\$27 million) and increased unit deliveries and related maintenance of our non-intrusive inspection engineering products (\$13 million). These increases were partially offset by lower volume in engineering services for U.S. Government customers (\$48 million) and program completions with federal health information technology customers, particularly with the DoD military health system (\$47 million).

Health and Engineering operating income decreased \$119 million, or 85%, for fiscal 2014 compared to fiscal 2013. The decrease was primarily attributable to bad debt expense for certain receivables related to two energy design-build construction projects (\$41 million), an impairment of intangible assets acquired from the fiscal 2011 acquisition of Reveal Imaging Technologies (\$30 million), and an impairment of intangible assets acquired in connection with the fiscal year 2012 and 2013 acquisitions of Vitalize and maxIT (\$19 million). There was also an increase in net unfavorable change in contract estimates (\$4 million) primarily related to increased expenses associated with a completion estimate for an energy design-build construction fixed price project and lower revenue volume.

Health and Engineering operating income remained relatively constant for fiscal 2013 as compared to fiscal 2012. Operating income was favorably impacted primarily due to higher revenue volume, a reduction in research and development expense (\$19 million) resulting from the advancement through the product development life cycle of new non-intrusive inspection system offerings, as well as the loss provision related to a data privacy litigation matter (\$9 million) in the prior year period, which is discussed in Note 17 of the combined notes to the consolidated financial statements. These increases were partially offset by a net unfavorable change in contract estimates (\$11 million) primarily related to certain energy and construction projects compared to a net positive change in contract estimates (\$3 million) in the prior year period, increased intangible asset amortization expense (\$8 million), increased severance expense (\$4 million), and costs related to exit a facility associated with a past acquisition (\$3 million).

The following table summarizes changes in National Security Solutions revenues and operating income for the last three fiscal years:

National Security Solutions	Year Ended January 31				
	2014	Percent change	2013	Percent change	2012
	(dollars in millions)				
Revenues	\$ 4,049	(13)%	\$ 4,650	1 %	\$ 4,618
Operating income	292	(19)%	360	(10)%	400
<i>Operating income margin</i>	7.2%		7.7%		8.7%

National Security Solutions revenues decreased \$601 million, or 13%, for fiscal 2014 as compared to fiscal 2013. Revenue contraction was attributable to the drawdown of overseas U.S. military forces (\$331 million) including the ramp down of the Joint Logistics Integration (JLI) program for tactical and mine resistant ambush protected vehicles (\$238 million of the \$331 million), and the completion of several intelligence contracts (\$158 million). The remainder of the decline was primarily driven by overall reductions in defense and U.S. Government spending resulting from sequestration and budget cuts.

National Security Solutions revenues increased \$32 million, or 1%, for fiscal 2013 as compared to fiscal 2012. Revenue growth was primarily attributable to increased activity on a number of programs, including two airborne surveillance programs (\$108 million), a geospatial intelligence program (\$41 million), a new intelligence analysis solution program (\$25 million) and a new intelligence systems integration program for the U.S. Army (\$22 million). These increases were partially offset by reduced activity on a number of programs, including a processing, exploitation and dissemination program for the U.S. Army (\$60 million), the JLI program for tactical and mine resistant ambush protected vehicles (\$28 million) and an intelligence analysis contract that concluded in the current year (\$26 million). In addition, there was a decline in sale of proprietary products (\$34 million).

National Security Solutions operating income decreased \$68 million, or 19%, for fiscal 2014 as compared to fiscal 2013. This decrease was primarily attributable to the impact of lower revenues (\$47 million), net unfavorable change in contract estimates (\$6 million), which is primarily attributable to increased expenses on two international fixed price development programs, for fiscal 2014 compared to fiscal 2013 which had a net favorable change in contract estimates (\$30 million).

National Security Solutions operating income decreased \$40 million for fiscal 2013 as compared to fiscal 2012. The decrease in operating income was primarily attributable to a relative increase in the proportion of M&S revenues, which generally have lower profit margins than labor-related revenues, due to increased activity as a prime contractor on large system integration programs. Fiscal 2013 operating income was negatively impacted by reduced sales of our higher-margin proprietary products (\$12 million). These decreases were partially offset by lower intangible asset amortization expense (\$3 million), and an increase in net favorable change in contract estimates (\$5 million).

The following table summarizes changes in Corporate and Other revenues and operating income (loss) for the last three fiscal years:

Corporate and Other	Year Ended January 31		
	2014	2013	2012
	(dollars in millions)		
Revenues	\$ (9)	\$ (1)	\$ (390)
Operating income (loss)	(149)	(77)	(597)

Corporate and Other operating loss represents corporate costs that are unallowable under U.S. Government Cost Accounting Standards and the net effect of various items that are not directly related to the operating performance of the reportable segments. Corporate and Other operating loss increased by \$72 million for fiscal 2014, as compared to fiscal 2013. The increase is driven primarily by the costs to effect the separation of new SAIC including an increase in transaction and restructuring costs (\$54 million) and an increase in infrastructure costs to establish stand-alone companies (\$29 million), partially offset by a reduction of other unallocable corporate costs.

Corporate and Other operating loss for fiscal 2013 decreased by \$520 million as compared to fiscal 2012 which is primarily attributable to the CityTime loss provision (\$540 million) recognized in fiscal 2012.

Non-Operating Expense. Non-operating expense was \$76 million in fiscal 2014 and fiscal 2013. Non-operating expense for fiscal 2013 decreased \$28 million as compared to fiscal 2012. This decrease was primarily attributable to a decrease in interest expense of \$21 million primarily due to the payment of \$550 million in July 2012 to settle our 6.25% notes at maturity.

Interest expense for Leidos, Inc. for fiscal 2014 decreased \$10 million as compared to fiscal 2013 and interest expense for Leidos, Inc. for fiscal 2013 decreased \$26 million as compared to fiscal 2012. The decrease in both comparable periods reflects a decrease in interest on third-party debt, which was primarily due to the payment of the \$550 million notes discussed above. There was also a decrease in interest expense related to Leidos, Inc.'s

note with Leidos of \$5 million for fiscal 2014 compared to fiscal 2013 and a \$8 million decrease for fiscal 2013 compared to fiscal 2012. This note may fluctuate significantly from year to year based on changes in the underlying note balance and interest rates throughout the fiscal year. As more fully described in "Quantitative and Qualitative Disclosures About Market Risk" contained within this Annual Report on Form 10-K, we are currently exposed to interest rate risks and foreign currency risks that are inherent in the financial instruments and contracts arising from transactions entered into in the normal course of business. From time to time, we use derivative instruments to manage these risks.

Provision for Income Taxes. Our provision for income taxes as a percentage of income from continuing operations before income taxes was 4.5% and 6.6% in fiscal 2014 and 2013, respectively. In fiscal 2012, we had a loss from continuing operations before income taxes resulting in a negative tax rate of 45.1%. The lower effective income tax rate for fiscal 2014 as compared to fiscal 2013 was primarily due to lower earnings in fiscal 2014, the tax deductibility of the special dividend on shares held by the Leidos Retirement Plan (an employee stock ownership plan) and the resolution of certain tax contingencies with the tax authorities resulting in the recognition of an income tax benefit (\$7 million). The effective tax rate for fiscal 2013 benefited from a reduction in the provision for income tax as a result of our entering into an issue resolution agreement with the IRS with respect to the tax deductible portion of the CityTime payment (\$96 million). The effective tax rate for fiscal 2012 was negatively impacted by the estimated non-deductible portion of the CityTime loss provision.

We file income tax returns in the United States and various state and foreign jurisdictions. We have effectively settled with the IRS for all fiscal years prior to 2014, except 2010.

Liquidity and Capital Resources

We had \$430 million in cash and cash equivalents at January 31, 2014, which were primarily comprised of cash held in investments in several large institutional money market funds that invest primarily in bills, notes and bonds issued by the U.S. Treasury, U.S. Government guaranteed repurchase agreements fully collateralized by U.S. Treasury obligations, U.S. Government guaranteed securities and investment-grade corporate securities that have original maturities of three months or less, and bank deposits. We anticipate our principal sources of liquidity for the next 12 months and beyond will be our existing cash and cash equivalents and cash flows from operations. We may also borrow under our \$750 million revolving credit facility. Our revolving credit facility is backed by a number of financial institutions, matures in March 2017 and, by its terms, can be accessed on a same-day basis. We anticipate our principal uses of cash for the next 12 months and beyond will be for operating expenses, capital expenditures, stock repurchases (see discussion below in *Stock Repurchase Program*), dividends and acquisitions of businesses. We anticipate that our operating cash flows, existing cash and cash equivalents, which have no restrictions on withdrawal, and borrowing capacity under our revolving credit facility will be sufficient to meet our anticipated cash requirements for at least the next 12 months.

Historical Trends

Cash and cash equivalents was \$430 million and \$735 million at January 31, 2014 and 2013, respectively. The following table summarizes cash flow information for the last three fiscal years:

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Cash provided by operating activities of continuing operations	\$ 195	\$ 36	\$ 400
Cash provided by (used in) investing activities of continuing operations	297	(519)	(199)
Cash used in financing activities of continuing operations	(894)	(718)	(447)
Cash provided by operating activities of discontinued operations	114	308	314
Cash (used in) provided by investing activities of discontinued operations	(17)	42	157
Cash used in financing activities of discontinued operations	—	(4)	(2)
Effect of foreign currency exchange rate changes on cash and cash equivalents	—	—	1
Total (decrease) increase in cash and cash equivalents	\$ (305)	\$ (855)	\$ 224

Cash Provided by Operating Activities of Continuing Operations. Cash flows from operating activities of continuing operations increased \$159 million in fiscal 2014 as compared to fiscal 2013. The increase was primarily due to less cash used of \$296 million for changes in working capital primarily due to the \$500 million cash settlement payment related to the CityTime Program (see Note 17 of the combined notes to the consolidated financial statements) in fiscal 2013. This was partially offset by an increase in the average time to collect accounts receivable as a result of a slowdown in payments from the U.S. Government impacted by the discontinuance of the U.S. Government's accelerated payment initiative that encouraged agencies to pay contractors in a more timely fashion, as well as other events including slower collections partially due to our name change. Days sales outstanding were 76 days for the three months ended January 31, 2014 as compared to 66 days for the corresponding period in the prior year. There was also more non-cash charges in fiscal 2014 as compared to fiscal 2013 including intangible impairment charges of \$51 million and bad debt expense of \$44 million. These increases were partially offset by lower income from continuing operations of \$240 million.

Cash flows from operating activities of continuing operations decreased \$364 million in fiscal 2013 as compared to fiscal 2012. Fiscal 2013 cash flows from operating activities of continuing operations were negatively impacted by a \$500 million cash settlement payment related to the CityTime Program, partially offset by a reduction in the average time to collect accounts receivable. The average time to collect accounts receivable in fiscal 2013 benefited from the U.S. Government's accelerated payment initiative that encouraged agencies to more timely pay contractors.

Cash Provided by (used in) Investing Activities of Continuing Operations. We generated \$297 million of cash flows from investing activities of continuing operations in fiscal 2014, including a \$295 million dividend from New SAIC, \$65 million of proceeds from the sale of facilities, \$12 million of proceeds from the sale of cost method investments, partially offset by a \$26 million capital contribution to New SAIC and \$53 million to purchase property, plant and equipment.

We used \$519 million of cash in support of investing activities of continuing operations in fiscal 2013, including \$483 million (net of cash acquired) to acquire maxIT and \$39 million to purchase property, plant and equipment.

We used \$199 million of cash in support of investing activities of continuing operations in fiscal 2012, including \$218 million (net of cash acquired) to acquire two businesses and \$56 million to purchase property, plant and equipment partially offset by \$78 million of proceeds from the sale of real estate and other assets.

Cash Used in Financing Activities of Continuing Operations. We used \$894 million of cash in support of financing activities of continuing operations in fiscal 2014, including \$477 million to pay dividends on Leidos stock (\$342 million from our special cash dividend), \$152 million to pay off notes assumed as part of the acquisition of Plainfield (an additional \$13 million of costs to pay off these notes was included in cash flows from operating activities), and \$319 million to repurchase shares of our stock primarily from the accelerated stock repurchase program, offset by consideration received of \$38 million related to the real estate financing transaction and \$13 million in proceeds from the sale of stock under our employee stock purchase plan (ESPP) and exercises of stock options. New SAIC received proceeds from the issuance of debt of \$500 million, prior to the spin-off, and retained the debt obligation after spin-off.

We used \$718 million of cash from financing activities of continuing operations in fiscal 2013, including \$550 million to settle a note payable at maturity, \$165 million to pay dividends on Leidos stock and \$22 million to repurchase shares of Leidos stock, partially offset by \$19 million in proceeds from the sale of stock under our ESPP.

We used \$447 million of cash from financing activities of continuing operations in fiscal 2012, including \$471 million to repurchase shares of Leidos stock partially offset by \$27 million in proceeds from the sale of stock under our ESPP and exercises of stock options.

Cash Flows from Discontinued Operations.

Cash Provided by Operating Activities of Discontinued Operations. Cash flows provided by operating activities of discontinued operations decreased \$194 million in fiscal 2014 as compared to fiscal 2013, due to a decrease in net income of \$121 million, a \$17 million tax settlement on the gain from the sale of certain components of our business in fiscal 2013, and an increase in payments for separation transaction costs. Cash flows provided by operating activities of discontinued operations was \$308 million in fiscal 2013, which was comparable to \$314 million in fiscal 2012. The change was primarily driven by the decrease in net income.

Cash (Used in) provided by Investing Activities of Discontinued Operations. Cash flows used in investing activities of discontinued operations were \$17 million for fiscal 2014 for the purchase of property, plant, and equipment. Cash flows provided by investing activities of discontinued operations were \$42 million for fiscal 2013, including \$51 million of proceeds from the sale of certain components of our business offset by \$9 million for the purchase of property, plant, and equipment. Cash flows provided by investing of discontinued operations were \$157 million for fiscal 2012, including net proceeds of \$167 million from the sale of certain components of our business offset by \$9 million for the purchase of property, plant, and equipment.

Cash Used in Financing Activities of Discontinued Operations. Cash flows used in financing activities of discontinued operations were \$4 million and \$2 million for fiscal 2013 and 2012, respectively, from repayments of debt.

Leidos, Inc.'s Cash Flows. Any differences in cash flows from operating activities of continuing operations for Leidos, Inc. as compared to Leidos are primarily attributable to changes in interest payments (which reduce cash flows from operating activities of Leidos, Inc.) made by Leidos, Inc. on its note to Leidos and changes in excess tax benefits related to stock-based compensation (which reduce cash flows from operating activities for Leidos).

Leidos, Inc. used cash in investing activities of \$486 million in fiscal 2014, including repayments on its related party note with Leidos of \$501 million, partially offset by proceeds from the related party note with Leidos of \$13 million. Leidos, Inc. used cash in financing activities of continuing operations of \$718 million in fiscal 2013, including repayments on its note with Leidos of \$411 million partially offset by proceeds from the note of \$244 million. In addition, Leidos, Inc. used \$550 million in cash to settle a third-party note payable at maturity (as described above in Leidos' cash used in financing activities of continuing operations). Leidos, Inc. used cash in financing activities of \$444 million in fiscal 2012, including repayments on its note payable with Leidos of \$1.1 billion, partially offset by proceeds from the note payable of \$638 million.

Special Cash Dividend

In March 2013, Leidos' board of directors declared a special cash dividend of \$4.00 per share of Leidos common stock and paid an aggregate of \$342 million on June 28, 2013 to stockholders of record on June 14, 2013.

Stock Repurchase Programs

In December 2013, our board of directors authorized a stock repurchase program (2013 Stock Repurchase Program) under which we may repurchase up to 20 million shares of Leidos common stock. This share repurchase authorization replaces the March 2012 share repurchase authorization of 10 million shares. Stock repurchases may be made on the open market or in privately negotiated transactions with third parties. 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.

In December 2013, we entered into an Accelerated Share Repurchase ("ASR") agreement with a financial institution, whereby we paid an aggregate of \$300 million and received an initial delivery of approximately 5.6 million shares of Leidos outstanding shares of common stock during the fourth quarter of fiscal 2014, or approximately 85% of the total shares expected to be repurchased under the ASR. The final delivery of the remaining shares under the program was completed in the first quarter of fiscal 2015.

Outstanding Indebtedness

Notes Payable and Long-term Debt. Our outstanding notes payable and long-term debt consisted of the following:

	Stated interest rate	Effective interest rate	January 31	
			2014	2013
(dollars in millions)				
Leidos Holdings, Inc. senior unsecured notes:				
\$450 million notes issued in fiscal 2011, which mature in December 2020	4.45%	4.53%	\$ 449	\$ 449
\$300 million notes issued in fiscal 2011, which mature in December 2040	5.95%	6.03%	300	300
Leidos, Inc. senior unsecured notes:				
\$250 million notes issued in fiscal 2003, which mature in July 2032	7.13%	7.43%	248	248
\$300 million notes issued in fiscal 2004, which mature in July 2033	5.50%	5.78%	296	296
Capital leases and other notes payable due on various dates through fiscal 2021	0%-3.7%	Various	40	2
Total notes payable and long-term debt			1,333	1,295
Less current portion			2	—
Total notes payable and long-term debt, net of current portion			\$ 1,331	\$ 1,295
Fair value of notes payable and long-term debt			\$ 1,350	\$ 1,390

The notes payable outstanding as of January 31, 2014 contain financial covenants and customary restrictive covenants, including, among other things, restrictions on our ability to create liens and enter into sale and leaseback transactions. We were in compliance with all covenants as of January 31, 2014. For additional information on our notes payable and long-term debt, see Note 7 of the combined notes to consolidated financial statements contained within this Annual Report on Form 10-K.

Credit Facility. Leidos has a revolving credit facility, which is fully and unconditionally guaranteed by Leidos, Inc., providing for up to \$750 million in unsecured borrowing capacity at interest rates determined, at Leidos' option, based on either LIBOR plus a margin or a defined base rate. During fiscal 2014, we extended the maturity date of the credit facility for one additional year, to March 2017, as provided for in the terms of the credit facility. As of January 31, 2014 and 2013, there were no borrowings outstanding under the credit facility, and we had \$750 million of available borrowing capacity. The credit facility contains certain customary representations and warranties, as well as certain affirmative and negative covenants. During fiscal 2014, the financial covenants in the credit facility were amended to: (i) permit in the calculation of earnings before interest, taxes, depreciation and amortization (EBITDA) the adding back of certain expenses incurred in connection with our separation transaction; (ii) exclude the effect of debt incurred in connection with the separation transaction for purposes of calculating consolidated funded debt; and (iii) change the ratio of consolidated funded debt to EBITDA that we are required to maintain. The financial covenants contained in the credit facility require that, for a period of four trailing fiscal quarters, we maintain a ratio of consolidated funded debt, including borrowings under this facility, to EBITDA adjusted for other items as defined in the credit facility of not more than 3.25 to 1.0 and a ratio of EBITDA adjusted for other items as defined in the credit facility to interest expense of greater than 3.5 to 1.0. As of January 31, 2014, we were in compliance with all covenants under the credit facility. A failure to meet the financial covenants in the future could reduce our borrowing capacity under the credit facility. For additional information on our credit facility, see Note 6 of the combined notes to consolidated financial statements contained within this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

We have outstanding performance guarantees and cross-indemnity agreements in connection with certain of our unconsolidated joint venture investments. We also have letters of credit outstanding principally related to guarantees on contracts with foreign government customers and surety bonds outstanding principally related to performance and payment bonds as described in Note 18 of the combined notes to 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

The following table summarizes, as of January 31, 2014, our obligations to make future payments pursuant to certain contracts or arrangements and provides an estimate of the fiscal years in which these obligations are expected to be satisfied:

	Payments Due by Fiscal Year						2020 & Thereafter
	Total	2015	2016	2017	2018	2019	
	(in millions)						
Contractual obligations:							
Long-term debt (including current portion)	\$ 2,618	\$ 75	\$ 75	\$ 75	\$ 76	\$ 75	\$ 2,242
Operating lease obligations ⁽²⁾	488	95	91	76	64	53	109
Capital lease obligations	3	1	1	1	—	—	—
Other long-term liabilities ⁽³⁾	50	14	11	6	6	6	7
Total contractual obligations	\$ 3,159	\$ 185	\$ 178	\$ 158	\$ 146	\$ 134	\$ 2,358

⁽¹⁾ Includes total interest payments on our outstanding debt of \$73 million in each fiscal year 2015, 2017, and 2019, \$74 million in fiscal year 2016 and 2018 and \$914 million in fiscal 2020 and thereafter.

⁽²⁾ Excludes \$12 million related to an operating lease on a contract with the Greek government as we are not obligated to make the lease payments to the lessee if our customer defaults on payments to us.

⁽³⁾ Other long-term liabilities were allocated by fiscal year as follows: a liability for our foreign defined benefit pension plan is based upon the expected near-term contributions to the plan (for a discussion of potential changes in these pension obligations, see Note 13 of the combined notes to consolidated financial statements contained within this Annual Report on Form 10-K); liabilities under deferred compensation arrangements are based upon the average annual payments in prior years upon termination of employment by participants; and other liabilities are based on the fiscal year that the liabilities are expected to be realized. The table above does not include income tax liabilities for uncertain tax positions of \$12 million as we are not able to reasonably estimate the timing of payments in individual years due to uncertainties in the timing of audit outcomes.

Commitments and Contingencies

We are subject to a number of reviews, investigations, claims, lawsuits and other uncertainties related to our business. For a discussion of these items, see Notes 17 and 18 of the combined notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Critical Accounting Policies

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 reasonably 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 several critical accounting policies that are both important to the portrayal of our financial condition and results of operations and require management's most difficult, subjective and complex judgments. Typically, the circumstances that make these judgments difficult, subjective and complex have to do with making estimates about the effect of matters that are inherently uncertain. Our critical accounting policies are described below.

Revenue Recognition. We generate our revenues from various types of contracts, which include firm-fixed-price, time-and-materials, fixed-price-level-of-effort, cost-plus-fixed-fee, cost-plus-award-fee and cost-plus-incentive-fee contracts.

Firm-fixed-price contracts—Revenues and fees on these contracts that are system integration or engineering in nature are primarily recognized using the percentage-of-completion method of accounting utilizing the cost-to-cost method. The completed contract method is utilized when reasonable and reliable cost estimates for a project cannot be made.

Time-and-materials contracts—Revenue is recognized on time-and-materials contracts based on the hours provided in performance under the contract multiplied by the negotiated contract billing rates, plus the negotiated contract billing rate of any allowable material and subcontract costs and out-of-pocket expenses.

Fixed-price-level-of-effort contracts (FP-LOE)—These contracts are substantially similar to time-and-materials contracts except they require a specified level of effort over a stated period of time. Accordingly, we recognize revenue on FP-LOE contracts with the U.S. Government in a manner similar to time-and-materials contracts in which we measure progress toward completion based on the hours provided in performance under the contract multiplied by the negotiated contract billing rates, plus the negotiated contract billing rate of any allowable material costs and out-of-pocket expenses.

Cost-plus-fixed-fee contracts—Revenue is recognized on cost-plus-fixed-fee contracts with the U.S. Government on the basis of partial performance equal to costs incurred, plus an estimate of applicable fees earned as we become contractually entitled to reimbursement of costs and the applicable fees.

Cost-plus-award-fee/cost-plus-incentive fee contracts—Revenues and fees on these contracts with the U.S. Government are primarily recognized using the percentage-of-completion method of accounting, most often based on the cost-to-cost method. We include an estimate of the ultimate incentive or award fee to be received on the contract in the estimate of contract revenues for purposes of applying the percentage-of-completion method of accounting.

Revenues from services and maintenance contracts, notwithstanding contract type, are recognized over the term of the respective contracts as the services are performed and revenue is earned. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. Revenues from the sale of manufactured products are recorded upon passage of title and risk of loss to the customer, which is generally upon delivery, provided that all other requirements for revenue recognition have been met.

We also use the efforts-expended method of percentage-of-completion using measures such as labor dollars for measuring progress toward completion in situations in which this approach is more representative of the progress on the contract. For example, the efforts-expended method is utilized when there are significant amounts of materials or hardware procured for the contract that is not representative of progress on the contract. Additionally,

we utilize the units-of-delivery method under percentage-of-completion on contracts where separate units of output are produced. Under the units-of-delivery method, revenue is generally recognized when the units are delivered to the customer, provided that all other requirements for revenue recognition have been met.

We also evaluate contracts for multiple elements, and when appropriate, separate the contracts into separate units of accounting for revenue recognition.

We provide for anticipated losses on contracts by recording an expense during the period in which the losses are determined. Amounts billed and collected but not yet recognized as revenues under certain types of contracts are deferred. Contract costs incurred for U.S. Government contracts, including indirect costs, are subject to audit and adjustment through negotiations between us and government representatives. Revenues on U.S. Government contracts have been recorded in amounts that are expected to be realized upon final settlement.

Contract claims are unanticipated additional costs incurred but not provided for in the executed contract price that we seek to recover from the customer. Such costs are expensed as incurred. Additional revenue related to contract claims is recognized when the amounts are awarded by the customer. Un-priced change orders are included in revenue when they are probable of recovery in an amount at least equal to the cost.

In certain situations, primarily where we are not the primary obligor on certain elements of a contract such as the provision of administrative oversight and/or management of government-owned facilities or logistical support services related to other vendors' products, we recognize as revenues the net management fee associated with the services and exclude from our income statement the gross sales and costs associated with the facility or other vendors' products.

Changes in Estimates on Contracts. Changes in estimates related to certain types of contracts accounted for using the percentage of completion method of accounting are recognized in the period in which such changes are made for the inception-to-date effect of the changes. Changes in these estimates can routinely occur over the contract performance period for a variety of reasons, including changes in contract scope, changes in contract cost estimates due to unanticipated cost growth or retirements of risk for amounts different than estimated, and changes in estimated incentive or award fees. Aggregate changes in contract estimates decreased operating income by \$21 million (\$0.15 per diluted share) for fiscal 2014 and increased operating income by \$19 million (\$0.12 per diluted share), and \$28 million (\$0.20 per diluted share) for fiscal 2013 and fiscal 2012, respectively.

Receivables. Our accounts receivable include amounts billed and currently due from customers and unbilled receivables, which consist of costs and fees billable upon contract completion or the occurrence of a specified event, the majority of which is expected to be billed and collected within one year. Unbilled receivables are stated at estimated realizable value. Contract retentions are billed when we have negotiated final indirect rates with the U.S. Government and, once billed, are subject to audit and approval by government representatives. Consequently, the timing of collection of retention balances is outside our control. Based on our historical experience, the majority of retention balances are expected to be collected beyond one year and write-offs of retention balances have not been significant. We extended deferred payment terms with original contractual maturities that may exceed one year to commercial customers related to certain construction projects. As of January 31, 2014, we had outstanding receivables of \$39 million related to one construction project with deferred payment terms, which is expected to be collected in fiscal 2015. When events or conditions indicate that amounts outstanding from customers may become uncollectible, an allowance is estimated and recorded.

Business Combinations and Goodwill and Intangible Assets Impairment. The accounting for business combinations requires management to make judgments and estimates of the fair value of assets acquired, including the identification and valuation of intangible assets, as well as the liabilities and contingencies assumed. Such judgments and estimates directly impact the amount of goodwill recognized in connection with each acquisition.

We review goodwill for impairment at the reporting unit level annually, at the beginning of the fourth quarter, and during interim periods whenever events or circumstances indicate that the carrying value may not be recoverable. Goodwill is evaluated for impairment either under a qualitative assessment option or a two-step quantitative approach depending on facts and circumstances of a reporting unit, including the excess of fair value over 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 events relevant to the reporting unit under evaluation to determine whether it is more likely than not that the fair value of a reporting unit is less than its

carrying amount. If we determine that it is more likely than not that a reporting unit's fair value is less than its carrying amount a quantitative two step goodwill impairment test is performed.

The first step of the quantitative test consists of comparing the estimated fair value of each reporting unit to its carrying value. If the estimated fair value of a reporting unit is more than its carrying value, including allocated goodwill, no further analysis required. If the estimated fair value of a reporting unit is less than its carrying value, including allocated goodwill, a second step is performed to compute the impairment loss by determining an implied fair value of goodwill. The implied fair value of goodwill is the residual fair value derived by deducting the fair value of a reporting unit's identifiable assets and liabilities from its estimated fair value calculated in the first step. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we record an impairment loss equal to the difference.

We estimate the fair value of each reporting unit using both market and income approaches. The market approach is a valuation technique where the fair value is calculated based on market prices realized from a detailed market analysis of publicly traded companies that provide a reasonable basis of comparison for each reporting unit. Valuation ratios are selected that relate market prices to certain financial metrics of comparable companies. These ratios are applied after consideration of adjustments and weightings related to financial position, growth, volatility, working capital movement, and other factors. The income approach is a valuation technique where the fair value is calculated based on forecasted future cash flows within the projection period discounted back to the present value with appropriate risk adjusted discount rates. In addition, a terminal value is developed for forecasted future cash flows beyond the projection period discounted back to the present value. The forecasts used in our estimation of fair values are developed by management based on incorporating adjustments that reflect known business and market considerations.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions, particularly related to future operating results and cash flows. These estimates and assumptions include, but are not limited to, revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and identification of appropriate market comparable data. The fair values of our reporting units are based on estimates and assumptions that are believed to be reasonable. Significant changes to these estimates and assumption could adversely impact our conclusion and actual future results may differ from the estimates. In addition, the identification of reporting units and the allocation of assets and liabilities to the reporting units when determining the carrying value of each reporting unit also requires judgment.

Our fiscal 2014 annual goodwill impairment analysis indicated the estimated fair value of all of our reporting units exceeded their carrying value. The estimated fair value of our Health Solutions reporting unit exceeded its book value by approximately 20% and all other reporting units' fair values were substantially in excess of their carrying values. Accordingly, no goodwill impairment charges were recorded. The carrying value of goodwill as of January 31, 2014 was \$1.7 billion. We face continued uncertainty in our business environment due to the substantial fiscal and economic challenges facing the U.S. Government, our primary customer, as well as challenges in the commercial healthcare industry, compounded by lower levels of U.S. Government reimbursements, including reductions in Medicare reimbursements which in turn impact hospital IT spending. Adverse changes in fiscal and economic conditions, such as the manner in which the budget cuts are implemented, including sequestration, and issues related to the nation's debt ceiling, could adversely impact our future revenues and profitability. These circumstances could result in an impairment of goodwill and/or other intangibles. Also adverse equity market conditions that result in a decline in market multiples and our stock price could result in an impairment of goodwill and/or other intangibles.

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. In fiscal 2014 we recognized intangible asset impairment charges of \$51 million in continuing operations. In fiscal 2013 and 2012, we did not recognize any intangible asset impairment charges in continuing operations. The carrying value of intangible assets as of January 31, 2014 was \$94 million.

Income Taxes. We account for income taxes under the asset and liability method of accounting, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the 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. 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.

Recording our provision for income taxes requires management to make significant judgments and estimates for matters whose ultimate resolution may not become known until the final resolution of an examination by the IRS or state agencies. Additionally, recording liabilities for uncertain tax positions involves significant judgment in evaluating our tax positions and developing our best estimate of the taxes ultimately expected to be paid.

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.

We also recognize liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination and settlement with various taxing authorities. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement. We have experienced years when liabilities for uncertain tax positions were settled for amounts different from recorded amounts as described in Note 12 of the combined notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Stock-Based Compensation. We account for stock-based compensation in accordance with the accounting standard for stock compensation. Under the fair value recognition provisions of this standard, share-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is generally the vesting period, net of an estimated forfeiture rate. The estimation of stock option fair value requires management to make complex estimates and judgments about, among other things, employee exercise behavior, forfeiture rates, and the volatility of Leidos common stock. These judgments directly affect the amount of compensation expense that will ultimately be recognized.

Prior to our separation transaction, the expected term of all awards granted was derived from our historical experience with the exception of awards granted to our outside directors prior to fiscal 2013 which were derived utilizing the "simplified" method presented in SEC Staff Accounting Bulletin Nos. 107 and 110, "Share-Based Payment." Expected volatility was based on an average of the historical volatility of Leidos' stock and the implied volatility from traded options on Leidos stock. The risk-free interest rate was based on 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 date of grant. We used historical data to estimate forfeitures.

After the separation transaction, the expected term for all awards granted is derived utilizing the "simplified" method due to the lack of historical experience post separation. Expected volatility is estimated based on a weighted average historical volatility of a group of publicly-traded peer companies for a period consistent with the expected option term. We will continue to use peer group volatility information, until historical volatility of the Company is relevant, to measure expected volatility for future option grants. The risk-free rate is derived in same manner as prior to the separation transaction. We use historical data to estimate forfeitures.

For fiscal 2014 we assumed weighted average volatilities of 25.0% for awards granted prior to the separation transaction and 30.1% for awards granted after the separation transaction. Weighted average volatilities of 24.5% and 23.4% were assumed for fiscal 2013 and 2012 respectively. If other assumptions are held constant, an increase or decrease by 10% in our fiscal 2014 volatility assumptions would have changed the grant-date fair value of our fiscal 2014 option awards by approximately 54% for awards prior to the separation transaction and approximately 36% for awards post separation.

Non-GAAP Financial Measures

In this Annual Report on Form 10-K, we refer to internal revenue growth (contraction) percentage, which is a non-GAAP financial measure that we reconcile to the most directly comparable GAAP financial measure. We calculate our internal revenue growth (contraction) percentage by comparing our reported revenue for the current year to the revenue for the prior year adjusted to include the actual revenue of acquired businesses for the comparable prior year before acquisition. This calculation has the effect of adding revenue for the acquired businesses for the comparable prior year to our prior year reported revenue.

We use internal revenue growth (contraction) percentage as an indicator of how successful we are at growing our base business and how successful we are at growing the revenues of the businesses that we acquire. Our integration of acquired businesses allows our current management to leverage business development capabilities, drive internal resource collaboration, utilize access to markets and qualifications, and refine strategies to realize synergies, which benefits both acquired and existing businesses. As a result, the performance of the combined enterprise post-acquisition is an important measurement. In addition, as a means of rewarding the successful integration and growth of acquired businesses, and not acquisitions themselves, incentive compensation for our senior management is based, in part, on achievement of revenue targets linked to internal revenue growth.

The limitation of this non-GAAP financial measure as compared to the most directly comparable GAAP financial measure is that internal revenue growth (contraction) percentage is one of two components of the total revenue growth (contraction) percentage, which is the most directly comparable GAAP financial measure. We address this limitation by presenting the total revenue growth (contraction) percentage next to or near disclosures of internal revenue growth (contraction) percentage. This financial measure is not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. The method that we use to calculate internal revenue growth (contraction) percentage is not necessarily comparable to similarly titled financial measures presented by other companies. Internal revenue growth (contraction) percentages for fiscal 2014, 2013 and 2012 were calculated as follows:

PART II

	Year Ended January 31		
	2014	2013	2012
	(dollars in millions)		
Health and Engineering:			
Prior fiscal year's revenues, as reported	\$ 1,825	\$ 1,612	\$ 1,433
Revenues of acquired businesses for the comparable prior year period	145	177	132
Prior fiscal year's revenues, as adjusted	\$ 1,970	\$ 1,789	\$ 1,565
Current fiscal year's revenues, as reported	1,735	1,825	1,612
Internal revenue growth (contraction)	\$ (235)	\$ 36	\$ 47
Internal revenue growth (contraction) percentage	(12)%	2%	3%
National Security Solutions:			
Prior fiscal year's revenues, as reported	\$ 4,650	\$ 4,618	\$ 4,404
Revenues of acquired businesses for the comparable prior year period	—	—	—
Prior fiscal year's revenues, as adjusted	\$ 4,650	\$ 4,618	\$ 4,404
Current fiscal year's revenues, as reported	4,049	4,650	4,618
Internal revenue growth (contraction)	\$ (601)	\$ 32	\$ 214
Internal revenue growth (contraction) percentage	(13)%	1%	5%
Total*:			
Prior fiscal year's revenues, as reported	\$ 6,469	\$ 5,836	\$ 5,990
Revenues of acquired businesses for the comparable prior year period	145	177	132
Prior fiscal year's revenues, as adjusted	\$ 6,614	\$ 6,013	\$ 6,122
Current fiscal year's revenues, as reported	5,772	6,469	5,836
Internal revenue growth (contraction)	\$ (842)	\$ 456	\$ (286)
Internal revenue growth (contraction) percentage	(13)%	8%	(5)%

* Total revenues include amounts related to Corporate and Other intersegment eliminations.

Recently Adopted and Issued Accounting Pronouncements

Accounting Standards Updates Adopted

In September 2011, the Financial Accounting Standards Board ("FASB") issued ASU No. 2011-08: *Intangibles-Goodwill and Other (Topic 350) Testing Goodwill for Impairment*. This standard allows companies the option to make an initial qualitative evaluation, based on the entity's events and circumstances, to determine the likelihood of goodwill impairment. The results of this qualitative assessment determine whether it is necessary to perform the two-step quantitative impairment test. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a company would be required to perform the quantitative two-step impairment test. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. We adopted this guidance on February 1, 2012 and elected to use the optional initial qualitative evaluation for certain reporting units in our fiscal 2014 annual goodwill impairment assessment.

In December 2011, the FASB issued ASU No. 2011-11: *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. This standard requires additional disclosures about financial instruments (i.e. sales and repurchase agreements, securities borrowing and lending agreements) and derivative instruments that are either offset in accordance with existing accounting literature (i.e. ASC 21-20 or ASC 815-10) or subject to an enforceable master netting arrangement or similar agreement. The standard is effective for annual periods beginning after January 1, 2013, and interim periods within those annual periods. The provisions of ASU 2011-11 did not have a material effect on our financial statement disclosures.

In July 2012, the FASB issued ASU No. 2012-02: *Intangibles-Goodwill and Other (Topic 350) Testing Indefinite-Lived Intangible Assets for Impairment*. This standard provides revised guidance to simplify the testing of indefinite-lived intangible assets for impairment. The standard now includes an option for a company to first assess qualitative

factors to determine whether it is necessary to perform a quantitative impairment test. The standard is effective for fiscal years beginning after September 15, 2012, with early adoption permitted. We adopted this standard in fiscal 2014 and continue to use the quantitative approach for testing impairment of indefinite-lived intangible assets.

In February 2013, the FASB issued ASU No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This standard requires that public companies present information about reclassification adjustments from accumulated other comprehensive income in their annual and interim financial statements in a single note or on the face of the financial statements. The standard is effective prospectively for annual and interim reporting periods beginning after December 15, 2012. We adopted this standard in fiscal 2014 and elected to disclose reclassification adjustments out of accumulated other comprehensive income in our combined notes to consolidated financial statements (see Note 9).

In July 2013, the FASB issued ASU No. 2013-11, *Income Taxes (Topic 740)*. This update applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. In accordance with this Update, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. An entity should not evaluate whether the deferred tax asset expires before the statute of limitations on the tax position or whether the deferred tax asset may be used prior to the unrecognized tax benefit being settled. The amendments in this Update do not require new recurring disclosures. The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. We elected to early adopt the provisions of ASU 2013-11 and it did not have a material effect on our financial position, results of operations or cash flows.

During the fiscal years presented, we adopted various accounting standards issued by the FASB, none of which had a material effect on our consolidated financial position, results of operations or cash flows.

Accounting Standards Updates Issued But Not Yet Adopted

In February 2013, the FASB issued ASU 2013-04: *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*. This standard requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. We do not expect the provisions of ASU 2013-04 to have a material effect on our financial position, results of operations or cash flows.

In March 2013, the FASB issued ASU No. 2013-05, *Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*. This standard applies to the release of the cumulative translation adjustment into net income when a parent either sells a part of or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. In addition, the amendments resolve the diversity in practice for the treatment of business combinations achieved in stages (i.e. step acquisitions) involving a foreign entity. The amendments in this are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. We do not expect the provisions of ASU 2013-05 to have a material effect on our financial position, results of operations or cash flows.

Effects of Inflation

Approximately 47% of our revenues are derived from cost-reimbursement type contracts, which are generally completed within one year. Bids for longer-term FFP and T&M and FP-LOE contracts typically include sufficient provisions for labor and other cost escalations to cover anticipated cost increases over the period of performance. As a result, our revenues and costs have generally both increased commensurate with inflation and net income as a percentage of total revenues has not been significantly affected.

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 our investments and long-term debt obligations. We have established an investment policy that prioritizes our objectives to minimize principal exposure, maximize liquidity and generate after-tax returns. This policy establishes guidelines regarding acceptability of instruments and maximum maturity dates and requires diversification in the investment portfolios by establishing maximum amounts that may be invested in designated instruments and issuers. Our policy authorizes, with board of directors' approval, the limited use of derivative instruments to hedge specific interest rate risks.

The table below provides information about our financial instruments at January 31, 2014 that are sensitive to changes in interest rates. For debt obligations and short-term investments, the table presents principal cash flows in U.S. dollars and related weighted average interest rates by expected maturity dates. We held no variable rate short-term and long-term debt obligations at January 31, 2014.

	2015	2016	2017	2018	2019	Thereafter	Total	Estimated Fair Value as of January 31, 2014
(dollars in millions)								
Assets:								
Cash and cash equivalents	\$ 430	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 430	\$ 430
Average interest rate	—	—	—	—	—	—		
Liabilities:								
Short-term and long-term debt:								
Fixed rate	\$ 3	\$ 2	\$ 3	\$ 2	\$ 2	\$ 1,328	\$ 1,340	\$ 1,350
Weighted average interest rate	3.5%	3.4%	3.4%	3.7%	3.7%	5.5%		

At January 31, 2014 and 2013, our cash and cash equivalents included investments in several large institutional money market funds that invest primarily in bills, notes and bonds issued by the U.S. Treasury, U.S. Government guaranteed repurchase agreements fully collateralized by U.S. Treasury obligations, U.S. Government guaranteed securities and investment-grade corporate securities that had original maturities of three months or less, and bank deposits. A 10% unfavorable interest rate movement would not materially impact the value of the holdings and would have a negligible impact on interest income at current market interest rates.

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 are immaterial and we do not expect this risk to have a material impact.

Item 8. Financial Statements and Supplementary Data

See our consolidated financial statements attached hereto and listed on the Index to Consolidated Financial Statements set forth on page F-1 of this Annual Report on Form 10-K.

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 Leidos' and Leidos, Inc.'s disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934) as of January 31, 2014, and 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 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities Exchange Commission. 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 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

There have been no changes in our internal control over financial reporting that occurred in the quarterly period covered by this 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 Leidos' and Leidos, Inc.'s internal control over financial reporting as of January 31, 2014 based on the framework established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management has assessed in its evaluation the effectiveness of our internal control over financial reporting as of January 31, 2014 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 reports on our internal control over financial reporting are set forth below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Leidos Holdings, Inc.

Reston, Virginia

We have audited the internal control over financial reporting of Leidos Holdings, Inc. and subsidiaries (the "Company") as of January 31, 2014, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2014, based on the criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended January 31, 2014 of the Company and our report dated March 27, 2014, expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia

March 27, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of

Leidos, Inc.

Reston, Virginia

We have audited the internal control over financial reporting of Leidos, Inc. and subsidiaries (the "Company") as of January 31, 2014, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2014, based on the criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended January 31, 2014, of the Company and our report dated March 27, 2014, expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia

March 27, 2014

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Item 9B. Other Information

None.

Item 10. Directors, Executive Officers and Corporate Governance

For certain information required by Item 10 with respect to executive officers, see “Executive and Other Key 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 2014 Proxy Statement, which required information is incorporated by reference into this Annual Report on Form 10-K.

We have adopted 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” and then “Code of Conduct.” We intend to post on our website any material changes to or waivers from our code of business ethics. 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 2014 Proxy Statement, 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 2014 Proxy Statement, which required information is incorporated by reference into this Annual Report on Form 10-K.

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 2014 Proxy Statement, 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 January 31, 2014 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⁾	4,794,630 ⁽²⁾	\$ 40.33 ⁽³⁾	14,866,660 ⁽⁴⁾
Equity compensation plans not approved by security holders ⁽⁵⁾	—	—	— ⁽⁵⁾
Total	4,794,630	\$ — ⁽³⁾	14,866,660

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

⁽²⁾ Includes shares of Leidos common stock issuable pursuant to dividend equivalent rights and shares of Leidos common stock reserved for future issuance upon the exercise of outstanding options awarded under the 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 of stock issuable pursuant to dividend equivalent rights, which will not require any payment upon issuance of those shares.

- (4) Represents 11,093,671 shares of Leidos common stock under the 2006 Employee Stock Purchase Plan and 3,772,989 shares of Leidos common stock under the 2006 Equity Incentive Plan. The maximum number of shares initially available for issuance under the 2006 Employee Stock Purchase Plan was 2.3 million. The 2006 Employee Stock Purchase Plan provides for an automatic increase to the share reserve on the first day of each fiscal year beginning on February 1, 2007 in an amount equal to the lesser of (i) 2.3 million shares, (ii) two percent of the number of shares of Leidos common stock outstanding on the last day of the immediately preceding fiscal year or (iii) a number determined by the compensation committee of the board of directors. 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. Those shares (i) that are issued under the 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, (ii) that are withheld from an option or stock award pursuant to a Company-approved net exercise provision, or (iii) that are not delivered to or are award shares surrendered by a holder in consideration for applicable tax withholding will continue to be available for issuance under the plan.
- (5) The Stock Compensation Plan and the Management Stock Compensation Plan have not been approved by security holders and are included in this plan category. These plans do not provide for a maximum number of shares available for future issuance.

Some of the principal features of the Stock Compensation Plan and the Management Stock Compensation Plan, together referred to as the Stock Compensation Plans, are summarized below, which summary is qualified in its entirety by the full text of the Stock Compensation Plans. Stockholder approval of the Stock Compensation Plans was not required.

Summary of the Stock Compensation Plans

The Stock Compensation Plans have been adopted to provide a long-term incentive to key employees by making deferred awards of shares of Leidos stock. All officers and employees are eligible to receive awards under the Stock Compensation Plan. However, only a select group of management and highly compensated senior employees are eligible to receive awards under the Management Stock Compensation Plan. We intend to limit participants of the Management Stock Compensation Plan to individuals that would permit the plan to be treated as a "top hat" plan under applicable Internal Revenue Service and Department of Labor Regulations.

The awarding authority (as appointed by our board of directors) designates those key employees receiving awards and the number of share units to be awarded. Each share unit generally corresponds to one share of stock, but the employee receiving an award of share units will not have a direct ownership interest in the shares of stock represented by the share units. We have established a trust which enables us to transfer shares of Leidos stock into the trust for purposes of funding the Stock Compensation Plans' obligations. The trust, which is maintained by Vanguard Fiduciary Trust Company as trustee under a trust agreement between the trustee and us, is a special type of trust known as a rabbi trust. In order to avoid current taxation of awards under the Stock Compensation Plans, the trust must permit our creditors to reach the assets of the trust in the event of our bankruptcy or insolvency.

The awarding authority will establish a vesting schedule of not more than seven years for each award. Awards will generally vest 100% at the end of the fourth year following the date of award. The death of a participant or a change in control of us will result in full vesting of an award. A participant will forfeit any unvested portions of the account if the participant's employment terminates for any reason other than death. We receive the benefit of forfeited amounts to satisfy future awards under the Stock Compensation Plans.

Participants of the Stock Compensation Plan receive a lump sum distribution of their awards in shares of stock once they become vested while participants of the Management Stock Compensation Plan receive a distribution of their awards in shares of stock following termination or retirement. Participants will be taxed on the value of any amounts distributed from the Stock Compensation Plans at the time of the distribution.

The day-to-day administration of the Stock Compensation Plans is provided by the nonqualified plans committee appointed by our board of directors. We have the right to amend or terminate the Stock Compensation Plans at any time and for any reason.

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 2014 Proxy Statement, 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 2014 Proxy Statement, 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*

Our consolidated financial statements are attached hereto and listed on the Index to Consolidated Financial Statements set forth on page F-1 of this Annual Report on Form 10-K.

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
2.1	Distribution Agreement dated September 25, 2013. Incorporated by referenced to Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on October 1, 2013.
3.1	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 October 1, 2013.
3.2	Restated Bylaws of Leidos Holdings, Inc. Incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed with the SEC on October 1, 2013.
3.3	Amended and Restated Certificate of Incorporation of Leidos, Inc. Incorporated by reference to Exhibit 3.3 to our Current Report on Form 8-K filed with the SEC on October 1, 2013.
3.4	Restated Bylaws of Leidos, Inc. Incorporated by reference to Exhibit 3.4 to our Current Report on Form 8-K filed with the SEC on October 1, 2013.
4.1	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 as filed on July 3, 2002 with the SEC. (SEC File No. 000-12771)
4.2	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 as filed on October 17, 2006 with the SEC. (SEC File No. 001-33072)
4.3	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 as filed on December 22, 2010 with the SEC.
10.1*	Leidos Holdings, Inc.'s 2006 Equity Incentive Plan.
10.2*	Leidos, Inc. Stock Compensation Plan.
10.3*	Leidos, Inc.'s Management Stock Compensation Plan.
10.4*	Leidos, Inc. Keystaff Deferral Plan.
10.5*	Leidos, Inc.'s Key Executive Stock Deferral Plan.
10.6*	Leidos Holdings, Inc.'s 2006 Employee Stock Purchase Plan.
10.7*	Leidos, Inc.'s 401(k) Excess Deferral Plan.
10.8*	Form of Stock Award Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan. Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2009 as filed on December 9, 2009 with the SEC.

PART IV

Exhibit Number	Description of Exhibit
10.9*	Form of Stock Award Agreement (Non-Employee Directors) of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan. Incorporated by reference to Exhibit 10.7 to our Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2009 as filed on December 9, 2009 with the SEC.
10.10*	Form of Nonstatutory Stock Option Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan.
10.11*	Form of Nonstatutory Stock Option Agreement (Non-Employee Directors) of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan.
10.12*	Form of Performance Share Award Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan. Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2011 as filed on June 3 2011 with the SEC.
10.13*	Form of Amendment to Performance Share Award Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan (for Performance Share Award Agreements entered into prior to March 22, 2012). Incorporated by reference to Exhibit 10.10 to our Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2012 as filed on June 1, 2012 with the SEC.
10.14*	Form of Restricted Stock Unit Award Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan.
10.15*	Form of Restricted Stock Unit Award Agreement (Non-Employee Directors) of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan.
10.16*	Form of Restricted Unit Award Agreement (Management) of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan.
10.17*	Form of Recoupment Policy and Non-Solicitation Acknowledgment and Agreement. Incorporated by reference to Exhibit 10.1 to Leidos Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2010 as filed on June 4, 2010 with the SEC.
10.18	Amended and Restated Four Year Credit Agreement, dated March 11, 2011, among Leidos Holdings, Inc., as borrower, Leidos, Inc., as guarantor, Citibank, N.A., as administrative agent, Bank of America, N.A., as syndication agent, Morgan Stanley Bank, N.A., The Bank of Nova Scotia and Wells Fargo Bank, National Association, as co-documentation agents, and the other lenders party thereto. Incorporated by reference to Exhibit 10.1 to Leidos Holdings, Inc.'s Current Report on Form 8-K as filed on March 15, 2011 with the SEC.
10.19*	Form of Indemnification Agreement. Incorporated by reference to Exhibit 10.1 to Leidos Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2007 as filed on June 7, 2007 with the SEC (SEC File No. 001-33072).
10.20*	Form of Severance Protection Agreement.
10.21*	Employment Letter Agreement dated February 29, 2012, to John P. Jumper. Incorporated by reference to Exhibit 10.1 to Leidos Holdings, Inc.'s Current Report on Form 8-K/A as filed on March 2, 2012 with the SEC.
10.22*	Stock Offer Letter dated February 29, 2012 to John P. Jumper. Incorporated by reference to Exhibit 10.2 to Leidos Holdings, Inc.'s Current Report on Form 8-K/A as filed on March 2, 2012 with the SEC.
10.23	Deferred Prosecution Agreement between Leidos, Inc. and the U.S. Attorney's Office for the Southern District of New York effective March 14, 2012. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on March 14, 2012 with the SEC.
10.24	Administrative Agreement between Leidos, Inc. and the United States Army on behalf of the U.S. Government, dated August 21, 2012. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 21, 2012 with the SEC.
10.25	Employee Matters Agreement dated September 25, 2013. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on October 1, 2013.
10.26	Tax Matters Agreement dated September 25, 2013. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on October 1, 2013.
10.27	Transition Services Agreement dated September 25, 2013. Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on October 1, 2013.

PART IV

Exhibit Number	Description of Exhibit
10.28	Agreement, dated October 11, 2013, by and among Leidos Renewable Energy, LLC, Plainfield Renewable Energy Owner, LLC and Plainfield Renewable Energy Holdings, LLC. Incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q filed with the SEC on December 10, 2013.
10.29††	Confirmation, dated December 13, 2013, regarding Issuer Forward Repurchase Transaction between Leidos Holdings, Inc. and Bank of America, N.A.
21	Subsidiaries of Registrants.
23.1	Consent of Independent Registered Public Accounting Firm, Deloitte & Touche LLP.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	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.
32.2	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.
99.1	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 Leidos Holdings, Inc.'s Annual Report on Form 10-K as filed on April 1, 2010 with the SEC.
99.2†	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 Leidos Holdings, Inc.'s Annual Report on Form 10-K as filed on April 1, 2010 with the SEC.
99.3	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 Leidos Holdings, Inc.'s Annual Report on Form 10-K as filed on April 1, 2010 with the SEC.
99.4†	Professional Services Contract effective September 7, 1999 between Leidos, Inc. and In-Q-Tel, Inc. (f/k/a In-Q-It, Inc.). Incorporated by reference to Exhibit 99.4 to Leidos Holdings, Inc.'s Annual Report on Form 10-K as filed on April 1, 2010 with the SEC.
101	Interactive Data File.
*	Executive Compensation Plans and Arrangements
†	Confidential treatment has been granted with respect to certain portions of these exhibits.
††	Confidential treatment has been requested with respect to certain portions of this exhibit.

LEIDOS HOLDINGS, INC.
LEIDOS, 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.

LEIDOS HOLDINGS, INC.
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Leidos Holdings, Inc. and subsidiaries (the "Company") as of January 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Leidos Holdings, Inc. and subsidiaries as of January 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2014, 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), the Company's internal control over financial reporting as of January 31, 2014, based on the criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 27, 2014, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia
March 27, 2014

LEIDOS HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

	January 31	
	2014	2013
	(in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 430	\$ 735
Receivables, net	1,088	1,166
Inventory, prepaid expenses and other current assets	256	333
Assets of discontinued operations	20	1,383
Total current assets	1,794	3,617
Property, plant and equipment, net	483	286
Intangible assets, net	94	178
Goodwill	1,704	1,704
Deferred income taxes	15	12
Other assets	72	78
	\$ 4,162	\$ 5,875
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 716	\$ 782
Accrued payroll and employee benefits	286	353
Notes payable and long-term debt, current portion	2	—
Liabilities of discontinued operations	5	657
Total current liabilities	1,009	1,792
Notes payable and long-term debt, net of current portion	1,331	1,295
Other long-term liabilities	227	170
Commitments and contingencies (Notes 14, 17 and 18)		
Stockholders' equity:		
Preferred stock, \$.0001 par value, 10 million shares authorized and no shares issued and outstanding at January 31, 2014 and 2013	—	—
Common stock, \$.0001 par value, 500 million shares authorized, 80 million and 86 million shares issued and outstanding at January 31, 2014 and 2013, respectively	—	—
Additional paid-in capital	1,576	2,110
Retained earnings	25	510
Accumulated other comprehensive loss	(6)	(2)
Total stockholders' equity	1,595	2,618
	\$ 4,162	\$ 5,875

See accompanying combined notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended January 31		
	2014	2013	2012
		(in millions, except per share amounts)	
Revenues	\$ 5,772	\$ 6,469	\$ 5,836
Costs and expenses:			
Cost of revenues	5,006	5,564	5,351
Selling, general and administrative expenses	442	469	543
Bad debt expense	44	2	—
Intangible asset impairment charges	51	—	—
Separation transaction and restructuring expenses	65	11	—
Operating income (loss)	164	423	(58)
Non-operating income (expense):			
Interest income	15	9	5
Interest expense	(83)	(93)	(114)
Other (expense) income, net	(8)	8	5
Income (loss) from continuing operations before income taxes	88	347	(162)
Income tax expense	(4)	(23)	(73)
Income (loss) from continuing operations	84	324	(235)
Discontinued operations (Note 2):			
Income from discontinued operations before income taxes	140	329	486
Income tax expense	(60)	(128)	(192)
Income from discontinued operations	80	201	294
Net income	\$ 164	\$ 525	\$ 59
Earnings per share (Note 10):			
Basic:			
Income (loss) from continuing operations	\$ 0.98	\$ 3.82	\$ (2.80)
Income from discontinued operations	0.96	2.37	3.48
	\$ 1.94	\$ 6.19	\$ 0.68
Diluted:			
Income (loss) from continuing operations	\$ 0.98	\$ 3.82	\$ (2.80)
Income from discontinued operations	0.96	2.37	3.48
	\$ 1.94	\$ 6.19	\$ 0.68

See accompanying combined notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Net income	\$ 164	\$ 525	\$ 59
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	—	(1)	8
Deferred taxes	—	1	(4)
Foreign currency translation adjustments, net of tax	—	—	4
Reclassification of realized loss on settled derivative instruments to net income	—	—	1
Deferred taxes	—	—	(1)
Reclassification of realized loss on settled derivative instruments to net income, net of tax	—	—	—
Pension liability adjustments	(6)	14	(13)
Deferred taxes	2	(5)	5
Pension liability adjustments, net of tax	(4)	9	(8)
Total other comprehensive (loss) income, net of tax	(4)	9	(4)
Comprehensive income	\$ 160	\$ 534	\$ 55

See accompanying combined notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Shares		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
	Common stock	Preferred stock				
	(in millions, except for per share amounts)					
Balance at January 31, 2011	90	—	\$ 2,090	\$ 408	\$ (7)	\$ 2,491
Net income	—	—	—	59	—	59
Other comprehensive loss, net of tax	—	—	—	—	(4)	(4)
Issuances of stock (less forfeitures)	2	—	44	—	—	44
Shares repurchased or retired or withheld for tax withholdings on vesting of restricted stock	(7)	—	(175)	(303)	—	(478)
Adjustments for income tax benefits from stock-based compensation	—	—	(16)	—	—	(16)
Stock-based compensation (including discontinued operations of \$30 million)	—	—	85	—	—	85
Balance at January 31, 2012	85	—	2,028	164	(11)	2,181
Net income	—	—	—	525	—	525
Other comprehensive income, net of tax	—	—	—	—	9	9
Issuances of stock (less forfeitures)	1	—	24	—	—	24
Shares repurchased or retired or withheld for tax withholdings on vesting of restricted stock	—	—	(10)	(12)	—	(22)
Cash dividends of \$1.92 per common share	—	—	—	(167)	—	(167)
Adjustments for income tax benefits from stock-based compensation	—	—	(16)	—	—	(16)
Stock-based compensation (including discontinued operations of \$31 million)	—	—	84	—	—	84
Balance at January 31, 2013	86	—	2,110	510	(2)	2,618
Net income	—	—	—	164	—	164
Other comprehensive loss, net of tax	—	—	—	—	(4)	(4)
Issuances of stock (less forfeitures)	—	—	33	—	—	33
Shares repurchased or retired or withheld for tax withholdings on vesting of restricted stock	(6)	—	(165)	(154)	—	(319)
Cash dividends of \$1.60 per common share	—	—	—	(139)	—	(139)
Special cash dividend of \$4.00 per share	—	—	—	(356)	—	(356)
Adjustments for income tax benefits from stock-based compensation	—	—	(11)	—	—	(11)
Stock-based compensation (including discontinued operations of \$21 million)	—	—	76	—	—	76
Dividend received, net of contribution paid, from the spin-off of New SAIC	—	—	269	—	—	269
Spin-off of New SAIC	—	—	(736)	—	—	(736)
Balance at January 31, 2014	80	—	\$ 1,576	\$ 25	\$ (6)	\$ 1,595

See accompanying combined notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Cash flows from operating activities of continuing operations:			
Net income	\$ 164	\$ 525	\$ 59
Income from discontinued operations	(80)	(201)	(294)
Adjustments to reconcile net income to net cash provided by continuing operations:			
Depreciation and amortization	81	92	88
Stock-based compensation	55	53	55
Intangible asset impairment charges	51	—	—
Bad debt expense	44	2	—
Restructuring charges, net	17	2	—
Net gain on sales and disposals of assets	(8)	(6)	(27)
Other	10	4	(1)
Increase (decrease) in cash and cash equivalents, net of effects of acquisitions and dispositions, resulting from changes in:			
Receivables	(67)	228	(112)
Inventory, prepaid expenses and other current assets	55	(52)	(52)
Deferred income taxes	(38)	67	(8)
Other assets	19	(10)	(23)
Accounts payable and accrued liabilities	(88)	(695)	692
Accrued payroll and employee benefits	(65)	26	11
Income taxes receivable/payable	43	—	5
Other long-term liabilities	2	1	7
Total cash flows provided by operating activities of continuing operations	195	36	400
Cash flows from investing activities of continuing operations:			
Expenditures for property, plant and equipment	(53)	(39)	(56)
Acquisitions of businesses, net of cash acquired of \$0, \$9 and \$5 in fiscal 2014, 2013 and 2012, respectively	(3)	(483)	(218)
Net proceeds (payments) for purchase price adjustments related to prior year acquisitions	—	1	(4)
Proceeds from sale of assets	65	2	78
Net proceeds of cost method investments	12	—	2
Dividend received from the spin-off of New SAIC	295	—	—
Contribution paid related to the spin-off of New SAIC	(26)	—	—
Other	7	—	(1)
Total cash flows provided by (used in) investing activities of continuing operations	297	(519)	(199)

Year Ended January 31

	2014	2013	2012
		(in millions)	
Cash flows from financing activities of continuing operations:			
Payments on notes payable and long-term debt	(152)	(550)	(1)
Payments for deferred financing costs	(5)	—	—
Payment from New SAIC for deferred financing costs	5	—	—
Proceeds from real estate financing transaction	38	—	—
Proceeds from debt issuance	500	—	—
Distribution of debt to New SAIC	(500)	—	—
Sales of stock and exercises of stock options	13	19	27
Shares repurchased or retired or withheld for tax withholdings on vesting of restricted stock	(319)	(22)	(471)
Dividends payments	(477)	(165)	—
Other	3	—	(2)
Total cash flows used in financing activities of continuing operations	(894)	(718)	(447)
Decrease in cash and cash equivalents from continuing operations	(402)	(1,201)	(246)
Cash flows from discontinued operations:			
Cash provided by operating activities of discontinued operations	114	308	314
Cash (used in) provided by investing activities of discontinued operations	(17)	42	157
Cash used in financing activities of discontinued operations	—	(4)	(2)
Increase in cash and cash equivalents from discontinued operations	97	346	469
Effect of foreign currency exchange rate changes on cash and cash equivalents	—	—	1
Total (decrease) increase in cash and cash equivalents	(305)	(855)	224
Cash and cash equivalents at beginning of year	735	1,590	1,366
Cash and cash equivalents at end of year	\$ 430	\$ 735	\$ 1,590

See accompanying combined notes to consolidated financial statements.

Leidos Holdings, Inc. Annual Report F-8

LEIDOS, INC.
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Leidos, Inc. and subsidiaries (the "Company") as of January 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholder's equity, and cash flows for each of the three years in the period ended January 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Leidos, Inc. and subsidiaries as of January 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2014, 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), the Company's internal control over financial reporting as of January 31, 2014, based on the criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 27, 2014, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia
March 27, 2014

LEIDOS, INC.
CONSOLIDATED BALANCE SHEETS

	January 31	
	2014	2013
	(in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 430	\$ 735
Receivables, net	1,088	1,166
Inventory, prepaid expenses and other current assets	256	333
Assets of discontinued operations	20	1,383
Total current assets	1,794	3,617
Property, plant and equipment, net	483	286
Intangible assets, net	94	178
Goodwill	1,704	1,704
Deferred income taxes	15	12
Other assets	72	78
Note receivable from Leidos Holdings, Inc. (Note 8)	1,137	—
	\$ 5,299	\$ 5,875
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 716	\$ 782
Accrued payroll and employee benefits	286	353
Notes payable and long-term debt, current portion	2	—
Liabilities of discontinued operations	5	657
Total current liabilities	1,009	1,792
Notes payable and long-term debt, net of current portion	1,331	1,295
Note payable to Leidos, Holdings, Inc. (Note 8)	—	22
Other long-term liabilities	227	170
Commitments and contingencies (Notes 14, 17 and 18)		
Stockholders' equity:		
Common stock, \$.01 par value, 10,000 shares authorized, 5,000 shares issued and outstanding at January 31, 2014 and 2013	—	—
Additional paid-in capital	207	233
Retained earnings	2,531	2,365
Accumulated other comprehensive loss	(6)	(2)
Total stockholders' equity	2,732	2,596
	\$ 5,299	\$ 5,875

See accompanying combined notes to consolidated financial statements.

LEIDOS, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Revenues	\$ 5,772	\$ 6,469	\$ 5,836
Costs and expenses:			
Cost of revenues	5,006	5,564	5,351
Selling, general and administrative expenses	442	469	543
Bad debt expense	44	2	—
Intangible asset impairment charges	51	—	—
Separation transaction and restructuring expenses	65	11	—
Operating income (loss)	164	423	(58)
Non-operating income (expense):			
Interest income	19	10	5
Interest expense	(83)	(93)	(119)
Other (expense) income, net	(8)	8	5
Income (loss) from continuing operations before income taxes	92	348	(167)
Income tax expense	(6)	(23)	(71)
Income (loss) from continuing operations	86	325	(238)
Discontinued operations (Note 2):			
Income from discontinued operations before income taxes	140	329	486
Income tax expense	(60)	(128)	(192)
Income from discontinued operations	80	201	294
Net income	\$ 166	\$ 526	\$ 56

See accompanying combined notes to consolidated financial statements.

LEIDOS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Net income	\$ 166	\$ 526	\$ 56
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	—	(1)	8
Deferred taxes	—	1	(4)
Foreign currency translation adjustments, net of tax	—	—	4
Reclassification of realized loss on settled derivative instruments to net income	—	—	1
Deferred taxes	—	—	(1)
Reclassification of realized loss on settled derivative instruments to net income, net of tax	—	—	—
Pension liability adjustments	(6)	14	(13)
Deferred taxes	2	(5)	5
Pension liability adjustments, net of tax	(4)	9	(8)
Total other comprehensive (loss) income, net of tax	(4)	9	(4)
Comprehensive income	\$ 162	\$ 535	\$ 52

See accompanying combined notes to consolidated financial statements.

Leidos Holdings, Inc. Annual Report F-12

LEIDOS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

	Shares of common stock		Additional paid-in capital		Retained earnings		Accumulated other comprehensive loss		Total
	(in millions, except for share amounts)								
Balance at January 31, 2011	5,000	\$	233	\$	1,783	\$	(7)	\$	2,009
Net income	—		—		56		—		56
Other comprehensive loss, net of tax	—		—		—		(4)		(4)
Balance at January 31, 2012	5,000		233		1,839		(11)		2,061
Net income	—		—		526		—		526
Other comprehensive income, net of tax	—		—		—		9		9
Balance at January 31, 2013	5,000		233		2,365		(2)		2,596
Net income	—		—		166		—		166
Contribution paid related to the spin-off of New SAIC	—		(26)		—		—		(26)
Other comprehensive loss, net of tax	—		—		—		(4)		(4)
Balance at January 31, 2014	5,000	\$	207	\$	2,531	\$	(6)	\$	2,732

See accompanying combined notes to consolidated financial statements.

LEIDOS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Cash flows from operating activities of continuing operations:			
Net income	\$ 166	\$ 526	\$ 56
Income from discontinued operations	(80)	(201)	(294)
Adjustments to reconcile net income to net cash provided by continuing operations:			
Depreciation and amortization	81	92	88
Stock-based compensation	55	53	55
Intangible asset impairment charges	51	—	—
Bad debt expense	44	2	—
Restructuring charges, net	17	2	—
Net gain on sales and disposals of assets	(8)	(6)	(27)
Other	8	3	(1)
Increase (decrease) in cash and cash equivalents, net of effects of acquisitions and dispositions, resulting from changes in:			
Receivables	(67)	228	(112)
Inventory, prepaid expenses and other current assets	55	(52)	(52)
Deferred income taxes	(38)	67	(8)
Other assets	19	(10)	(23)
Accounts payable and accrued liabilities	(88)	(695)	692
Accrued payroll and employee benefits	(65)	26	11
Income taxes receivable/payable	43	—	5
Other long-term liabilities	2	1	7
Total cash flows provided by operating activities of continuing operations	195	36	397
Cash flows from investing activities of continuing operations:			
Proceeds from note payable to Leidos Holdings, Inc.	13	—	—
Payments on note payable to Leidos Holdings, Inc.	(501)	—	—
Expenditures for property, plant and equipment	(53)	(39)	(56)
Acquisitions of businesses, net of cash acquired of \$0, \$9 and \$5 in fiscal 2014, 2013 and 2012, respectively	(3)	(483)	(218)
Net proceeds (payments) for purchase price adjustments related to prior year acquisitions	—	1	(4)
Proceeds from sale of assets	65	2	78
Net proceeds of cost method investments	12	—	2
Contribution paid related to the separation of New SAIC	(26)	—	—
Other	7	—	(1)
Total cash flows used in investing activities of continuing operations	(486)	(519)	(199)

Year Ended January 31

	2014	2013	2012
	(in millions)		
Cash flows from financing activities of continuing operations:			
Proceeds from note payable to Leidos Holdings, Inc.	—	244	638
Payments on note payable to Leidos Holdings, Inc.	—	(411)	(1,079)
Payments on notes payable and long-term debt	(152)	(550)	(1)
Payments for deferred financing costs	(5)	—	—
Payment from New SAIC for deferred financing costs	5	—	—
Proceeds from real estate financing transaction	38	—	—
Dividend payments	—	(1)	—
Other	3	—	(2)
Total cash flows used in financing activities of continuing operations	(111)	(718)	(444)
Decrease in cash and cash equivalents from continuing operations	(402)	(1,201)	(246)
Cash flows from discontinued operations:			
Cash provided by operating activities of discontinued operations	114	308	314
Cash (used in) provided by investing activities of discontinued operations	(17)	42	157
Cash used in financing activities of discontinued operations	—	(4)	(2)
Increase in cash and cash equivalents from discontinued operations	97	346	469
Effect of foreign currency exchange rate changes on cash and cash equivalents	—	—	1
Total (decrease) increase in cash and cash equivalents	(305)	(855)	224
Cash and cash equivalents at beginning of year	735	1,590	1,366
Cash and cash equivalents at end of year	\$ 430	\$ 735	\$ 1,590

See accompanying combined notes to consolidated financial statements.

Leidos Holdings, Inc. Annual Report F-15

LEIDOS HOLDINGS, INC.
LEIDOS, INC.
COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies:

Nature of Operations and Basis of Presentation

Leidos Holdings, Inc. ("Leidos") (formerly known as SAIC, Inc.) is a holding company whose direct 100%-owned subsidiary is Leidos, Inc. (formerly known as Science Applications International Corporation), a company focused on delivering science and technology solutions primarily in the areas of national security, health and engineering to agencies of the U.S. Department of Defense (DoD), the intelligence community, the U.S. Department of Homeland Security, and other U.S. Government civil agencies, state and local government agencies, foreign governments and customers across a variety of commercial markets. Unless indicated otherwise, references to the "Company," "we," "us" and "our" refer collectively to Leidos Holdings, Inc., Leidos, Inc., and its consolidated subsidiaries.

On September 27, 2013 (the "Distribution Date"), Leidos completed the spin-off of its technical services and enterprise information technology services business into an independent, publicly traded company named Science Applications International Corporation ("New SAIC"). The separation was effected through a tax-free distribution to Leidos' stockholders of 100% of the shares of New SAIC's common stock. On the Distribution Date, New SAIC's common stock was distributed, on a pro rata basis, to Leidos' stockholders of record as of the close of business on September 19, 2013, the record date. Each holder of Leidos common stock received one share of New SAIC common stock for every seven shares of Leidos common stock held on the record date. Prior to the Distribution Date, Leidos Holdings, Inc. was named SAIC, Inc. and Leidos, Inc. was named Science Applications International Corporation.

As a result of the spin-off, the assets, liabilities, results of operations and cash flows of New SAIC have been classified as discontinued operations for all periods presented. References to financial data are to the Company's continuing operations, unless otherwise noted. See Note 2-Discontinued Operations for further information.

Immediately following the spin-off, Leidos effectuated a one-for-four reverse stock split of its shares of common stock, so that every four shares of Leidos common stock issued and outstanding were combined and converted into one share of Leidos common stock. Each reference to the number of shares outstanding or per share amounts has been adjusted to reflect the reverse stock split for all periods presented.

The consolidated financial statements of Leidos include the accounts of its majority-owned and 100%-owned subsidiaries, including Leidos, Inc. The consolidated financial statements of Leidos, Inc. include the accounts of its majority-owned and 100%-owned subsidiaries. Leidos does not have separate operations, assets or liabilities independent of Leidos, Inc., except for a note with Leidos, Inc. (the "related party note"), on which interest is recognized, and cash from the dividend paid by New SAIC that is held at Leidos for general corporate purposes, including dividend payments and share repurchases. From time to time Leidos issues stock to employees of Leidos, Inc. and its subsidiaries, which is reflected in Leidos' Consolidated Statements of Stockholders' Equity and results in an increase to the related party note (see Note 8). All intercompany transactions and accounts have been eliminated in consolidation.

These *Combined Notes to Consolidated Financial Statements* apply to both Leidos and Leidos, Inc. As Leidos consolidates Leidos, Inc. for financial statement purposes, disclosures that relate to activities of Leidos, Inc. also apply to Leidos.

Reporting Periods

Unless otherwise noted, references to fiscal years are to fiscal years ended January 31, for fiscal 2013 and earlier periods, or fiscal years ended the Friday closest to January 31, for fiscal 2014 or later periods. For fiscal 2013, the Company's fiscal quarters ended on the last calendar day of each of April, July and October. Effective in fiscal 2014, the Company changed its fiscal year to a 52/53 week fiscal year ending on the Friday closest to January 31, with fiscal quarters typically consisting of 13 weeks. Fiscal 2014 began on February 1, 2013 and ended on January 31, 2014. The Company does not believe that the change in its fiscal year has a material effect on the comparability of the periods presented.

LEIDOS HOLDINGS, INC.
LEIDOS, INC.
COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 allowances for doubtful accounts, inventories, fair value and impairment of intangible assets and goodwill, income taxes, estimated profitability of long-term contracts, pension benefits, stock-based compensation expense, contingencies and litigation. Estimates and assumptions have been prepared by management on the basis of the most current and best available information at the time of estimation and actual results could differ from those estimates.

Separation Transaction and Restructuring Expenses

In anticipation of the spin-off of New SAIC from the Company, the Company initiated an overall spin-off program to align the Company's cost structure for post-spin-off. During the year ended January 31, 2014, the Company reduced headcount, which resulted in severance costs, and reduced its real estate footprint by vacating facilities that are not necessary for its future requirements, which resulted in lease termination and facility consolidation expenses, as reflected in the table below.

Separation transaction and restructuring expenses related to New SAIC, exclusive of any tax impacts, of \$55 million for the year ended January 31, 2014, and \$28 million for the year ended January 31, 2013, respectively, were reclassified as discontinued operations. The separation transaction and restructuring expenses for continuing operations for fiscal 2014 and fiscal 2013 were as follows:

	Year Ended January 31	
	2014	2013
	(in millions)	
Strategic advisory services	\$ 7	\$ 1
Legal and accounting services	2	—
Lease termination and facility consolidation expenses	46	2
Severance costs	10	8
Separation transaction and restructuring expenses in operating income	65	11
Less: income tax benefit	(25)	(4)
Separation transaction and restructuring expenses, net of tax	\$ 40	\$ 7

For the years ended January 31, 2014 and January 31, 2013, all separation transaction and restructuring expenses for continuing operations were in the Corporate and Other segment. The Company does not expect to incur significant additional other separation transaction and restructuring expenses in fiscal 2015 related to the spin-off transaction.

LEIDOS HOLDINGS, INC.
LEIDOS, INC.
COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table represents the restructuring liability balance as of January 31, 2014, and summarizes the changes during the period attributable to costs incurred and charged to expense, costs paid or otherwise settled, and any adjustments to the liability:

	Severance Costs	Lease Termination and Facility Consolidation Expenses	Total
	(in millions)		
Balance as of January 31, 2013	\$ 8	\$ 2	\$ 10
Charges	10	41	51
Cash payments	(17)	(23)	(40)
Balance as of January 31, 2014	\$ 1	\$ 20	\$ 21

Operating Cycle

The Company's 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. Contract-related assets and liabilities are classified as current assets and current liabilities.

Variable Interest Entities

The Company occasionally forms joint ventures and/or enters into arrangements with special purpose limited liability companies for the purpose of bidding and executing on specific projects. The Company analyzes each such arrangement to determine whether it represents a variable interest entity (VIE). If the arrangement is determined to be a VIE, the Company assesses whether it is the primary beneficiary of the VIE and is consequently required to consolidate the VIE.

In fiscal 2012, the Company entered into a fixed price agreement to provide engineering, procurement, and construction services to a special purpose limited liability company (Plainfield Renewable Energy LLC or "Plainfield") for a specific renewable energy project. The Company analyzed this arrangement and determined that Plainfield was a VIE. Prior to the third quarter of fiscal 2014, the VIE was not consolidated by the Company because the Company was not the primary beneficiary.

On October 11, 2013, the Company and Plainfield Renewable Energy Owner, LLC ("project owner") entered into a consensual foreclosure agreement pursuant to which, the project owners agreed to transfer 100% of the equity interest of Plainfield Renewable Energy Holdings, LLC ("PRE Holdings") to an indirect wholly owned subsidiary of Leidos in full satisfaction of certain secured obligations owed by the project owner to the Company. Plainfield is a wholly-owned subsidiary of PRE Holdings. As a result of the entry into the foreclosure agreement, the Company determined that it has the power to direct the activities of the VIE and has the right to receive benefits from or the obligation to absorb the losses of the VIE. Accordingly, the Company was deemed the primary beneficiary of the VIE, resulting in the consolidation of Plainfield as of October 11, 2013. See Note 3 - Acquisitions, for further information.

Revenue Recognition

The Company's revenues are generated primarily from contracts with the U.S. Government, commercial customers, and various international, state and local governments or from subcontracts with other contractors engaged in work with such customers. The Company performs under various types of contracts, which include firm-fixed-price, time-and-materials, fixed-price-level-of-effort, cost-plus-fixed-fee, cost-plus-award-fee and cost-plus-incentive-fee contracts.

Firm-fixed-price contracts—Revenues and fees on these contracts that are system integration or engineering in nature are primarily recognized using the percentage-of-completion method of accounting utilizing the cost-to-cost

LEIDOS HOLDINGS, INC.
LEIDOS, INC.
COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

method. The completed contract method is utilized when reasonable and reliable cost estimates for a project can not be made.

Time-and-materials contracts—Revenue is recognized on time-and-materials contracts based on the hours provided in performance under the contract multiplied by the negotiated contract billing rates, plus the negotiated contract billing rate of any allowable material and subcontract costs and out-of-pocket expenses.

Fixed-price-level-of-effort contracts (FP-LOE)—These contracts are substantially similar to time-and-materials contracts except they require a specified level of effort over a stated period of time. Accordingly, the Company recognizes revenue on FP-LOE contracts with the U.S. Government in a manner similar to time-and-materials contracts in which the Company measures progress toward completion based on the hours provided in performance under the contract multiplied by the negotiated contract billing rates, plus the negotiated contract billing rate of any allowable material costs and out-of-pocket expenses.

Cost-plus-fixed-fee contracts—Revenue is recognized on cost-plus-fixed-fee contracts with the U.S. Government on the basis of partial performance equal to costs incurred, plus an estimate of applicable fees earned as the Company becomes contractually entitled to reimbursement of costs and the applicable fees.

Cost-plus-award-fee/cost-plus-incentive fee contracts—Revenues and fees on these contracts with the U.S. Government are primarily recognized using the percentage-of-completion method of accounting, most often based on the cost-to-cost method. The Company includes an estimate of the ultimate incentive or award fee to be received on the contract in the estimate of contract revenues for purposes of applying the percentage-of-completion method of accounting.

Revenues from services and maintenance contracts, notwithstanding contract type, are recognized over the term of the respective contracts as the services are performed and revenue is earned. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. Revenues from the sale of manufactured products are recorded upon passage of title and risk of loss to the customer, which is generally upon delivery, provided that all other requirements for revenue recognition have been met.

The Company also uses the efforts-expended method of percentage-of-completion using measures such as labor dollars for measuring progress toward completion in situations in which this approach is more representative of the progress on the contract. For example, the efforts-expended method is utilized when there are significant amounts of materials or hardware procured for the contract that is not representative of progress on the contract. Additionally, the Company utilizes the units-of-delivery method under percentage-of-completion on contracts where separate units of output are produced. Under the units-of-delivery method, revenue is generally recognized when the units are delivered to the customer, provided that all other requirements for revenue recognition have been met.

The Company evaluates its contracts for multiple elements, and when appropriate, separates the contracts into separate units of accounting for revenue recognition.

The Company provides for anticipated losses on contracts by recording an expense during the period in which the losses are determined. Amounts billed and collected but not yet recognized as revenues under certain types of contracts are deferred. Contract costs incurred for U.S. Government contracts, including indirect costs, are subject to audit and adjustment through negotiations between the Company and government representatives. The Company has agreed upon and settled indirect contract costs through fiscal 2007. Revenues on U.S. Government contracts have been recorded in amounts that are expected to be realized upon final settlement.

Contract claims are unanticipated additional costs incurred but not provided for in the executed contract price that the Company seeks to recover from the customer. Such costs are expensed as incurred. Additional revenue related to contract claims is recognized when the amounts are awarded by the customer. Un-priced change orders are included in revenue when they are probable of recovery in an amount at least equal to the cost.

In certain situations, primarily where the Company is not the primary obligor on certain elements of a contract such as the provision of administrative oversight and/or management of government-owned facilities or logistical support services related to other vendors' products, the Company recognizes as revenue the net management fee

LEIDOS HOLDINGS, INC.
LEIDOS, INC.
COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

associated with the services and excludes from its income statement the gross sales and costs associated with the facility or other vendors' products.

Changes in Estimates on Contracts

Changes in estimates related to certain types of contracts accounted for using the percentage of completion method of accounting are recognized in the period in which such changes are made for the inception-to-date effect of the changes. Changes in these estimates can routinely occur over the contract performance period for a variety of reasons, including changes in contract scope, changes in contract cost estimates due to unanticipated cost growth or retirements of risk for amounts different than estimated, and changes in estimated incentive or award fees. Aggregate changes in contract estimates decreased operating income by \$21 million (\$0.15 per diluted share) for fiscal 2014 and increased operating income by, \$19 million (\$0.12 per diluted share) and \$28 million (\$0.20 per diluted share) for fiscal 2013 and fiscal 2012, respectively.

Receivables

The Company's accounts receivable include amounts billed and currently due from customers and unbilled receivables, which consist of costs and fees billable upon contract completion or the occurrence of a specified event, substantially all of which is expected to be billed and collected within one year. Unbilled receivables are stated at estimated realizable value. Since the Company's receivables are primarily with the U.S. Government, the Company does not have a material credit risk exposure. Contract retentions are billed when the Company has negotiated final indirect rates with the U.S. Government and, once billed, are subject to audit and approval by government representatives. Consequently, the timing of collection of retention balances is outside the Company's control. Based on the Company's historical experience, the majority of retention balances are expected to be collected beyond one year and write-offs of retention balances have not been significant.

The Company extended deferred payment terms with original contractual maturities that may exceed one year to commercial customers related to certain construction projects. During fiscal 2014, the Company received a \$25 million payment from a previously deferred payment on one construction project and recorded bad debt expense in the Company's consolidated statements of income of \$41 million related to two different construction projects. In addition, approximately \$105 million of the outstanding deferred payment term receivables were used to acquire PRE Holdings under the consensual foreclosure. As of January 31, 2014, the Company had outstanding receivables of \$39 million related to one construction project with deferred payment terms, which is expected to be collected in fiscal 2015. When events or conditions indicate that amounts outstanding from customers may become uncollectible, an allowance is estimated and recorded.

Discontinued Operations

From time-to-time, the Company may dispose (or management may commit to plans to dispose) of non-strategic components of the business, which are reclassified as discontinued operations for all periods presented.

Pre-contract Costs

Costs incurred on projects as pre-contract costs are deferred as assets (inventory, prepaid expenses and other current assets) when the Company has been requested by the customer to begin work under a new arrangement prior to contract execution and it is probable that the Company will recover the costs through the issuance of a contract. When the formal contract has been executed, the costs are recorded to the contract and revenue is recognized.

Financial Instruments

The Company is 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, investments in equity securities and exposure to changing interest rates. The Company uses a risk management policy to assess and manage cash flow and fair value exposures. The policy permits the use of

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derivative instruments with certain restrictions. The Company does not hold derivative instruments for trading or speculative purposes.

Fair Value of Financial Instruments

The accounting standard for fair value measurements establishes a three-tier 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 the quoted prices in active markets that are observable either directly or indirectly (Level 2); and unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions (Level 3). The Company utilizes Level 2 and Level 3 inputs in testing assets for recoverability upon events or changes in circumstances that indicate the carrying value of those assets may not be recoverable.

The fair value of financial instruments is determined based on quoted market prices, if available, or management's best estimate. It is management's belief that the carrying amounts of the Company's financial instruments, which include cash equivalents and long-term investments in private equity securities, are reasonable estimates of their related fair values. Cash equivalents are recorded at historical cost which equals fair value based on quoted market prices (Level 1 input). Management evaluates its investments for other-than-temporary impairment at each balance sheet date. When testing long-term investments for recovery of carrying value, the fair value of long-term investments in private equity securities is determined using various valuation techniques and factors, such as market prices of comparable companies (Level 2 input), discounted cash flow models (Level 3 input) and recent capital transactions of the portfolio companies being valued (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 (Level 2 input). The fair value of long-term debt (see Note 7) is determined based on current interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements (Level 2 and 3 inputs).

Cash and Cash Equivalents

The Company's cash equivalents were primarily comprised of investments in several large institutional money market funds that invest primarily in bills, notes and bonds issued by the U.S. Treasury, U.S. Government guaranteed repurchase agreements fully collateralized by U.S. Treasury obligations, U.S. Government guaranteed securities and investment-grade corporate securities that have original maturities of three months or less, and bank deposits. There are no restrictions on the withdrawal of the Company's cash and cash equivalents. The Company's cash equivalents are recorded at historical cost, which equals fair value based on quoted market prices (Level 1 input as defined by the accounting standard for fair value measurements).

Restricted Cash

The Company has restricted cash balances, primarily representing advances from a customer, that are restricted as to use for certain expenditures related to that customer's contract.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk primarily consist of cash equivalents and accounts receivable. At January 31, 2014, the Company's cash and cash equivalents bear both fixed and variable interest rates. Although credit risk is limited, the Company's receivables are concentrated with its principal customers, which are the various agencies of the U.S. Government and customers engaged in work for the U.S. Government, and to a lesser degree, commercial companies.

Investments

Investments in entities and corporate joint ventures where the Company has a noncontrolling ownership interest representing less than 50% and over which the Company has the ability to exercise significant influence, are accounted for under the equity method of accounting whereby the Company recognizes its proportionate share of the entities' net income or loss and does not consolidate the entities' assets and liabilities. Equity investments in

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entities over which the Company does 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.

Inventories

Inventories are valued at the lower of cost or estimated net realizable value. Raw material inventory is valued using the average cost or first-in, first-out methods. Work-in-process inventory includes raw material costs plus labor costs, including fringe benefits, and allocable overhead costs. Finished goods inventory consists of manufactured border, port and mobile security products and baggage scanning equipment. The Company evaluates inventory against historical and planned usage to determine appropriate provisions for obsolete inventory. For the years ended January 31, 2014 and January 31, 2013, the Company's inventory balance consisted primarily of inventoried costs relating to long-term contracts.

Property, Plant and Equipment

Purchases of property, plant and equipment as well as costs associated with major renewals and betterments are capitalized. Maintenance, repairs and minor renewals and betterments are expensed as incurred.

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 are 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	2-10
Buildings	Straight-line	20-40
Building improvements and leasehold improvements	Straight-line	Shorter of lease term or 25
Office furniture	Straight-line or declining-balance	6-9
Electric generation facility	Straight-line	25

Depreciation expense was \$45 million, \$55 million, and \$56 million for fiscal 2014, 2013 and 2012, respectively.

The Company evaluates its 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 amount of the asset exceeds its estimated future undiscounted cash flows. When the carrying amount of the asset exceeds its estimated future undiscounted cash flows, an impairment loss is recognized to reduce the asset's carrying amount to its estimated fair value based on the present value of its estimated future cash flows (Level 2 under the accounting standard for fair value measurement).

Goodwill and Intangible Assets

Goodwill represents purchase consideration paid in a business combination that exceeds the values assigned to the net assets of acquired businesses. Goodwill is not amortized, but instead is tested for impairment at the reporting unit level annually, at the beginning of the fourth quarter, and during interim periods whenever events or circumstances indicate that the carrying value may not be recoverable. Goodwill is evaluated for impairment either under a qualitative assessment option or a two-step quantitative approach depending on facts and circumstances of a reporting unit, including the excess of fair value over carrying amount in previous assessments and changes in business environment.

When performing a qualitative assessment, the Company considers factors including but not limited to current macroeconomic conditions, industry and market conditions, cost factors, financial performance, and other events relevant to the entity or reporting unit under evaluation to determine whether it is more likely or not that the fair value

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of a reporting unit is less than its carrying amount. If the Company determines that it is more likely than not that a reporting unit's fair value is less than its carrying amount, a quantitative two-step goodwill impairment test is performed.

In evaluating the first step of the two-step quantitative goodwill impairment test, the estimated fair value of each reporting unit is compared to its carrying value, which includes the allocated goodwill. If the estimated fair value of a reporting unit is more than its carrying value, including allocated goodwill, no further analysis is required. If the estimated fair value of a reporting unit is less than its carrying value, including allocated goodwill, a second step is performed to compute the amount of the impairment by determining an implied fair value of goodwill. The implied fair value of goodwill is the residual fair value derived by deducting the fair value of a reporting unit's identifiable assets and liabilities from its estimated fair value calculated in the first step. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then the Company records an impairment loss equal to the difference.

The Company estimates the fair value of each reporting unit using both market and income approaches (Level 3 under the accounting standard for fair value measurement).

The market approach is a valuation technique where the fair value is calculated based on market prices realized from a detailed market analysis of publicly traded companies that provide a reasonable basis of comparison for each reporting unit. Valuation ratios are selected that relate market prices to selected financial metrics from comparable companies. These ratios are applied after consideration of adjustments and weightings related to financial position, growth, volatility, working capital movement, and other factors.

The income approach is a valuation technique where the fair value is calculated based on forecasted future cash flows within the projection period discounted back to the present value with appropriate risk adjusted discount rates, which represent the weighted-average cost of capital (WACC) for each reporting unit. This includes assessing the cost of equity and debt capital as of the valuation date. In addition, a terminal value is developed for forecasted future cash flows beyond the projection period discounted back to the present value. The forecast used in the Company's estimation of fair value was developed by management based on incorporating adjustments that reflect known business and market considerations.

Each model is based upon certain key assumptions that require the exercise of significant judgment including judgments for the use of appropriate financial projections, discount rates and WACC as well as using available market data. The goodwill impairment test process also requires management to make significant judgments and assumptions, including revenue, profit, expected long-term growth rates and cash flow forecasts, about the reporting units to which goodwill is assigned.

Intangible assets with finite lives 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.

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

	Estimated useful lives (in years)
Customer relationships	5-10
Software and technology	6-15
Other	2-15

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.

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Selling, General and Administrative Expenses

The Company classifies indirect costs incurred within or allocated to its 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 the Company's disclosure statements under U.S. Government Cost Accounting Standards.

Selling, general and administrative expenses include general and administrative, bid and proposal and internal research and development (IR&D) expenses.

The Company conducts research and development activities under customer-funded contracts and with company-funded IR&D funds. In fiscal 2014, 2013, and 2012, company-funded IR&D expense was \$45 million, \$47 million, and \$74 million, respectively. Expenses for research and development activities performed under customer contracts are charged directly to cost of revenues for those contracts.

Income Taxes

The Company accounts 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.

The Company records net deferred tax assets to the extent that it believes these assets will more likely than not be realized. In making such determination, the Company considers 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 the Company were to determine that it would be able to realize its deferred income tax assets in the future in excess of their net recorded amount or would no longer be able to realize its deferred income tax assets in the future as currently recorded, the Company 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.

The Company recognizes liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination and settlement with various taxing authorities. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions in its income tax expense.

Stock-Based Compensation

The Company recognizes the fair value of all stock-based awards, including stock options, granted to employees and directors in exchange for services as compensation expense over the requisite service period, which is typically the vesting period, net of an estimated forfeiture rate.

Special Cash Dividend

In March 2013, Leidos' board of directors declared a special cash dividend of \$4.00 per share of Leidos common stock and paid an aggregate of \$342 million on June 28, 2013 to stockholders of record on June 14, 2013. See Note 11-Stock Based Compensation, for further information regarding the modifications made to the Company's outstanding stock options resulting from the special cash dividend. There were no modifications made to the Company's vesting stock awards and performance-based stock awards as a result of the special dividend.

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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 income (loss) in stockholders' equity. Transaction gains and losses are recognized in the statement of income.

Accounting Standards Updates Adopted

In September 2011, the Financial Accounting Standards Board ("FASB") issued ASU No. 2011-08: *Intangibles-Goodwill and Other (Topic 350) Testing Goodwill for Impairment*. This standard allows companies the option to make an initial qualitative evaluation, based on the entity's events and circumstances, to determine the likelihood of goodwill impairment. The results of this qualitative assessment determine whether it is necessary to perform the two-step quantitative impairment test. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a company would be required to perform the quantitative two-step impairment test. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company adopted this guidance on February 1, 2012 and elected to use the optional initial qualitative evaluation for certain reporting units in our fiscal 2014 annual goodwill impairment assessment.

In December 2011, the FASB issued ASU No. 2011-11: *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. This standard requires additional disclosures about financial instruments (i.e. sales and repurchase agreements, securities borrowing and lending agreements) and derivative instruments that are either offset in accordance with existing accounting literature (i.e. ASC 21-20 or ASC 815-10) or subject to an enforceable master netting arrangement or similar agreement. The standard is effective for annual periods beginning after January 1, 2013, and interim periods within those annual periods. The provisions of ASU 2011-11 did not have a material effect on the Company's financial statement disclosures.

In July 2012, the FASB issued ASU No. 2012-02: *Intangibles-Goodwill and Other (Topic 350) Testing Indefinite-Lived Intangible Assets for Impairment*. This standard provides revised guidance to simplify the testing of indefinite-lived intangible assets for impairment. The standard now includes an option for a company to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. The standard is effective for fiscal years beginning after September 15, 2012, with early adoption permitted. The Company adopted this standard in fiscal 2014 and continues to use the quantitative approach for testing impairment of indefinite-lived intangible assets.

In February 2013, the FASB issued ASU No. 2013-02: *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This standard requires that public companies present information about reclassification adjustments from accumulated other comprehensive income in their annual and interim financial statements in a single note or on the face of the financial statements. The standard is effective prospectively for annual and interim reporting periods beginning after December 15, 2012. The Company adopted this standard in fiscal 2014 and elected to disclose reclassification adjustments out of accumulated other comprehensive income in its combined notes to consolidated financial statements (see Note 9).

In July 2013, the FASB issued ASU No. 2013-11, *Income Taxes (Topic 740)*, This update applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. In accordance with this Update, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The

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assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. An entity should not evaluate whether the deferred tax asset expires before the statute of limitations on the tax position or whether the deferred tax asset may be used prior to the unrecognized tax benefit being settled. The amendments in this Update do not require new recurring disclosures. The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The Company elected to early adopt the provisions of ASU 2013-11 and it did not have a material effect on the Company's financial position, results of operations or cash flows.

During the fiscal years presented, the Company adopted various accounting standards issued by the FASB, none of which had a material effect on the Company's consolidated financial position, results of operations or cash flows.

Accounting Standards Updates Issued But Not Yet Adopted

In February 2013, the FASB issued ASU 2013-04: Liabilities (Topic 405): *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*. This standard requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company does not expect the provisions of ASU 2013-04 to have a material effect on the Company's consolidated financial position, results of operations or cash flows..

In March 2013, the FASB issued ASU No. 2013-05, Foreign Currency Matters (Topic 830): *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*. This standard applies to the release of the cumulative translation adjustment into net income when a parent either sells a part of or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. In addition, the amendments resolve the diversity in practice for the treatment of business combinations achieved in stages (i.e. step acquisitions) involving a foreign entity. The amendments in this are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company does not expect the provisions of ASU 2013-05 to have a material effect on the Company's consolidated financial position, results of operations or cash flows.

Note 2—Discontinued Operations:

Fiscal Year 2014 Dispositions:

Separation of New SAIC

As discussed in Note 1, the Company completed the spin-off of New SAIC on September 27, 2013. In anticipation of this spin-off, the Company entered into a credit agreement in June 2013 as a guarantor that consisted of a unsecured term credit facility of \$500 million with New SAIC as the borrower. New SAIC was a subsidiary of Leidos prior to the separation date. On September 26, 2013, New SAIC borrowed \$500 million under this term credit facility which was unconditionally guaranteed by the Company. The Company was released from its guaranty on September 27, 2013, the completion date of the separation transaction. At separation, New SAIC made a \$295 million dividend payment to Leidos and reimbursed Leidos, Inc. \$5 million for financing costs previously advanced to New SAIC to secure the revolving and term credit facility, and Leidos, Inc. made a \$26 million capital contribution to New SAIC.

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The spin-off was made pursuant to the terms of a Distribution Agreement and several other agreements entered into between the Company and New SAIC on September 25, 2013. These agreements set forth, among other things, the principal actions needed to be taken in connection with the separation and govern certain aspects of the relationship between the Company and New SAIC following the separation. These agreements generally provide with certain exceptions, that each party is responsible for its respective assets, liabilities and obligations, including employee benefits, insurance and tax related assets and liabilities, whether accrued or contingent, except that unknown liabilities will be shared between the parties in certain circumstances. The agreements also describe the party's commitments to provide each other with certain services for a limited time to help ensure an orderly transition. While the Company is a party to the Distribution Agreement and the ancillary agreements, the Company has determined that it does not have significant continuing involvement in the operations of New SAIC, nor does the Company expect significant continuing cash flows from New SAIC. Brief descriptions of agreements associated with the spin-off are provided below.

Distribution Agreement

The Distribution Agreement provides for the allocation, transfer and assumption of assets and liabilities among New SAIC and Leidos. Pursuant to the agreement, subject to certain exceptions, the Company and New SAIC released the other from claims against each other that arise out of or relate to events, circumstances, or actions occurring or failing to occur or any conditions existing at or prior to the time of distribution. In addition, the Company and New SAIC agreed to indemnify each other against breaches of this agreement and certain liabilities in connection with their respective businesses.

Employee Matters Agreement

The Employee Matters Agreement contains agreements as to certain employment, compensation and benefits matters. The Employee Matters Agreement provides for the allocation and treatment of assets and liabilities and responsibilities with respect to certain employee compensation and benefit plans and programs, and certain other employment matters. Generally, New SAIC assumed or retained liabilities relating to New SAIC's employees and the Company assumed or retained liabilities relating to the Company's employees. The Employee Matters Agreement also provides for the adjustment of outstanding equity awards to reflect the spin-off and the one-for-four reverse stock split of the Company's shares.

Tax Matters Agreement

The Tax Matters Agreement governs the respective rights, responsibilities and obligations of the Company and New SAIC after the spin-off with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. federal, state, local and foreign income taxes, other tax matters and related tax returns. As a former subsidiary of the Company, New SAIC has (and will continue to have following the spin-off) joint and several liability with the Company to the IRS for the consolidated U.S. federal income taxes of the Company consolidated group relating to the taxable periods in which New SAIC was part of that group. However, the Tax Matters Agreement specifies the portion, if any, of this tax liability for which New SAIC bears responsibility, and the Company agrees to indemnify New SAIC against any amounts for which New SAIC is not responsible.

Transition Services Agreement

Under the Transition Services Agreement, the Company or its affiliates will provide New SAIC, and New SAIC or its affiliates will provide the Company, with certain services for a limited time to help ensure an orderly transition following the distribution. Under the Transition Services Agreement, the Company and New SAIC will provide each other certain services, including information technology, financial, telecommunications, benefits support services and other specified services, on a transitional basis. The Company expects that these services will be provided at cost, and these services are planned to extend for a period of six to eighteen months in most circumstances.

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Master Transitional Contracting Agreement

The legal transfer of government contracts to New SAIC will occur through a novation process and commercial, including state and local, contracts will be transferred by assignment to New SAIC. The Master Transitional Contracting Agreement governs the relationship between the Company and New SAIC pending novation and assignment of contracts to New SAIC and addresses the treatment of existing contracts, proposals, and teaming arrangements where both companies will jointly perform work after separation. Joint contracts entered into post separation will be treated as traditional prime and subcontractor relationships.

The operating results of New SAIC through the Distribution Date, which have been classified as discontinued operations, for the periods presented were as follows:

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Revenues	\$ 2,712	\$ 4,683	\$ 4,632
Costs and expenses:			
Cost of revenues	2,447	4,230	4,157
Selling, general and administrative expenses	42	65	63
Bad debt expense	—	2	1
Separation transaction and restructuring expenses	55	28	—
Operating income	\$ 168	\$ 358	\$ 411

The major classes of assets and liabilities included in discontinued operations through the Distribution Date related to the spin-off of New SAIC are presented in the table below:

	January 31, 2013
	(in millions)
Cash and cash equivalents	\$ 1
Receivables, net	717
Inventory, prepaid expenses and other current assets	101
Total current assets	819
Property, plant and equipment, net	29
Intangible assets, net	6
Goodwill	491
Deferred income taxes	2
Other assets	1
Total assets	1,348
Accounts payable and accrued liabilities	461
Accrued payroll and employee benefits	185
Notes payable and long-term debt	1
Total current liabilities	647
Non-current liabilities	—
Total liabilities	\$ 647

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Other Fiscal Year 2014 Dispositions

From time-to-time, the Company may dispose or management may commit to plans to dispose of non-strategic components of the business, which are reclassified as discontinued operations for all periods presented. The fiscal 2014 other dispositions were historically included in the Company's National Security Solutions segment.

In August 2013, the Company committed to plans to dispose of a business primarily focused on technology used to detect if an individual is concealing explosive devices or other hidden weapons.

In November 2013, the Company sold a certain component of our business, focused on machine language translation, resulting in an insignificant gain.

In January 2014, the Company committed to plans to dispose of Cloudshield Technologies, Inc. ("Cloudshield"), previously acquired in fiscal 2011, which is focused on producing a suite of cybersecurity hardware and associated software and services.

Fiscal Year 2013 Dispositions:

The Company sold certain components of its business, which were historically included in the Company's Health and Engineering segment, primarily focused on providing operational test and evaluation services to U.S. Government customers. The Company received net proceeds of \$51 million resulting in a gain on sale before income taxes of \$17 million related to this sale.

Fiscal Year 2012 Dispositions:

In order to better align its business portfolio with its strategy, the Company sold certain components of its business, which were historically included in the Company's Health and Engineering segment, primarily focused on providing information technology services to international oil and gas companies. The Company received net proceeds of \$167 million resulting in a gain on sale before income taxes of \$111 million related to this sale.

The pre-sale operating results of the Company's discontinued operations discussed above, excluding the spin-off of New SAIC, for each of the three years ended January 31, 2014 were as follows:

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Revenues	\$ 16	\$ 77	\$ 189
Costs and expenses:			
Cost of revenues	18	65	153
Selling, general and administrative expenses	24	50	56
Intangible asset impairment charges	2	6	18
Operating loss	\$ (28)	\$ (44)	\$ (38)

Operating loss from discontinued operations also includes other activity that is immaterial and not reflected in the table above.

The major classes of assets and liabilities included in discontinued operations through the date of disposal, not including the spin-off of New SAIC, are immaterial for disclosure purposes.

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Note 3—Acquisitions:

The Company acquires businesses as part of its growth strategy to provide new or enhance existing capabilities and offerings to customers. The Company completed acquisitions during each of the years presented, which individually and in the aggregate were not considered significant business combinations in the year acquired.

Acquisition information for the years presented was as follows:

	Year Ended January 31		
	2014	2013	2012
	(\$ in millions)		
Number of acquisitions	1	1	2
Purchase consideration (paid and accrued)	\$ 111	\$ 505	\$ 223

The following table summarizes the fair value (preliminary or final) of goodwill and intangible assets acquired at the date of acquisition as well as the components and weighted average useful lives of the intangible asset:

	Year Ended January 31		
	2014	2013	2012
	(\$ in millions)		
Goodwill:			
Tax deductible goodwill	\$ —	\$ —	\$ 30
Non-tax deductible goodwill	—	395	135
Identifiable intangible assets:			
Customer relationships (finite-lived)	\$ —	\$ 62	\$ 28
Other (finite-lived)	3	10	1
Weighted average lives of finite-lived intangibles:			
Customer relationships	—	5 years	5 years
Other	12 years	1 year	3 years
All finite-lived intangible assets	12 years	4 years	5 years

Plainfield Renewable Energy Holdings LLC

As described in Note 1, the Company became the primary beneficiary of Plainfield on October 11, 2013, (the "transaction") which required the consolidation of the VIE. The Company also determined that Plainfield met the definition of a business and as such is gaining control of 100% of PRE Holdings equity through the consensual foreclosure agreement which constituted a change in control accounted for as a business combination.

The Plainfield Renewable Energy Project involves the design, construction, and financing of a 37.5 megawatt biomass-fueled power plant in Plainfield, Connecticut (the plant). Connecticut Light & Power will purchase approximately 80% of the power produced by the plant based on a 15 years off-take agreement, utilizing the plant's status as a renewable power source. In addition, there are fuel supply agreements with initial terms of 5 to 15 years and minimum purchase requirements either at prevailing market prices or a set price plus a CPI index.

The project was partially financed by the Company's provision of extended payment terms for certain of its services performed on the project and, at the time of this transaction, the Company had a receivable of \$137 million due from Plainfield. The remainder of the project was financed by the Carlyle Group with two secured notes aggregating \$148 million, which these notes were assumed by the Company as part of consensual foreclosure. On December 16, 2013, the Company entered into an Early Payoff Agreement with the Carlyle Group to settle the two secured notes totaling \$152 million in principal and paid an aggregate of \$165 million to fully satisfy its obligation to Carlyle which included principal and interest due on the notes as well as an early termination fee plus an additional interest payment. See Note 7 - Notes Payable and Long-Term Debt, for further information.

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At the time the Company became the primary beneficiary of Plainfield, the Company measured the assets acquired and liabilities assumed at their fair values. The value also contemplated that an energy plant placed into service prior to December 31, 2013, which would allow the Company to apply for a 1603 Cash Grant. The plant was placed into service prior to December 31, 2013 and the Company has subsequently applied for a 1603 Cash Grant. As a result of the transaction, the Company recorded a \$32 million loss in the third quarter of fiscal 2014 recorded as bad debt expense in the Company's consolidated statements of income. This was the result of the difference between the estimated fair value of the plant in comparison to the carrying value of the Company's deferred payment term receivables forgiven as of the date of the transaction. In addition, there is contingent consideration of approximately \$3 million remaining as of January 31, 2014, of which \$2 million will be paid based on the earlier of November 2015 or the successful sale of the plant and the remainder will be paid solely upon the successful sale of the plant.

The aggregate purchase consideration that the Company exchanged for PRE Holdings is as follows (in millions):

Forgiveness of accounts receivable (net of \$32 million bad debt expense)	\$	105
Contingent consideration		6
Total purchase consideration	\$	111

The estimated fair values of the assets acquired and liabilities assumed at the date of acquisition were as follows (in millions):

Property, plant and equipment	\$	248
Other assets		8
Notes payable assumed (net of debt discount)		(148)
Total identifiable net assets acquired		108
Intangible assets		3
Total purchase consideration	\$	111

The estimated fair values of the Plainfield assets acquired and liabilities assumed are preliminary for tax related matters. From the date of acquisition of Plainfield through January 31, 2014, the Company recognized revenues of \$2 million and operating loss of \$5 million related to this acquisition.

maxIT Healthcare Holdings, Inc.

In August 2012, the Company acquired 100% of the stock of maxIT Healthcare Holdings, Inc. (maxIT), a provider of clinical, business and information technology services primarily to commercial hospital groups and other medical delivery organizations. This acquisition expanded the Company's commercial consulting practice in electronic health record (EHR) implementation and optimization and strengthened the Company's capabilities to provide these services to its federal healthcare customers as those customers migrate to commercial off-the-shelf EHR applications. This acquisition was in the Health and Engineering segment. The results of maxIT have been included in the financial statements since the date of acquisition.

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The fair values of the maxIT assets acquired and liabilities assumed at the date of acquisition were as follows (in millions):

Cash	\$	9
Receivables		50
Other assets		24
Accounts payable, accrued liabilities and accrued payroll and employee benefits		(21)
Deferred tax liabilities, net		(24)
<hr/>		
Total identifiable net assets acquired		38
Goodwill		395
Intangible assets		72
<hr/>		
Total purchase price	\$	505

Other Acquisitions

The Company's acquisitions in fiscal 2012 included Vitalize Consulting Solutions, Inc. and Patrick Energy Services, Inc. in the Health and Engineering segment. Vitalize Consulting Solutions, Inc. is a provider of clinical, business and information technology services for healthcare enterprises. This acquisition expanded the Company's capabilities in both federal and commercial markets to help customers better address EHR implementation and optimization demand. Patrick Energy Services, Inc. is a provider of performance-based transmission and distribution power system solutions. This acquisition enhanced the Company's energy and smart grid services portfolio by adding additional transmission and distribution engineering services to its existing capabilities.

Note 4—Goodwill and Intangible Assets:

As discussed in Note 16 — *Business Segment Information*, the Company has the following reportable segments: Health and Engineering (HES) and National Security Solutions (NSS). Corporate reorganizations occurred in fiscal 2014 resulting in transfers of certain operations between the Company's reportable segments. See Note 16 for further information regarding the Corporate reorganizations.

The balance and changes in the carrying amount of goodwill by segment were as follows:

	HES	NSS	Total
	(in millions)		
Balance at January 31, 2012	\$ 600	\$ 709	\$ 1,309
Acquisitions	395	—	395
Corporate reorganizations	(10)	10	—
<hr/>			
Balance at January 31, 2013	985	719	1,704
Corporate reorganizations	(69)	69	—
<hr/>			
Balance at January 31, 2014	\$ 916	\$ 788	\$ 1,704

The carrying value of goodwill by segment at January 31, 2012 has been recast to give effect to the change in reportable segments and for discontinued operations (\$491 million for discontinued operations occurring in fiscal 2014). Goodwill corporate reorganizations in fiscal 2014 and 2013 resulted from the transfer of certain operations between reportable segments.

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In fiscal 2014, the Company evaluated goodwill for potential impairment, at the reporting unit level, at the beginning of the fourth quarter and during interim periods whenever events or circumstances indicated that the carrying value may not be recoverable. Based on a qualitative analysis performed during the Company's annual impairment evaluation for certain of its reporting units, it was determined that it is more likely than not that the fair values of the reporting units were in excess of the individual reporting unit carrying values, and as a result, a quantitative step one analysis was not necessary. Additionally, based on the results of the quantitative step one analysis for certain other of its reporting units, it was determined that their fair values were in excess of the individual reporting units carrying values. As a result, no goodwill impairments were identified during fiscal 2014. In fiscal 2013 and 2012, the Company performed a quantitative step one analysis of its reporting units and determined there was no goodwill impairment as all of the reporting unit fair values exceeded their carrying values.

Intangible assets, including those arising from preliminary estimates of assets acquired relating to acquisitions, consisted of the following:

	January 31					
	2014			2013		
	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
	(in millions)					
Finite-lived intangible assets:						
Customer relationships	\$ 102	\$ (54)	\$ 48	\$ 154	\$ (57)	\$ 97
Software and technology	65	(36)	29	97	(30)	67
Other	4	(1)	3	1	(1)	—
Total finite-lived intangible assets	171	(91)	80	252	(88)	164
Indefinite-lived intangible assets:						
In-process research and development	10	—	10	10	—	10
Trade names	4	—	4	4	—	4
Total indefinite-lived intangible assets	14	—	14	14	—	14
Total intangible assets	\$ 185	\$ (91)	\$ 94	\$ 266	\$ (88)	\$ 178

Amortization expense related to amortizable intangible assets was \$36 million, \$37 million and \$32 million for the fiscal years ended January 31, 2014, 2013, and 2012, respectively.

During fiscal 2014, the Company determined that certain intangible assets consisting of software and technology, associated with the acquisition of Reveal Imaging Technologies, Inc. in fiscal 2011, were not recoverable due to lower projected revenue levels from the associated products and customers. As a result, the Health and Engineering reportable segment recognized an impairment loss within intangible asset impairment charges in the Company's condensed consolidated statements of income of \$30 million to reduce the carrying value of these intangible assets to their estimated fair values. Fair value was estimated using the income approach based on management's forecast of future cash flows to be derived from the assets' use (Level 3 under the accounting standard for fair value measurement).

During fiscal 2014, the Company determined that certain customer relationship intangible assets associated with the acquisitions of Vitalize and maxIT in fiscal 2012 and 2013, respectively, were not recoverable due to lower projected revenue levels from the associated services and customers. As a result, the Health and Engineering reportable segment recognized an impairment loss within intangible asset impairment charges in the Company's consolidated statements of income of \$19 million to reduce the carrying value of these intangible assets to their estimated fair values. Fair value was estimated using the income approach based on management's forecast of future cash flows to be derived from the assets' use (Level 3 under the accounting standard for fair value measurement).

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The Company recognized impairment losses for intangible assets of \$51 million, including an additional \$2 million of other intangible asset impairment charges not described above, for the fiscal year ended January 31, 2014 reported within intangible asset impairment charges in the Company's consolidated statements of income. There were no impairments of intangible assets for fiscal year 2013 and 2012.

The estimated annual amortization expense related to finite-lived intangible assets as of January 31, 2014 was as follows:

Year Ending January 31	(in millions)	
	2015 \$	22
	2016	20
	2017	17
	2018	11
	2019	6
2020 and thereafter		4
	\$	80

Actual amortization expense in future periods could differ from these estimates as a result of future acquisitions, divestitures, impairments, the outcome and timing of completion of in-process research and development projects (the assets of which will become amortizable upon completion and placement into service, or will be impaired if abandoned), adjustments to preliminary valuations of intangible assets and other factors.

Note 5—Composition of Certain Financial Statement Captions:

	January 31	
	2014	2013
	(in millions)	
Receivables, net:		
Billed and billable receivables	\$ 799	\$ 775
Unbillable receivables, including contract retentions	305	397
Less allowance for doubtful accounts	(16)	(6)
	\$ 1,088	\$ 1,166
Inventory, prepaid expenses and other current assets:		
Deferred income taxes	\$ 89	\$ 34
Inventories	59	79
Prepaid expenses	34	32
Prepaid income taxes and tax refunds receivable	24	94
Restricted cash	18	51
Assets held for sale	—	30
Other	32	13
	\$ 256	\$ 333

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	January 31	
	2014	2013
	(in millions)	
Property, plant and equipment, net:		
Electric generation facility	\$ 269	\$ —
Computers and other equipment	205	268
Leasehold improvements	169	181
Buildings and improvements	113	141
Office furniture and fixtures	44	53
Land	27	27
Construction in progress	—	2
	827	672
Less accumulated depreciation and amortization	(344)	(386)
	\$ 483	\$ 286
Accounts payable and accrued liabilities:		
Accrued liabilities	\$ 395	\$ 435
Accounts payable	218	259
Collections in excess of revenues on uncompleted contracts and deferred revenue	103	88
	\$ 716	\$ 782
Accrued payroll and employee benefits:		
Salaries, bonuses and amounts withheld from employees' compensation	\$ 152	\$ 196
Accrued vacation	129	152
Accrued contributions to employee benefit plans	5	5
	\$ 286	\$ 353
Other long-term liabilities:		
Deferred tax liabilities	\$ 66	\$ 32
Deferred compensation	38	40
Liabilities for uncertain tax positions	12	24
Accrued pension liabilities	9	8
Other	102	66
	\$ 227	\$ 170

Note 6—Revolving Credit Facility:

Leidos has a revolving credit facility, fully and unconditionally guaranteed by Leidos, Inc., that provides for up to \$750 million in unsecured borrowing capacity at interest rates determined, at Leidos' option, based on either LIBOR plus a margin or a defined base rate. During fiscal 2014, the Company extended the maturity date of the credit facility for one additional year, to March 2017, as provided for in the terms of the credit facility. As of January 31, 2014 and 2013, there were no borrowings outstanding under the credit facility.

The revolving credit facility contains certain customary representations and warranties, as well as certain affirmative and negative covenants. During fiscal 2014, the financial covenants contained in the credit facility were amended to: (i) permit in the calculation of earnings before interest, taxes, depreciation and amortization (EBITDA) the adding back of certain expenses incurred in connection with the Company's separation transaction; (ii) exclude the effect of debt incurred in connection with the separation transaction for purposes of calculating consolidated funded debt; and (iii) change the ratio of consolidated funded debt to EBITDA that the Company is required to maintain. The

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financial covenants contained in the credit facility require that, for a period of four trailing fiscal quarters, the Company maintains a ratio of consolidated funded debt, including borrowings under this credit facility, to EBITDA adjusted for other items as defined in the credit facility of not more than 3.25 to 1.0 and a ratio of EBITDA adjusted for other items as defined in the credit facility to interest expense of greater than 3.5 to 1.0. The Company was in compliance with these financial covenants as of January 31, 2014. A failure by the Company to meet these financial covenants in the future would reduce and could eliminate the Company's borrowing capacity under the credit facility.

Other covenants in the credit facility restrict certain of the Company's activities, including among other things, its ability to create liens, dispose of certain assets and merge or consolidate with other entities. The credit facility also contains certain customary events of default, including, among others, defaults based on certain bankruptcy and insolvency events, nonpayment, cross-defaults to other debt, breach of specified covenants, Employee Retirement Income Security Act (ERISA) events, material monetary judgments, change of control events and the material inaccuracy of the Company's representations and warranties. In addition, the Company's ability to declare and pay future dividends on Leidos stock may be restricted by the provisions of Delaware law and covenants in the revolving credit facility.

Note 7—Notes Payable and Long-Term Debt:

The Company's notes payable and long-term debt consisted of the following for the years presented:

	Stated interest rate	Effective interest rate	January 31	
			2014	2013
(dollars in millions)				
Leidos Holdings, Inc. senior unsecured notes:				
\$450 million notes issued in fiscal 2011, which mature in December 2020	4.45%	4.53%	\$ 449	\$ 449
\$300 million notes issued in fiscal 2011, which mature in December 2040	5.95%	6.03%	300	300
Leidos, Inc. senior unsecured notes:				
\$250 million notes issued in fiscal 2003, which mature in July 2032	7.13%	7.43%	248	248
\$300 million notes issued in fiscal 2004, which mature in July 2033	5.50%	5.78%	296	296
Capital leases and other notes payable due on various dates through fiscal 2021	0%-3.7%	Various	40	2
Total notes payable and long-term debt			1,333	1,295
Less current portion			2	—
Total notes payable and long-term debt, net of current portion			\$ 1,331	\$ 1,295
Fair value of notes payable and long-term debt			\$ 1,350	\$ 1,390

Interest is payable on the Company's senior unsecured notes on a semi-annual basis with principal payments due on maturity. The note discounts, deferred debt issuance costs, and the loss on the settlement of related treasury lock contracts are amortized to interest expense (approximately \$2 million was amortized in fiscal 2014), which results in an effective interest rate that is higher than the stated interest rate of the notes. The senior unsecured notes contain customary restrictive covenants, including, among other things, restrictions on the Company's ability to create liens and enter into sale and leaseback transactions under certain circumstances. The Company was in compliance with all covenants as of January 31, 2014.

The Plainfield Renewable Energy Project, as described in Note 3, was financed through two secured notes aggregating \$149 million, net of debt discount, provided by affiliates of the Carlyle Group ("Carlyle"). Leidos assumed, in the acquisition of Plainfield, a Note Purchase Agreement between Plainfield and Carlyle, consisting of two secured notes, a Construction Note and a Cash Grant Note in the amount of \$81 million and \$68 million,

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respectively, as of the end of the third quarter of fiscal 2014. The Construction Note had a 17.5% stated interest rate, consisting of 8% paid in cash and remainder was accrued over the term of the note and paid at maturity. The Cash Grant Note had a 17.5% stated interest rate, consisting of 6% paid in cash and the remainder was accrued over the term of the note and paid at maturity.

On December 6, 2013, the Company entered into an Early Payoff Agreement (the "Agreement") between Plainfield and Carlyle, under which the Company agreed to pay off, on December 16, 2013, its obligations under the Note Purchase Agreement to include principal and interest due under the Construction Note and Cash Grant Note, an additional interest payment as provided in the Note Purchase Agreement and an early termination fee consisting of a make whole payment. In consideration of the early payment, the Agreement provided for a \$6 million discount on the early termination fee and waived the covenants in Note Purchase Agreement. The Company paid \$152 million in principal, \$7 million of interest, including the additional interest payment, and \$6 million in an early termination fee, net of the discount, for a total amount of \$165 million. In addition, the unamortized deferred debt issuance costs and debt discount at the time of the pay off of approximately \$2 million was expensed and included in "Other income, net" in the Company's consolidated statements of income.

Maturities of notes payable and long-term debt are as follows:

Year Ending January 31	Total (in millions)
	2015 \$ 3
	2016 2
	2017 3
	2018 2
	2019 2
	2020 and thereafter 1,328
Total principal payments	1,340
Less unamortized discount	7
	\$ 1,333

Note 8—Related Party Transactions:

Leidos, Inc. has fully and unconditionally guaranteed the obligations of Leidos under its \$450 million 4.45% notes and \$300 million 5.95% notes. These notes have been reflected as debt of Leidos, Inc. in these consolidated financial statements. Leidos, Inc. has fully and unconditionally guaranteed any borrowings under Leidos' amended and restated revolving credit facility maturing in fiscal 2018. Leidos has fully and unconditionally guaranteed the obligations of Leidos, Inc. under its \$300 million 5.5% notes and \$250 million 7.13% notes.

Prior to the spin-off of New SAIC, Leidos fully and unconditionally guaranteed the obligations of New SAIC under its \$700 million credit agreement dated June 27, 2013. However, upon completion of the separation transaction on September 27, 2013, the guarantee was released and the credit support surrounding the credit agreement was eliminated.

Leidos and Leidos, Inc. have a related party note in connection with a loan of cash between the entities, which is adjusted to reflect issuances of stock by Leidos to employees of Leidos, Inc. and its subsidiaries and Leidos, Inc.'s payment of certain obligations on behalf of Leidos. The related party note bears interest based on LIBOR plus a market-based premium. Portions of the related party note may be repaid at any time. The note automatically extends for successive one-year periods unless either Leidos or Leidos, Inc. provides prior notice to the other party. As of January 31, 2014, the related party note is a note receivable from Leidos Holdings, Inc. to Leidos, Inc. of \$1.1 billion which changed from a note payable to Leidos Holdings, Inc. from Leidos, Inc. of \$22 million as of January 31, 2013. This change in the related party note primarily represents the distribution of the assets and liabilities of New SAIC of \$736 million and the special cash dividend payment made by Leidos, Inc. of approximately \$356 million.

Note 9—Accumulated Other Comprehensive Loss:

The components of accumulated other comprehensive loss were as follows:

	January 31	
	2014	2013
	(in millions)	
Foreign currency translation adjustments, net of taxes of \$(1) million as of January 31, 2014 and 2013, respectively	\$ 2	\$ 2
Unrecognized net loss on settled derivative instruments associated with outstanding debt, net of taxes of \$3 million as of January 31, 2014 and 2013, respectively	(5)	(5)
Unrecognized (loss) gain on defined benefit plan, net of taxes of \$2 million and \$0 million as of January 31, 2014 and 2013, respectively	(3)	1
Total accumulated other comprehensive loss, net of taxes of \$4 million and \$2 million as of as of January 31, 2014 and 2013, respectively	\$ (6)	\$ (2)

As of January 31, 2014, there is less than \$1 million of the unrealized net loss on settled derivative instruments (pre-tax) to be amortized and recognized as interest expense during the next 12 months.

Reclassifications from other comprehensive income to net income, relating to foreign currency translation adjustments, loss on settled derivative instruments and gain on defined benefit plan for the years ended January 31, 2014, and January 31, 2013, respectively, were not material. Reclassifications for foreign currency translation adjustments and loss on settled derivative instruments are recorded in other income, net, and reclassifications for gain on defined benefit plan is recorded in selling, general and administrative expenses.

Note 10—Earnings Per Share (EPS):

The Company is required to allocate a portion of its earnings to its unvested stock awards containing nonforfeitable rights to dividends or dividend equivalents (participating securities) in calculating EPS using the two-class method.

Unvested stock awards granted prior to fiscal 2013 are participating securities requiring application of the two-class method. In fiscal 2013, the Company began issuing unvested stock awards that have forfeitable rights to dividends or dividend equivalents. These stock awards are not participating securities requiring application of the two-class method but are dilutive common share equivalents subject to the treasury stock method. Basic EPS is computed by dividing income less earnings allocable to participating securities by the basic weighted average number of shares outstanding. Diluted EPS is computed similar to basic EPS, except the weighted average number of shares outstanding is increased to include the dilutive effect of outstanding stock options and other stock-based awards.

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A reconciliation of the income used to compute basic and diluted EPS for the years presented was as follows:

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Basic EPS:			
Income (loss) from continuing operations, as reported	\$ 84	\$ 324	\$ (235)
Less: allocation of distributed and undistributed earnings to participating securities	(3)	(7)	—
Income (loss) from continuing operations, for computing basic EPS	\$ 81	\$ 317	\$ (235)
Net income, as reported	\$ 164	\$ 525	\$ 59
Less: allocation of distributed and undistributed earnings to participating securities	(3)	(11)	(2)
Net income, for computing basic EPS	\$ 161	\$ 514	\$ 57
Diluted EPS:			
Income (loss) from continuing operations, as reported	\$ 84	\$ 324	\$ (235)
Less: allocation of distributed and undistributed earnings to participating securities	(3)	(7)	—
Income (loss) from continuing operations, for computing diluted EPS	\$ 81	\$ 317	\$ (235)
Net income, as reported	\$ 164	\$ 525	\$ 59
Less: allocation of distributed and undistributed earnings to participating securities	(3)	(11)	(2)
Net income, for computing diluted EPS	\$ 161	\$ 514	\$ 57

The following table provides a reconciliation of the weighted average number of shares outstanding used to compute basic and diluted EPS for the years presented. The presentation gives effect to the one-for-four reverse stock split which occurred after market close on September 27, 2013.

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Basic weighted average number of shares outstanding	83	83	84
Dilutive common share equivalents—stock options and other stock awards	—	—	—
Diluted weighted average number of shares outstanding	83	83	84

Basic and diluted EPS for the years presented was as follows:

	Year Ended January 31		
	2014	2013	2012
Basic:			
Income (loss) from continuing operations	\$ 0.98	\$ 3.82	\$ (2.80)
Income from discontinued operations	0.96	2.37	3.48
	\$ 1.94	\$ 6.19	\$ 0.68
Diluted:			
Income (loss) from continuing operations	\$ 0.98	\$ 3.82	\$ (2.80)
Income from discontinued operations	0.96	2.37	3.48
	\$ 1.94	\$ 6.19	\$ 0.68

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For the year ended January 31, 2014, the declared dividends exceeded current year earnings. Therefore, the Company was in a loss position for computing diluted (loss) per share and all outstanding common stock equivalents were excluded in the computation because their effect would have been anti-dilutive.

The following anti-dilutive stock-based awards were excluded from the weighted average number of shares outstanding used to compute basic and diluted EPS for the years presented:

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Antidilutive stock options excluded	5	5	5
Vesting stock awards excluded	4	—	—

In December 2013, the Company entered into an Accelerated Share Repurchase ("ASR") agreement with a financial institution to repurchase shares of its outstanding common stock for an aggregate purchase price of \$300 million. During the fourth quarter, the Company paid \$300 million to the financial institution and received an initial delivery of 5.6 million shares of its outstanding shares of common stock. All shares delivered were immediately retired. The final delivery of the remaining shares under the program was completed during the first quarter of fiscal 2015. The final value of the initial shares received on the date of purchase represented 85% of the total shares repurchased under the ASR or approximately \$255 million which was allocated between additional paid in capital and retained earnings. The Company recorded the remaining \$45 million as a forward contract indexed to its common stock in additional paid in capital. The total amount of shares delivered by the financial institution were adjusted by the volume weighted average price of the Company's stock over the valuation period specified in the ASR.

The Company has determined it has a sufficient amount of authorized and unissued shares available to settle the forward contract taking into consideration the maximum number of shares to be delivered. The forward contract meets the requirements to be classified as permanent equity and will not require derivative accounting treatment and the Company will not record any future changes in its fair value.

The initial delivery of 5.6 million shares of Leidos common stock reduced the Company's outstanding shares used to determine the weighted average shares outstanding for purposes of calculating basic and diluted EPS at January 31, 2014.

Note 11—Stock-Based Compensation:

Plan Summaries. At January 31, 2014, the Company had stock-based compensation awards outstanding under the following plans: the 2006 Equity Incentive Plan, the Management Stock Compensation Plan, the Stock Compensation Plan and the 2006 Employee Stock Purchase Plan (ESPP). Leidos issues new shares upon the issuance of stock awards or exercise of stock options under these plans.

The 2006 Equity Incentive Plan provides the Company's and its affiliates' employees, directors and consultants the opportunity to receive various types of stock-based compensation and cash awards. As of January 31, 2014, the Company has issued stock options, vested stock awards, restricted stock awards including restricted stock units, performance-based awards and cash awards under this plan. The 2006 Equity Incentive Plan provides that in the event of the Company's merger with or into another corporation, a sale of substantially all of its assets or the transfer of more than 50% of Leidos' outstanding shares by tender offer or similar transaction, the successor entity may assume or substitute all outstanding awards. If the successor entity does not assume or substitute all outstanding awards, the vesting of all awards will accelerate and any repurchase rights on awards will terminate. If a successor entity assumes or substitutes all awards and a participant is involuntarily terminated by the successor entity for any reason other than death, disability or cause within 18 months following the change of control, all outstanding awards of the terminated participant will immediately vest and be exercisable for a period of six months following termination. In the event of a change of control, the vesting of all awards held by non-employee directors of the Company will accelerate. Stock awards granted under the plan generally vest or become exercisable 20%,

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20%, 20%, and 40% after one, two, three and four years, respectively. As of January 31, 2014, 3.8 million shares of Leidos' stock were reserved for future issuance under the 2006 Equity Incentive Plan.

The Company has a Management Stock Compensation Plan and a Stock Compensation Plan, together referred to as the Stock Compensation Plans. The board of directors may at any time amend or terminate the Stock Compensation Plans. The Stock Compensation Plans provide for awards in share units to eligible employees. Benefits from these plans are payable in shares of Leidos' stock that are held in a trust for the purpose of funding benefit payments to the plans' participants. The fair value of the awards granted under the Stock Compensation Plans, which are vesting share unit awards, is based on the fair value of the award on the date of grant. Compensation expense is measured at grant date and generally recognized over the vesting period of four or seven years depending upon the initial date of grant. For awards granted prior to January 1, 2006, participants' interests in these share units vest on a seven year schedule at the rate of one-third at the end of each of the fifth, sixth and seventh years following the date of the award. Awards granted on or after January 1, 2006 vest 100% after four years following the date of the award. Upon a change in control of the Company (as defined by the Stock Compensation Plans), participant accounts will become fully vested and shares of Leidos stock held in the accounts will be immediately distributed. The Stock Compensation Plans do not provide for a maximum number of shares available for future issuance.

The Company has an ESPP which 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 the three years ended January 31, 2014, the discount was 5% of the fair market value on the date of purchase thereby resulting in the ESPP being non-compensatory. As of January 31, 2014, 11.1 million shares of Leidos' stock were authorized and reserved for future issuance under the ESPP.

Stock-Based Compensation and Related Tax Benefits Recognized. Stock-based compensation and related tax benefits recognized under all plans were as follows:

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Stock-based compensation expense:			
Stock options	\$ 10	\$ 9	\$ 11
Vesting stock awards	46	44	43
Vested stock awards	—	—	1
Total stock-based compensation expense recorded in continuing operations	\$ 56	\$ 53	\$ 55
Total stock-based compensation expense recorded in discontinued operations	\$ 21	\$ 31	\$ 30
Tax benefits recognized from stock-based compensation	\$ 22	\$ 21	\$ 21

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New SAIC Spin-off Adjustments. As a result of the spin-off of New SAIC, effective September 27, 2013, all outstanding equity awards related to New SAIC employees were assumed by New SAIC. Also in connection with the spin-off, adjustments were made to the share amounts and exercise prices of all remaining outstanding Leidos stock options, and the share amounts for vesting stock awards and performance-based stock awards as of the Distribution Date such that the adjustments were generally made to preserve the aggregate intrinsic value at the distribution date pursuant to the terms of the stock based compensation plans under which they were issued. Taking into account the change in the value of the Company's common stock as a result of the distribution of the New SAIC shares, the conversion ratio applied to all outstanding equity awards at the distribution date was 1.4523. In addition, all outstanding equity awards reflected the Company's one-for-four reverse stock split. Awards held by non-employee directors were modified so that the directors' awards were bifurcated into awards in both companies in a manner intended to preserve the aggregate intrinsic value.

As a result of the spin-off adjustments, a modification was made on September 27, 2013 to Leidos and New SAIC stock options outstanding as of the distribution date by which additional stock-based compensation expense was recognized, as the fair value of the outstanding options immediately following the spin-off was greater than the fair value immediately prior to the spin-off. An increase of expense related to the modification of \$3 million was recorded for awards that were fully vested on the modification date, and an additional \$3 million of incremental fair value will be recorded in future periods for unvested awards that will continue to vest, resulting in a total additional stock compensation cost of \$6 million with a weighted average modification fair value of \$1.02 related to continuing Leidos stock options outstanding.

Under the terms of the Employee Matters Agreement, the performance period for certain performance-based stock awards was deemed completed as of the last fiscal quarter prior to the spin-off with the target shares prorated for the completed period earned based on actual performance as determined by the Company's compensation committee. For the remaining target shares in the original award for which the performance period was not deemed completed, the performance condition was removed and the awards are subject to vesting based on continued employment through the original performance period. These modifications resulted in approximately \$1 million of incremental fair value to be expensed in future periods over the remaining vesting period.

The spin-off adjustments are reflected in the tables below as well as the one-for-four stock split discussed in Note 1.

Stock Options. Stock options may be granted with exercise prices no less than the fair value of Leidos' common stock on the date of grant and for terms not greater than ten years. Prior to January 31, 2011, stock options granted under the 2006 Equity Incentive Plan have a term of five years and a vesting period of four years, except for stock options granted to the Company's outside directors, which have a vesting period of one year. Subsequent to January 31, 2011, stock options granted under the 2006 Equity Incentive Plan have a term of seven years. Stock options were granted with exercise prices equal to fair value on the date of grant.

In connection with the special cash dividend, anti-dilutive adjustments were made to all outstanding stock options on the dividend record date to preserve their value following the special cash dividend, as required by the Company's 2006 Equity Incentive Plan. The modifications were made to reduce the exercise prices of the outstanding stock options and to increase the number of shares issuable upon the exercise of each option such that the aggregate difference between the market price and exercise price times the number of shares issuable upon exercise was substantially the same immediately before and after the payment of the special dividend. To affect these modifications, on June 12, 2013, the Company increased the shares of stock subject to stock options by a factor of 1.0713, which is the ratio of the closing price of \$59.48 on June 11, 2013, the last trading date prior to ex-dividend date, to the opening price of \$55.52 on the ex-dividend date, June 12, 2013, and decreased the exercise price of each of the stock options by a factor of 0.9334, which is the ratio of the opening price on the ex-dividend date to the closing price on June 11, 2013. These adjustments did not result in additional share-based compensation expense, as the fair value of the outstanding options immediately following the payment of the special cash dividend was equal to the fair value immediately prior to such distribution. These adjustments are reflected in the "Special Dividend Adjustment" line in the stock option activity table below.

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

Prior to the Company's separation transaction, the expected term of all awards granted was derived from the Company's historical experience with the exception of awards granted to our outside directors prior to fiscal 2013 which were derived utilizing the "simplified" method presented in SEC Staff Accounting Bulletin Nos. 107 and 110, "Share-Based Payment". Expected volatility was based on an average of the historical volatility of Leidos' stock and the implied volatility from traded options on Leidos stock. The risk-free interest rate was based on 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 date of grant. The Company used historical data to estimate forfeitures.

After the separation transaction, the expected term for all awards granted is derived utilizing the "simplified" method due to the lack of historical experience post separation. Expected volatility is estimated based on a weighted average historical volatility of a group of publicly-traded peer companies for a period consistent with the expected option term. The Company will continue to use peer group volatility information, until historical volatility of the Company is relevant, to measure expected volatility for future option grants. The risk-free rate is derived in same manner as prior to the separation transaction. The Company uses historical data to estimate forfeitures.

The weighted average grant-date fair value and assumptions used to determine fair value of stock options granted for each of the three years ended January 31, 2014 were as follows:

	Year Ended January 31			
	2014 Grants After Spin	2014 Grants Before Spin	2013	2012
Weighted average grant-date fair value	\$ 9.04	\$ 9.48	\$ 6.76 **	\$ 15.73 **
Expected term (in years)	4.8	5.0	5.0	4.9
Expected volatility	29.5%	30.0%	24.5%	23.4%
Risk-free interest rate	1.4%	1.4%	1.0%	2.2%
Dividend yield	2.4%	2.8%	3.7%	—%

** Adjusted for additional awards granted for the \$4.00 Special Dividend

The following table summarizes activity related to exercises of stock options for each of the three years ended January 31, 2014 as follows:

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Cash received from exercises of stock options	\$ —	\$ —	\$ 1
Stock exchanged at fair value upon exercises of stock options	1	—	14
Tax benefits realized from exercises of stock options	—	—	4

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Stock option activity for each of the three years ended January 31, 2014 was as follows:

	Shares of stock under stock options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
	(in millions)		(in years)	(in millions)
Outstanding at January 31, 2011	6.2	69.25	2.1	11
Options granted	1.0	67.67		
Options forfeited or expired	(0.9)	66.91		
Options exercised	(1.1)	58.75		8
Outstanding at January 31, 2012	5.2	71.60	2.5	—
Options granted	1.3	52.79		
Options forfeited or expired	(1.6)	70.17		
Options exercised	—	—		—
Outstanding at January 31, 2013	4.9	67.24	3.0	—
Options granted	1.4	54.86		
Special dividend adjustments	0.4			
Options forfeited or expired	(1.3)	71.80		
Spin-off Adjustment	(1.9)	57.85		
Outstanding at September 27, 2013	3.5	59.25	3.9	24
	Shares of stock under stock options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at September 28, 2013	4.9 **	\$ 40.20 **	3.9	\$ 24
Options granted	0.2	45.16		
Options forfeited or expired	(0.4)	39.43		
Options exercised	(0.2)	43.10		1
Outstanding at January 31, 2014	4.5	40.33	3.8	25
Exercisable at January 31, 2014	1.9	44.36	1.7	4
Vested and expected to vest in the future as of January 31, 2014	4.3	40.53	3.6	23

**Adjusted for Conversion Ratio of 1.4523

As of January 31, 2014, there was \$8 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 1.6 years.

Vesting Stock Awards. Compensation expense is measured at the grant date fair value and generally recognized over the vesting period of four years, or seven years for certain stock awards granted under the Stock Compensation Plans based upon required service conditions and in some cases performance conditions.

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Vesting stock award activity for each of the three years ended January 31, 2014 was as follows:

	Shares of stock under stock awards	Weighted average grant- date fair value
	(in millions)	
Unvested at January 31, 2011	2.9	72.12
Awards granted	1.4	67.32
Awards forfeited	(0.3)	70.72
Awards vested	(1.0)	72.00
Unvested at January 31, 2012	3.0	70.00
Awards granted	1.7	52.48
Awards forfeited	(0.4)	62.84
Awards vested	(1.2)	71.28
Unvested at January 31, 2013	3.1	60.78
Awards granted	2.1	53.51
Awards forfeited	(0.4)	58.28
Awards vested	(0.9)	64.76
Spin-off Adjustment	(1.5)	57.04
Unvested at September 27, 2013	2.4	59.98
	Shares of stock under stock awards	Weighted average grant- date fair value
Unvested stock awards at September 28, 2013	3.5 **	\$ 41.54 **
Awards granted	0.4 *	45.41 *
Awards forfeited	(0.2)	39.75
Unvested stock awards at January 31, 2014	3.7	42.05

* Includes Modified Performance-Based Awards

** Adjusted for Conversion Ratio of 1.4523

As of January 31, 2014, there was \$68 million of unrecognized compensation cost, net of estimated forfeitures, related to vesting stock awards, which is expected to be recognized over a weighted average period of 1.9 years. The fair value of vesting stock awards that vested in fiscal 2014, 2013, and 2012 was \$49 million, \$66 million and \$67 million, respectively.

Performance-Based Stock Awards. The Company grants performance-based stock awards to certain officers and key employees of the Company under the 2006 Equity Incentive Plan. The Company's 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 150% of the specified target awards. If performance is below the threshold level of performance, no shares will be issued. As discussed above in *New SAIC Spin-off Adjustments*, the performance period for certain performance-based stock awards was deemed completed as of the last fiscal quarter prior to the spin-off with the target shares prorated for the completed period earned. For all of the remaining target shares in the original award, the performance condition was removed and the awards are subject to vesting based on continued employment through the original performance period and reflected in the vesting stock awards table above. In the table below, the outstanding awards represent the awards whose performance conditions were completed in the last fiscal quarter prior to the spin-off and continue to vest over the original service period of the award.

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Performance-based stock award activity for the year ended January 31, 2014 was as follows:

	Expected number of shares of stock to be issued under performance-based stock awards		Weighted average grant- date fair value
	(in millions)		
Outstanding at January 31, 2013	0.3	\$	52.96
Awards canceled	(0.2) *		53.11 *
Outstanding at January 31, 2014	<u>0.1</u> **		<u>36.66</u> **

* Includes Modified Performance-Based Stock Awards

** Adjusted for Conversion Ratio of 1.4523

There were no grants for performance-based stock awards during fiscal 2014. The weighted average grant date fair value for performance-based stock during fiscal 2013 and 2012 was \$52.52 and \$67.68, respectively.

As of January 31, 2014, there was \$0.5 million of unrecognized compensation cost, net of estimated forfeitures, related to performance-based stock awards granted under the 2006 Equity Incentive Plan, which is expected to be recognized over a weighted average period of 1.0 years. The fair value of performance-based stock awards that vested in fiscal 2014 was \$1.5 million. There were no vesting events for performance-based stock awards during fiscal 2013 and 2012.

Note 12—Income Taxes:

Substantially all of the Company's income from continuing operations before income taxes for the three years ended January 31, 2014 was earned in the United States. The provision for income taxes related to continuing operations for each of the three years ended January 31, 2014 included the following:

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Current:			
Federal and foreign	\$ 32	\$ (51)	\$ 91
State	13	9	(10)
Deferred:			
Federal and foreign	(28)	55	(9)
State	(13)	10	1
Total	\$ 4	\$ 23	\$ 73

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A reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate to income from continuing operations before income taxes for each of the three years ended January 31, 2014 follows:

	Year Ended January 31		
	2014	2013	2012
	(dollars in millions)		
Amount computed at the statutory federal income tax rate (35%)	\$ 31	\$ 122	\$ (57)
State income taxes, net of federal tax benefit	—	10	(3)
Change in accruals for uncertain tax positions	(5)	(1)	(2)
CityTime uncertain tax liability	—	(96)	96
Research and development credits	(3)	(5)	(3)
Dividends paid to employee stock ownership plan	(22)	(9)	—
U.S. manufacturing activity benefit	(3)	(1)	(4)
Non-deductible penalties	4	—	46
Other	2	3	—
Total	\$ 4	\$ 23	\$ 73
Effective income tax rate	4.5%	6.6%	(45.1)%

The Company's lower effective income tax rate for fiscal 2014 when compared to fiscal 2013 was primarily due to lower earnings in fiscal 2014, the tax deductibility of the special dividend on shares held by the Leidos Retirement Plan (an employee stock ownership plan) and the resolution of certain tax contingencies with the tax authorities resulting in the recognition of an income tax benefit of approximately \$7 million. The effective tax rate for fiscal 2013 benefited from a \$96 million reduction in the provision for income tax as the result of an issue resolution agreement with the IRS with respect to the tax deductible portion of the CityTime payment which is described in Note 17. The effective income tax rate for fiscal 2012 was negatively impacted by estimated non-deductible portion of the CityTime loss provision.

The Company expects the benefit from the tax deductibility of dividends on shares held by the Leidos Retirement Plan to decrease in the future. In fiscal 2014, the Company benefited from the dividends paid to New SAIC's employees participating in the plan up to the date of the spin-off and the special dividend of \$7 million and \$11 million, respectively.

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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:

	January 31	
	2014	2013
	(in millions)	
Accrued vacation and bonuses	\$ 62	\$ 55
Investments	3	5
Deferred compensation	38	40
Vesting stock awards	34	38
Credits and net operating losses carryovers	27	34
Employee benefit contributions	3	1
Reserves	51	37
Other	23	29
Total deferred tax assets	241	239
Valuation allowance	(7)	(7)
Deferred tax assets, net of valuation allowance	234	232
Deferred revenue	(31)	(71)
Fixed asset basis differences	(27)	(12)
Purchased intangible assets	(138)	(135)
Total deferred tax liabilities	(196)	(218)
Net deferred tax assets	\$ 38	\$ 14

Net deferred tax assets were as follows:

	January 31	
	2014	2013
	(in millions)	
Net current deferred tax assets	\$ 89	\$ 34
Net non-current deferred tax assets	15	12
Net non-current deferred tax liabilities	(66)	(32)
Total net deferred tax assets	\$ 38	\$ 14

At January 31, 2014, the Company had \$25 million of federal net operating loss (NOL) carryforwards, which will expire in fiscal 2026 to 2030. The Company expects to fully utilize these NOL carryforwards. The Company also has various state NOL carryforwards. The Company has established a valuation allowance for those state NOL carryforwards which it does not expect to utilize. The Company also had \$15 million of state tax credits at January 31, 2014, which expire in fiscal 2018 to fiscal 2028. The Company expects to utilize \$13 million of these state tax credits.

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The Company's unrecognized tax benefits are primarily related to certain recurring deductions customary for the Company's industry. The changes in the unrecognized tax benefits, excluding accrued interest and penalties, were as follows:

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Unrecognized tax benefits at beginning of year	\$ 21	\$ 129	\$ 23
Additions for tax positions related to current year	—	—	102
Additions for tax positions related to prior years	2	2	10
Reductions for tax positions related to prior years	—	(107)	(4)
Settlements with taxing authorities	—	(1)	—
Lapse of statute of limitations	(9)	(2)	(2)
Unrecognized tax benefits at end of year	\$ 14	\$ 21	\$ 129
Unrecognized tax benefits that, if recognized, would affect the effective income tax rate	\$ 6	\$ 10	\$ 108

In fiscal 2014, the Company's unrecognized tax benefits decreased primarily due to the expiration of the fiscal 2009 statute of limitations. In fiscal 2013, the Company's unrecognized tax benefits decreased primarily due to the issue resolution agreement with the IRS with respect to the CityTime loss provision recorded in fiscal 2012.

At each of January 31, 2014 and 2013, accrued interest and penalties totaled \$2 million and \$3 million, respectively. A negligible amount of interest and penalties were recognized in the consolidated statements of income in fiscal 2014, 2013, and 2012.

At January 31, 2014, the balance of unrecognized tax benefits included liabilities for uncertain tax positions of \$16 million, \$12 million of which were classified as other long-term liabilities on the consolidated balance sheet. The balance of unrecognized tax benefits at January 31, 2013 included liabilities for uncertain tax positions of \$24 million, all of which is classified as other long-term liabilities on the consolidated balance sheet.

The Company files income tax returns in the United States and various state and foreign jurisdictions and is subject to routine compliance reviews by the IRS and other taxing authorities. The Company has effectively settled with the IRS for all fiscal years prior to 2014, except 2010.

During the next 12 months, it is reasonably possible that resolution of reviews by taxing authorities, both domestic and international, could be reached with respect to \$8 million of the Company's unrecognized tax benefits, including \$1 million of previously accrued interest, depending on the timing of ongoing examinations, any litigation and expiration of statute of limitations, either because the Company's tax positions are sustained or because the Company agrees to their disallowance and pays the related income tax. The resolution of the tax matters could result in a \$4 million reduction in income tax expense during the last two quarters of fiscal 2015. While the Company believes it has adequate accruals for uncertain tax positions, the tax authorities may determine that the Company owes taxes in excess of recorded accruals or the recorded accruals may be in excess of the final settlement amounts agreed to by tax authorities.

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Note 13—Retirement Plans:

Defined Contribution Plans

The Company sponsors several defined contribution plans, including the Leidos, Inc. Retirement Plan which is both a 401(k) plan and an employee stock ownership plan, in which most employees are eligible to participate. These plans allow eligible participants to contribute a portion of their income through payroll deductions and the Company may also make discretionary contributions. Company contributions expensed for defined contribution plans were \$81 million, \$92 million and \$95 million in fiscal 2014, 2013, and 2012, respectively. At the end of fiscal 2014, the Company elected to decrease its discretionary employer match contribution percentage and also provided for an additional Company contribution to be given to all eligible employees, regardless of whether the employee participates in the 401(k) plan, payable at the end of the calendar year to all employees employed on the last day of the calendar year, with certain exceptions.

Deferred Compensation Plans

The Company maintains two deferred compensation plans, the Keystaff Deferral Plan (KDP) and the Key Executive Stock Deferral Plan (KESDP), for the benefit of certain management or highly compensated employees or directors and allows eligible participants to elect to defer all or a portion of their annual bonus, sign-on bonus or certain other bonuses. Directors may also elect to defer their director fees. The Company makes no contributions to the KDP but maintains participant accounts for deferred amounts and interest earned. Interest is accrued based on the Moody's Seasoned Corporate Bond Rate. Deferred balances are generally paid upon retirement or termination. Under the KESDP, eligible participants may elect to defer in share units all or a portion of their bonus awards granted under the 2006 Equity Incentive Plan (see Note 11) and prior plans. The Company makes no contributions to the accounts of KESDP participants. Benefits from the KESDP are payable in shares of Leidos' stock that may be held in a trust for the purpose of funding benefit payments to KESDP participants. Deferred balances will generally be paid upon retirement or termination.

Beginning in fiscal 2012, the Company sponsored a 401(k) Excess Deferral Plan (Excess Plan) for the benefit of certain management or highly compensated employees that allows participants to elect to defer up to 20% of their eligible salary once the participant has met the contribution limit imposed on the Leidos, Inc. Retirement Plan. The Company makes matching contributions to participants who have received a reduced Company contribution in the Leidos, Inc. Retirement Plan due to the participant's deferral of salary into the Excess Plan.

Defined Benefit Plans

The Company sponsors a defined benefit pension plan in the United Kingdom for plan participants that primarily performed services on an expired customer contract. While benefits are no longer accruing under the plan, the Company has continuing defined benefit pension obligations with respect to certain plan participants. In fiscal 2012, the Company sold certain components of its business, including the component of its business that contained this pension and employed the pension plan participants. The Company has classified the operating results of this business component, including pension expense through the date of sale, as discontinued operations for all periods presented. Pursuant to the definitive sale agreement, the Company retained the assets and obligations of this defined benefit pension plan. As a result of retaining the pension obligation, the remaining components of ongoing pension expense, primarily interest costs and assumed return on plan assets subsequent to the sale, are recorded in continuing operations.

In fiscal 2013, certain plan participants in the Company's defined benefit pension plan, who previously transferred their employment to a successor contractor upon the expiration of the customer contract, elected to transfer, and the Company transferred, \$46 million of pension plan assets to that successor contractor's plan and settled \$63 million of related pension plan obligations. As a result of the transfer, the Company recorded an immaterial settlement gain in selling, general and administrative expenses in fiscal 2013.

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The projected benefit obligation as of January 31, 2014 and January 31, 2013 was \$106 million and \$94 million, respectively. The fair value of plan assets as of January 31, 2014 and January 31, 2013 was \$98 million and \$86 million, respectively. The plan funding status was underfunded by \$9 million and \$8 million as of January 31, 2014 and January 2013, respectively.

The plan's 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 inputs).

Other

The Company also sponsors a defined benefit pension plan for employees working on one U.S. Government contract. As part of the contractual agreement, the customer reimburses the Company for contributions made to the plan that are allowable under government contract cost accounting requirements. If the Company were to cease being the contractor as a result of a recompetition process, this defined benefit pension plan and related plan assets and liabilities would transfer to the new contractor. If the contract expires or is terminated with no transfer of the plan to a successor contractor, any amount by which plan liabilities exceed plan assets, as of that date, will be reimbursed by the U.S. Government customer. Since the Company is not responsible for the current or future funded status of this plan, no assets or liabilities arising from its funded status are recorded in the Company's consolidated financial statements and no amounts associated with this plan are included in the defined benefit plan disclosures above.

Note 14—Leases:

The Company occupies most of its facilities under operating leases. Most of the leases require the Company to pay maintenance and operating expenses such as taxes, insurance and utilities and also contain renewal options to extend the lease and provisions for periodic rate escalations to reflect inflationary increases. Certain equipment is leased under short-term or cancelable operating leases. Rental expense for facilities and equipment related to continuing operations for each of the three fiscal years ended January 31, 2014 were as follows:

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Gross rental expense	\$ 181	\$ 154	\$ 158
Less sublease income	(6)	(4)	(6)
Net rental expense	\$ 175	\$ 150	\$ 152

In connection with the spin-off transaction, the Company took actions in order to align its cost structure post-separation to reduce its real estate footprint by vacating facilities that are not necessary for its future requirements. The fiscal 2014 rental expense in the above table includes additional rent expense related to lease termination costs incurred in connection with these actions.

In fiscal 2004, the Company was awarded a contract with the Greek Government (see Note 17) that requires the Company to lease certain equipment under an operating lease from a subcontractor for 10 years. The terms of the customer contract and lease agreement provide that if the customer defaults on its payments to the Company to cover the future lease payments, then the Company is not required to make the lease payments to the subcontractor. Consequently, the maximum contingent lease liability of \$12 million related to this contract at January 31, 2014 is not reflected in the future minimum lease commitments table below.

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Future minimum lease commitments and lease or sublease receipts under non-cancelable operating leases in effect at January 31, 2014 are as follows:

Year Ending January 31	Operating lease commitment	(in millions)	Sublease receipts
	2015 \$	95	\$ 7
		2016	7
		2017	7
		2018	5
		2019	4
2020 and thereafter		109	12
Total	\$	488	\$ 42

As of January 31, 2014, the Company had capital lease obligations of \$3 million that are payable over the next four years.

Sale and Leaseback Agreement

On May 3, 2013, the Company entered into a purchase and sale agreement relating to the sale of approximately 18 acres of land in Fairfax County, Virginia, including four office buildings, a multi-level parking garage, surface parking lots, and other related improvements and structures, as well as tangible personal property and third-party leases. This sale is expected to be completed in a series of transactions over approximately six years.

On July 26, 2013, the Company closed the first phase of the purchase and sale agreement and received proceeds of \$83 million, net of selling costs. The Company leased back from the buyer three of the office buildings over varying lease terms. The sale of two of the office buildings was accounted for as a sale-leaseback transaction with proceeds from the sale of \$40 million, a corresponding book value of \$42 million resulting in a \$2 million loss recorded in selling, general and administrative expenses. These leases were accounted for as operating leases over a six months term which ended on January 31, 2014. The sale of the third office building is being accounted for as a financing transaction. The allocated consideration received of \$38 million was recorded as a note payable to be paid over seven years with interest at the lessee's incremental borrowing rate, estimated at 3.7%. The right of use for the multi-level parking garage and surface parking lots were allocated proceeds of \$1 million and \$4 million, respectively, and were accounted for as other long term liabilities.

Note 15—Supplementary Cash Flow Information:

Supplementary cash flow information, including non-cash investing and financing activities, for each of the three years ended January 31, 2014 was as follows:

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Decrease in accrued stock repurchases	\$ —	\$ —	\$ (7)
Vested stock issued as settlement of annual accrued bonus	\$ 2	\$ 2	\$ 3
Stock issued in lieu of cash dividends	\$ 18	\$ 3	\$ —
Capital lease obligations	\$ 1	\$ —	\$ 2
Fair value of assets acquired in acquisitions	\$ 259	\$ 541	\$ 238
Cash paid in acquisitions, net of cash acquired of \$0 million, \$9 million and \$5 million in fiscal 2014, 2013 and 2012, respectively	\$ (3)	\$ (483)	\$ (218)
Forgiveness of accounts receivable to acquire equity interest in business combination	\$ (105)	\$ —	\$ —
Accrued liability for acquisition of business	\$ (3)	\$ (13)	\$ —
Liabilities assumed in acquisitions	\$ 148	\$ 45	\$ 20
Cash paid for interest (including discontinued operations)	\$ 82	\$ 92	\$ 107
Cash paid for income taxes (including discontinued operations)	\$ 63	\$ 128	\$ 289

Note 16—Business Segment Information:

The Company defines its reportable segments based on the way the chief operating decision maker (CODM), currently its chief executive officer, manages the operations of the Company for purposes of allocating resources and assessing performance.

Effective February 1, 2013, the Company realigned certain business operations among its segments and renamed its reportable segments as follows: Health and Engineering; National Security Solutions; Technical Services and Information Technology; and Corporate and Other. In connection with the spin-off of New SAIC, discussed in Note 2, the Technical Services and Information Technology reportable segment was distributed to New SAIC and was included as part of the Company's discontinued operations. Prior year amounts have been recast for consistency with the current year's presentation.

Health and Engineering provides health systems integration services to implement and optimize the use of electronic health records, apply data analytics and behavioral health research to help enable customers to improve healthcare quality and patient outcomes, detect and prevent diseases, enhance scientific discovery, and reduce costs to the healthcare system. Health and Engineering also provides engineering services and solutions focused on solving energy, environmental and infrastructure challenges. These include products and solutions in energy generation, efficiency and management, environmental services, securing critical infrastructure, and designing and building construction projects. Major customers of Health and Engineering primarily include the U.S. federal government, state and local governmental agencies, foreign governments and commercial enterprises in various industries.

National Security Solutions provides solutions and systems for air, land, sea, space and cyberspace for the U.S. intelligence community, the DoD, the military services and the U.S. Department of Homeland Security. Our solutions deliver technology, large scale intelligence systems, data analytics, cyber solutions, logistics, and intelligence analysis and operations support to critical missions around the world. Major customers of National Security Solutions include national and military intelligence agencies, and other federal, civilian and commercial customers in the national security complex.

Corporate and Other includes the operations of the Company's internal real estate management subsidiary, various corporate activities, certain corporate expense items that are not reimbursed by the Company's U.S. Government customers and certain revenue and expense items excluded from the CODM's evaluation of a reportable segment's performance.

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The following tables summarize business segment information for each of the three years ended January 31, 2014:

	Year Ended January 31		
	2014	2013	2012
	(in millions)		
Revenues:			
Health and Engineering	\$ 1,735	\$ 1,825	\$ 1,612
National Security Solutions	4,049	4,650	4,618
Corporate and Other	(9)	(1)	(390)
Intersegment elimination	(3)	(5)	(4)
Total revenues	\$ 5,772	\$ 6,469	\$ 5,836
Operating income (loss):			
Health and Engineering	\$ 21	\$ 140	\$ 139
National Security Solutions	292	360	400
Corporate and Other	(149)	(77)	(597)
Total operating income (loss)	\$ 164	\$ 423	\$ (58)
Amortization of intangible assets:			
Health and Engineering	\$ 33	\$ 32	\$ 24
National Security Solutions	3	5	8
Total amortization of intangible assets	\$ 36	\$ 37	\$ 32

Asset information by segment is not a key measure of performance used by the CODM. Interest income, interest expense and provision for income taxes, as reported in the consolidated financial statements, are not part of operating income and are primarily recorded at the corporate level. Under U.S. Government Cost Accounting Standards, indirect costs including depreciation expense are collected in numerous indirect cost pools which are then collectively allocated out to the Company's 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 Company's individual reportable segments. For this reason, depreciation expense by reportable segment has not been reported above.

Substantially all of the Company's revenues and tangible long-lived assets are generated by or owned by entities located in the United States. As such, the financial information by geographic location is not presented.

The Company's total revenues are largely attributable to prime contracts with the U.S. Government or to subcontracts with other contractors engaged in work for the U.S. Government. The percentages of total revenues for the U.S. Government, its agencies and other customers comprising more than 10% of total revenues for each of the three years ended January 31, 2014 were as follows:

	Year Ended January 31		
	2014	2013	2012
U.S. Government	78%	81%	83%
U.S. DoD	68%	69%	72%
U.S. Army	19%	23%	25%

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Note 17—Legal Proceedings:

Timekeeping Contract with City of New York

In March 2012, the Company reached a settlement with the U.S. Attorney's Office for the Southern District of New York and the City of New York (City) relating to investigations being conducted by the U.S. Attorney's Office and the City with respect to the Company's contract to develop and implement an automated time and attendance and workforce management system (CityTime) for certain agencies of the City. As part of this settlement, the Company entered into a deferred prosecution agreement with the U.S. Attorney's Office, under which the Company paid approximately \$500 million and the U.S. Attorney's Office deferred prosecution of a single criminal count against the Company, which alleged that the Company, through the conduct of certain managerial employees and others, caused the City to significantly overpay for the CityTime system. If the Company complies with the terms of the deferred prosecution agreement, the U.S. Attorney will dismiss the criminal count at the end of a three-year period. In August 2012, the Company entered into an administrative agreement with the U.S. Army, on behalf of all agencies of the U.S. Government that confirms the Company's continuing eligibility to enter into and perform contracts with all agencies of the U.S. Government following the CityTime settlement. The Army has determined that the U.S. Government will have adequate assurances under the terms of the administrative agreement that initiation of suspension or debarment is not necessary to protect the U.S. Government's interests following the CityTime settlement. Under the terms of the administrative agreement, the Company has agreed, among other things, to maintain a contractor responsibility program having the specific elements described in the administrative agreement, including retaining a monitor and providing certain reports to the U.S. Army. The administrative agreement will continue in effect for five years, provided that the Company may request earlier termination after three years.

Data Privacy Litigation

The Company is a defendant in a putative class action, *In Re: Science Applications International Corporation (SAIC) Backup Tape Data Theft Litigation*, a Multidistrict Litigation (MDL), in the U.S. District Court for the District of Columbia. The MDL action consolidates for pretrial proceedings the following seven individual putative class action lawsuits filed against the Company from October 2011 through March 2012: (1) *Richardson, et al. v. TRICARE Management Activity, Science Applications International Corporation, United States Department of Defense, et al.* in U.S. District Court for the District of Columbia; (2) *Arellano, et al. v. SAIC, Inc.* in U.S. District Court for the Western District of Texas; (3) *Biggerman, et al. v. TRICARE Management Activity, Science Applications International Corporation, United States Department of Defense, et al.* in U.S. District Court for the District of Columbia; (4) *Moskowitz, et al. v. TRICARE Management Activity, Science Applications International Corporation, United States Department of Defense, et al.* in U.S. District Court for the District of Columbia; (5) *Palmer, et al. v. TRICARE Management Activity, Science Applications International Corporation, United States Department of Defense, et al.*, in U.S. District Court for the District of Columbia; (6) *Losack, et al. v. SAIC, Inc.* in U.S. District Court for the Southern District of California; and (7) *Deatrick v. Science Applications International Corporation* in U.S. District Court for the Northern District of California. The lawsuits were filed following the theft of computer backup tapes from a vehicle of a Company employee. The employee was transporting the backup tapes between federal facilities under an IT services contract the Company was performing in support of TRICARE, the health care program for members of the military, retirees and their families. The tapes contained personal and protected health information of approximately five million military clinic and hospital patients. There is no evidence that any of the data on the backup tapes has actually been accessed or viewed by an unauthorized person. In order for an unauthorized person to access or view the data on the backup tapes, it would require knowledge of and access to specific hardware and software and knowledge of the system and data structure. The Company has notified potentially impacted persons by letter and has offered one year of credit monitoring services to those who request these services and in certain circumstances, one year of identity restoration services.

In October 2012, plaintiffs filed a consolidated amended complaint in the MDL action, which supersedes all previously filed complaints in the individual lawsuits. The consolidated amended complaint includes allegations of negligence, breach of contract, breach of implied-in-fact contract, invasion of privacy by public disclosure of private facts and statutory violations of the Texas Deceptive Trade Practices Act, the California Confidentiality of Medical

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Information Act, California data breach notification requirements, the California Unfair Competition Law, various state consumer protection or deceptive practices statutes, state privacy statutes, the Fair Credit Reporting Act and the Privacy Act of 1974. The consolidated amended complaint seeks monetary relief, including unspecified actual damages, punitive damages, statutory damages of \$1,000 for each class member and attorneys' fees, as well as injunctive and declaratory relief.

The Company intends to vigorously defend itself against the claims made in the class action lawsuits. In November 2012, the Company filed a motion to dismiss all claims against the Company alleged in the consolidated amended complaint. The court has not yet ruled on the Company's motion. The Company has insurance coverage against judgments or settlements relating to the claims being brought in these lawsuits, with a \$10 million deductible. The insurance coverage also covers the Company's defense costs, subject to the same deductible. As of January 31, 2014, the Company has recorded a loss provision of \$10 million related to these lawsuits, representing the low end of the Company's estimated gross loss. The Company believes that, if any loss is experienced by the Company in excess of its estimate, such a potential loss would not exceed the Company's insurance coverage. As these lawsuits progress, many factors will affect the amount of the ultimate loss resulting from these claims being brought against the Company, including the outcome of any motions to dismiss, the results of any discovery, the outcome of any pretrial motions and the courts' rulings on certain legal issues.

The Company has been informed that the Office for Civil Rights (OCR) of the Department of Health and Human Services (HHS) is investigating matters related to the incident. OCR is the division of HHS charged with enforcement of the Health Insurance Portability and Accountability Act of 1996, as amended (HIPAA) and the privacy, security and data breach rules which implement HIPAA. OCR may, among other things, require a corrective action plan and impose civil monetary penalties against the data owner (Department of Defense) and, in certain situations, against the data owners' contractors, such as the Company. The Company is cooperating with TRICARE in responding to the OCR investigation.

Derivative and Securities Litigation

Between February and April 2012, six stockholder derivative lawsuits were filed, each purportedly on the Company's behalf. Two cases have been withdrawn and the four remaining cases were consolidated in the U.S. District Court for the Southern District of New York in *In re SAIC, Inc. Derivative Litigation*. On June 10, 2013, the District Court dismissed the consolidated complaint with prejudice and on January 30, 2014, the United States Court of Appeals for the Second Circuit affirmed the dismissal.

The Company has also received three stockholder demand letters related to CityTime (one of which is also related to the TRICARE matter described above). An independent committee of the Company's board of directors reviewed two of the demands and the Company's lead director has notified both stockholders' attorneys, on behalf of the board of directors, that the Company has decided not to pursue the claims outlined in their demand letters. The third demand is under review by the independent committee.

Between February and April 2012, alleged stockholders filed three putative securities class actions. One case was withdrawn and two cases were consolidated in the U.S. District Court for the Southern District of New York in *In re SAIC, Inc. Securities Litigation*. The consolidated securities complaint named as defendants the Company, its chief financial officer, two former chief executive officers, a former group president, and the former program manager on the CityTime program, and was filed purportedly on behalf of all purchasers of Leidos' common stock from April 11, 2007 through September 1, 2011. The consolidated securities complaint asserted claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 based on allegations that the Company and individual defendants made misleading statements or omissions about the Company's revenues, operating income, and internal controls in connection with disclosures relating to the CityTime project. The plaintiffs sought to recover from the Company and the individual defendants an unspecified amount of damages class members allegedly incurred by buying Leidos' stock at an inflated price. On October 1, 2013, the District Court dismissed many claims in the complaint with prejudice and on January 30, 2014, the District Court entered an order dismissing all remaining claims with prejudice and without leave to replead. The plaintiffs have moved to vacate the District Court's judgment or obtain relief from the judgment and for leave to file an amended complaint.

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Greek Government Contract

Background and Arbitration. In May 2003, the Company entered into a firm-fixed-price contract with the Hellenic Republic of Greece (the Customer) to provide a Command, Control, Communications, Coordination and Integration System (the System) to support the 2004 Athens Summer Olympic Games (the Olympics) and to serve as the security system for the Customer's public order departments following completion of the Olympics.

In November 2008, the Customer accepted the System in writing pursuant to the requirements of the contract. At the time, the Customer determined that the System substantially complied with the terms of the contract and accepted the System with certain alleged minor omissions and deviations. Upon System acceptance, the Company invoiced the Customer for approximately \$19 million, representing the undisputed portion of the contract balance owed to the Company. The Customer has not paid this final invoice.

In June 2009, the Company initiated arbitration before the International Chamber of Commerce against the Customer seeking damages for breaches of contract by the Customer. In July 2013, the Company received an arbitral award for approximately \$53 million. The Customer has yet to satisfy the arbitral award. The Company is pursuing an enforcement action in U.S. District Court for the District of Columbia. In September 2013, the Customer filed a petition in a Greek court seeking to nullify the arbitral award and to stay enforcement of the award in Greece until a hearing can be held on the Customer's annulment petition. A hearing on the Customer's nullification request is scheduled in Greece for April 2014 although the Company is continuing to pursue its enforcement action in U.S. District Court. The outcome of the Company's pending enforcement action is uncertain.

Financial Status and Contingencies. As a result of the significant uncertainties on this contract, the Company converted to the completed-contract method of accounting and ceased recognizing revenues for the System development portion of this contract in fiscal 2006. No profits or losses were recorded on the Greek contract during the fiscal years ended January 31, 2014, 2013 and 2012. As of January 31, 2014, the Company has recorded \$123 million of losses under the Greek contract, reflecting the Company's estimated total cost to complete the System, assuming the Greek contract value was limited to the cash received to date. Based on the complex nature of this contractual situation and the difficulties encountered to date, significant uncertainties exist and the Company is unable to reliably estimate the ultimate outcome. The Company may reverse a portion of the losses from the Greek contract if it receives future payments as provided in the arbitral award.

As of January 31, 2014, the Company has \$16 million of receivables relating to value added tax (VAT) that the Company has paid and believes it is entitled to recover either as a refund from the taxing authorities or as a payment under the Greek contract. The Company has invoiced the Customer for \$34 million for VAT and the Customer has failed to make payment. If the Customer fails to pay the outstanding VAT amounts or the Company is unable to recover the amount as a refund from the taxing authorities, the Company's total losses on the Greek contract could increase.

The Company has met certain advance payment and performance bonding requirements through the issuance of euro-denominated standby letters of credit. As of January 31, 2014, there were \$3 million in standby letters of credit outstanding relating to the support and maintenance of the System. In the arbitration, the Company was awarded but has not received \$26 million representing the amounts drawn by the Customer in fiscal 2011 on certain standby letters of credit as well as damages. The principal subcontractor has provided to the Company euro-denominated standby letters of credit in the amount of \$22 million as of January 31, 2014, of which \$20 million relates to the delivery of the System. The Company may draw on the subcontractor's standby letters of credit under certain circumstances by providing a statement to the responsible bank that the subcontractor has not fulfilled its obligations under the subcontract.

Nuclear Regulatory Commission

The U.S. Department of Justice filed a lawsuit against the Company in September 2004 in U.S. District Court for the District of Columbia alleging civil False Claims Act violations and breach of contract by the Company on two contracts that the Company had with the Nuclear Regulatory Commission (NRC). The complaint alleges that the Company's performance of several subcontracts on separate U.S. Department of Energy (DOE) programs, the participation of a Company employee in an industry trade association, and certain other alleged relationships

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created organizational conflicts of interest under the two NRC contracts. The Company disputes that the work performed on the DOE programs and the alleged relationships raised by the government created organizational conflicts of interest. In July 2008, the jury found in favor of the government on the breach of contract and two False Claims Act counts. The jury awarded a nominal amount of \$78 in damages for breach of contract and \$2 million in damages for the False Claims Act claims. The judge entered the judgment in October 2008, trebling the False Claims Act damages and awarding a total of \$585,000 in civil penalties. The Company appealed to the U.S. Court of Appeals for the District of Columbia Circuit. In December 2010, the Court of Appeals affirmed the District Court's judgment as to both liability and damages of \$78 on the breach of contract count and rescinded the judgment on the False Claims Act counts, including the aggregate damages and penalties. The Court of Appeals sent the False Claims Act counts back to the District Court for further proceedings. The Company has recorded a liability for an immaterial amount related to this matter as of January 31, 2014 based on its assessment of the likely outcome of this matter.

Other

The Company is also involved in various claims and lawsuits arising in the normal conduct of its business, none of which, in the opinion of the Company's management, based upon current information, will likely have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Note 18—Other Commitments and Contingencies:

VirnetX, Inc.

In fiscal 2007, the Company transferred several patents to VirnetX Inc., a subsidiary of VirnetX Holding Corp. In consideration of this transfer, the Company received certain license rights and the right to receive a percentage of the consideration received in patent infringement or enforcement claims against third parties. In November 2012, a jury found that Apple Corporation infringed two of the patents that the Company previously transferred to VirnetX and awarded approximately \$368 million to VirnetX. Under its agreements with VirnetX, the Company would receive 25% of the proceeds obtained by VirnetX in this lawsuit against Apple after reduction for attorneys' fees and costs incurred in litigating those claims. Apple has filed an appeal of the jury verdict with the United States Court of Appeals for the Federal Circuit which remains pending. No assurances can be given when or if the Company will receive any proceeds in connection with this jury award. In addition, if the Company receives any proceeds under its agreements with VirnetX, the Company is required to pay a royalty on the proceeds received to the customer who paid for the development of the technology. The Company does not have any assets or liabilities recorded in connection with this matter as of January 31, 2014.

Government Investigations and Reviews

The Company is routinely subject to investigations and reviews relating to compliance with various laws and regulations with respect to its 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 in these investigations or reviews can lead to criminal, civil or administrative proceedings and the Company could face penalties, fines, compensatory damages and suspension or debarment from doing business with governmental agencies. Adverse findings could also have a material adverse effect on the Company's business, consolidated financial positions, results of operations and cash flows due to its reliance on government contracts. During fiscal 2014, the Company paid approximately \$18 million to the government to settle various investigations and reviews, including investigations arising under the Civil False Claims Act.

U.S. Government agencies, including the Defense Contract Audit Agency (DCAA), Defense Contract Management Agency (DCMA) and others, routinely audit and review a contractor's performance on government contracts, indirect rates and pricing practices, and compliance with applicable contracting and procurement laws, regulations and standards. 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. Both contractors and the U.S. Government agencies conducting these audits and reviews have come under increased scrutiny. As a result, audits and reviews have become more rigorous and the standards to which the

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Company is held are being more strictly interpreted, increasing the likelihood of an audit or review resulting in an adverse outcome. During the course of its current audits, the DCAA is closely examining and questioning several of the Company's long established and disclosed practices that it had previously audited and accepted, increasing the uncertainty as to the ultimate conclusion that will be reached.

The Company changed its indirect rate structure used in its indirect cost system and its direct labor bid structure used for its estimating system for fiscal 2011 and future years. The DCAA is performing reviews of these changes and the Company's compliance with certain other U.S. Government Cost Accounting Standards. A finding of significant control deficiencies in the Company's system audits or other reviews can result in decremented billing rates to its U.S. Government customers until the control deficiencies are corrected and their remediation is accepted by the DCMA.

The Company's indirect cost audits by the DCAA have not been completed for fiscal 2008 and subsequent fiscal years. Although the Company has recorded contract revenues subsequent to fiscal 2008 based upon an estimate of costs that the Company believes will be approved upon final audit or review, the Company does not know the outcome of any ongoing or future audits or reviews and adjustments, and if future adjustments exceed the Company's estimates, its profitability would be adversely affected. Pursuant to the Distribution Agreement with New SAIC and upon the separation date, the Company's liability of \$45 million for net amounts to be refunded to customers for potential adjustments from such audit or review of contract costs was allocated to New SAIC in the amount of \$18 million and the Company in the amount of \$27 million. Subsequent to the separation date, any amounts owed in addition to the \$45 million liability for periods prior to the separation date will be proportioned between Leidos and New SAIC in accordance with the Distribution Agreement. As of January 31, 2014, the Company has recorded a liability of \$30 million for its current best estimate of net amounts to be refunded to customers for potential adjustments from such audits or reviews of contract costs.

Joint Ventures

The Company has a guarantee that relates only to claims brought by the sole customer of its joint venture, Bechtel SAIC Company, LLC, for specific contractual nonperformance of the joint venture. The Company also has a cross-indemnity agreement with the joint venture partner, pursuant to which the Company will only be ultimately responsible for the portion of any losses incurred under the guarantee equal to its ownership interest of 30%. As of January 31, 2014, the joint venture had completed performance requirements on the customer contract and was in the process of completing contract close-out activities. Based on current conditions, the Company believes the likelihood of having to make any future payment related to the guarantee is remote.

In conjunction with a contract award to one of the Company's joint ventures, Research and Development Solutions, LLC (RDS), each of the three joint venture partners were required to sign a performance guarantee agreement with the U.S. Government. Under this agreement, the Company unconditionally guarantees all of RDS's obligations to the U.S. Government under the contract award. The Company also has a cross-indemnity agreement with each of the other two joint venture partners to protect it from liabilities for any U.S. Government claims resulting from the actions of the other two joint venture partners and to limit the Company's liability to its share of the contract work. As of January 31, 2013, the joint venture had completed performance requirements on the customer contract and was in the process of completing contract close-out activities. Based on current conditions, the Company believes the likelihood of having to make any future payment related to the guarantee is remote.

Letters of Credit and Surety Bonds

The Company has outstanding letters of credit of \$62 million as of January 31, 2014, principally related to guarantees on contracts. The Company also has outstanding surety bonds in the amount of \$141 million, principally related to performance and payment bonds on the Company's contracts.

Other

The Company maintains self-insured medical and workers compensation insurance plans. The Company provided estimated accruals for claims incurred but not yet reported of \$19 million and \$19 million as of January 31, 2014 and January 31, 2013, respectively.

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Note 19—Selected Quarterly Financial Data (Unaudited):

Selected unaudited financial data for each quarter of the last two fiscal years is presented in the table below and has been recast to reflect the spin-off of New SAIC for all periods presented as discontinued operations.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in millions, except per share amounts)			
<i>Fiscal 2014 (3)</i>				
Revenues	\$ 1,597	\$ 1,462	\$ 1,418	\$ 1,295
Operating income (loss)	\$ 76	\$ 11	\$ (5)	\$ 82
Income (loss) from continuing operations (1)	\$ 40	\$ 5	\$ (8)	\$ 47
Income (loss) from discontinued operations	\$ 41	\$ 37	\$ 5	\$ (3)
Net income (loss) (1)	\$ 81	\$ 42	\$ (3)	\$ 44
Basic earnings (loss) per share (2)	\$ 0.43	\$ 0.06	\$ (0.10)	\$ 0.57
Diluted earnings (loss) per share (2)	\$ 0.43	\$ 0.06	\$ (0.10)	\$ 0.56
<i>Fiscal 2013</i>				
Revenues	\$ 1,598	\$ 1,623	\$ 1,668	\$ 1,580
Operating income	\$ 116	\$ 111	\$ 105	\$ 91
Income from continuing operations (1)	\$ 57	\$ 61	\$ 58	\$ 148
Income from discontinued operations	\$ 60	\$ 49	\$ 54	\$ 38
Net income (1)	\$ 117	\$ 110	\$ 112	\$ 186
Basic earnings per share (2)	\$ 0.67	\$ 0.72	\$ 0.70	\$ 1.73
Diluted earnings per share (2)	\$ 0.67	\$ 0.72	\$ 0.70	\$ 1.73

All per share amounts presented give effect to the one-for-four reverse stock split completed on September 27, 2013.

(1) Income from continuing operations and net income relate to Leidos Holdings, Inc. only, see Leidos, Inc.'s amounts detailed below

(2) Earnings per share are computed independently for each of the quarters presented and therefore may not sum to the total for the fiscal year.

(3) Fiscal 2014 quarterly results include increased charges related to intangible asset impairment charges (second quarter charge was \$30 million and another charge in the third quarter of \$19 million), bad debt expense (third quarter expense was \$42 million) and separation transaction and restructuring expenses (approximately \$33 million in the first and second quarters combined, \$25 million in the third quarter, and \$7 million in the fourth quarter). For further information see, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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Leidos, Inc.:

Income (loss) from continuing operations and net income (loss) of Leidos, Inc. includes interest expense on the related party note and associated income taxes, which relate solely to Leidos, Inc. and are not reflected in the consolidated amounts above. Income (loss) from continuing operations and net income (loss) of Leidos, Inc. for each quarter of the last two fiscal years was as follows:

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter
(in millions)							
<i>Fiscal 2014</i>							
Income (loss) from continuing operations	\$	40	\$	20	\$	(19)	\$ 45
Net income (loss)	\$	81	\$	42	\$	(3)	\$ 46
<i>Fiscal 2013</i>							
Income from continuing operations	\$	57	\$	61	\$	58	\$ 149
Net income	\$	117	\$	110	\$	112	\$ 187

2006 EQUITY INCENTIVE PLAN

(Restated* September 27, 2013)

1. Purpose of this Plan

The purpose of this 2006 Equity Incentive Plan is to enhance the long-term stockholder value of Leidos Holdings, Inc. and its affiliated companies by offering opportunities to eligible individuals to participate in the growth in value of the equity of Leidos Holdings, Inc.

2. Definitions and Rules of Interpretation**2.1 Definitions.**

This Plan uses the following defined terms:

- (a) “**Administrator**” means the Board or the Committee, or any officer or Employee of the Company to whom the Board or the Committee delegates authority to administer this Plan.
- (b) “**Affiliate**” means a “parent” or “subsidiary” (as each is defined in Section 424 of the Code) of the Company and any other entity that the Board or Committee designates as an “Affiliate” for purposes of this Plan.
- (c) “**Applicable Law**” means any and all laws of whatever jurisdiction, within or without the United States, and the rules of any stock exchange or quotation system on which Shares are listed or quoted, applicable to the taking or refraining from taking of any action under this Plan, including the administration of this Plan and the issuance or transfer of Awards or Award Shares.
- (d) “**Award**” means a Stock Award, SAR, Cash Award, or Option granted in accordance with the terms of this Plan.
- (e) “**Award Agreement**” means the document, which may be in paper or electronic form, evidencing the grant of an Award and its terms and conditions.
- (f) “**Award Shares**” means Shares covered by an outstanding Award or purchased under an Award.
- (g) “**Awardee**” means: (i) a person to whom an Award has been granted, including a holder of a Substitute Award or (ii) a person to whom an Award has been transferred in accordance with all applicable requirements of Sections 6.5, 7(h), 8.1(c), 8.2(d) and 17.
- (h) “**Board**” means the Board of Directors of the Company.
- (i) “**Cash Award**” means the right to receive cash as described in Section 8.3.

* Reflects a change in the Company's name and adjustments to share amounts to reflect a one-for-four reverse stock split, both effected on September 27, 2013.

- (j) “**Cause**” means employment related dishonesty, fraud, misconduct or disclosure or misuse of confidential information, or other employment related conduct that is likely to cause significant injury to the Company, an Affiliate, or any of their respective employees, officers or directors (including, without limitation, commission of a felony or similar offense), in each case as determined by the Administrator. “Cause” shall not require that a civil judgment or criminal conviction has been entered against or guilty plea shall have been made by the Awardee regarding any of the matters referred to in the previous sentence. Accordingly, the Administrator shall be entitled to determine “Cause” based on the Administrator’s good faith belief. If the Awardee is criminally charged with a felony or similar offense that shall be a sufficient, but not a necessary, basis for such belief.
- (k) “**Code**” means the Internal Revenue Code of 1986, as amended.
- (l) “**Committee**” means a committee or subcommittee of the Board of Directors of the Company composed of one or more Company Directors appointed in accordance with the Company’s charter documents and Section 4. As referenced in Section 4.1(a), from time to time throughout this Plan, the term “Committee” is used to refer to both the Board and the Committee.
- (m) “**Company**” means Leidos Holdings, Inc., a Delaware corporation, or any successor corporation thereto.
- (n) “**Company Director**” means a member of the Board.
- (o) “**Consultant**” means an individual who, or an employee of any entity that, provides bona fide services to the Company or an Affiliate not in connection with the offer or sale of securities in a capital-raising transaction, but who is not an Employee.
- (p) “**Director**” means a member of the Board of Directors of the Company or an Affiliate.
- (q) “**Divestiture**” means any transaction or event that the Board or the Committee specifies as a Divestiture under Section 10.5.
- (r) “**Dividend Equivalent Right**” means the right of an Awardee, granted at the discretion of the Committee, to receive a credit for the account of such Awardee in an amount equal to the cash dividends paid on one Share for each Share represented by a Stock Award held by such Awardee.
- (s) “**Effective Date**” means June 15, 2012.
- (t) “**Employee**” means a regular employee of the Company or an Affiliate, including an officer or Director, who is treated as an employee in the personnel records of the Company or an Affiliate, but not individuals who are classified by the Company or an Affiliate as: (i) leased from or otherwise employed by a third party, (ii) independent contractors, or (iii) intermittent or temporary workers. The Company’s or an Affiliate’s classification of an individual as an “Employee” (or as not an “Employee”) for purposes of this Plan shall not be altered retroactively even if that classification is changed retroactively for another purpose as a result of an audit, litigation or otherwise. An Awardee shall not cease to be an Employee

due to transfers between locations of the Company, or between the Company and an Affiliate, or to any successor to the Company or an Affiliate that assumes the Awardee's Options under Section 10. Neither service as a Director nor receipt of a director's fee shall be sufficient to make a Director an "Employee."

(u) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(v) "**Executive**" means, if the Company has any class of any equity security registered under Section 12 of the Exchange Act, an individual who is subject to Section 16 of the Exchange Act or who is a "covered employee" under Section 162(m) of the Code, in either case because of the individual's relationship with the Company or an Affiliate. If the Company does not have any class of any equity security registered under Section 12 of the Exchange Act, "Executive" means any (i) Director, (ii) officer elected or appointed by the Board, or (iii) beneficial owner of more than 10% of any class of the Company's equity securities.

(w) "**Expiration Date**" means, with respect to an Award, the date stated in the Award Agreement as the expiration date of the Award or, if no such date is stated in the Award Agreement, then the last day of the exercise period for the Award, disregarding the effect of an Awardee's Termination or any other event that would shorten that period.

(x) "**Fair Market Value**" means the value of a share of the stock of Company as determined under Section 18.2.

(y) "**Fundamental Transaction**" means any transaction or event described in Section 10.3.

(z) "**Good Reason**" means (i) a material diminution in responsibility or compensation, or (ii) requiring Awardee to work in a location (other than normal business travel) which is more than 50 miles from Awardee's place of employment before the change so long as not closer to Awardee's primary residence.

(aa) "**Grant Date**" means the date the Administrator approves the grant of an Award. However, if the Administrator specifies that an Award's Grant Date is a future date or the date on which a condition is satisfied, the Grant Date for such Award is that future date or the date that the condition is satisfied.

(bb) "**Incentive Stock Option**" means an Option intended to qualify as an incentive stock option under Section 422 of the Code and designated as an Incentive Stock Option in the Award Agreement for that Option.

(cc) "**Involuntary Termination**" means termination by the Company or an Affiliate, as applicable, without Cause or termination by the Awardee for Good Reason.

(dd) "**Nonstatutory Option**" means any Option other than an Incentive Stock Option.

(ee) "**Objectively Determinable Performance Condition**" shall mean a performance condition (i) that is established (A) at the time an Award is granted or (B) no later than the

earlier of (1) 90 days after the beginning of the period of service to which it relates, or (2) before the elapse of 25% of the period of service to which it relates, (ii) that is uncertain of achievement at the time it is established, and (iii) the achievement of which is determinable by a third party with knowledge of the relevant facts. Measures that may be used in Objectively Determinable Performance Conditions may be expressed in absolute terms, in terms of growth or improvement, or relative to the performance of one or more comparable companies or an index covering multiple companies and that relate to any of the following, as it may apply to an individual, one or more Affiliates, business unit(s), divisions or the whole of the Company: revenue; earnings per share; return on assets; return on equity; net order dollars; net profit; operating cash flow; operating income; contract bookings; contract awards; profits before tax; earnings before interest, depreciation and taxes (EBITDA); return on invested capital; days working capital; total shareholder return; share price growth; free cash flow; return on sales; operating margin; book-to-bill; headcount; employee retention; new hires; backlog; objective customer satisfaction indicators; and efficiency measures, each with respect to the Company and/or an Affiliate or individual business unit.

(ff) “**Officer**” means an officer of the Company as defined in Rule 16a-1 adopted under the Exchange Act.

(gg) “**Option**” means a right to purchase Shares of the Company granted under this Plan.

(hh) “**Option Price**” means the price payable under an Option for Shares, not including any amount payable in respect of withholding or other taxes.

(ii) “**Option Shares**” means Shares covered by an outstanding Option or purchased under an Option.

(jj) “**Plan**” means this 2006 Equity Incentive Plan, as amended.

(kk) “**Prior Plans**” means the Science Application International Corporation 1999 Stock Incentive Plan, 1998 Stock Option Plan and 1984 Bonus Compensation Plan.

(ll) “**Purchase Price**” means the price payable under a Stock Award for Shares, not including any amount payable in respect of withholding or other taxes.

(mm) “**Qualified Domestic Relations Order**” means a “qualified domestic relations order” as defined in, and otherwise meeting the requirements of, Section 414(p) of the Code, except that reference to a “plan” in that definition shall be to this Plan.

(nn) “**Rule 16b-3**” means Rule 16b-3 adopted under Section 16(b) of the Exchange Act.

(oo) “**SAR**” or “**Stock Appreciation Right**” means a right to receive cash and/or Shares based on a change in the Fair Market Value of a specific number of Shares pursuant to an Award Agreement, as described in Section 8.1.

(pp) “**Securities Act**” means the Securities Act of 1933, as amended.

(qq) “**Share**” means a share of Common Stock of the Company or other securities substituted for Common Stock under Section 10.

(rr) “**Stock Award**” means an offer by the Company to sell or issue shares subject to certain restrictions pursuant to the Award Agreement as described in Section 8.2 or, as determined by the Board or Committee, a notional account representing the right to be paid an amount based on Shares. Types of Awards which may be granted as Stock Awards include such awards as are commonly known as restricted stock, deferred stock, restricted stock units, performance shares, phantom stock or similar types of awards as determined by the Administrator.

(ss) “**Substitute Award**” means a Substitute Option, Substitute SAR or Substitute Stock Award granted in accordance with the terms of this Plan.

(tt) “**Substitute Option**” means an Option granted in substitution for, or upon the conversion of, an option granted by another entity to purchase equity securities in the granting entity.

(uu) “**Substitute SAR**” means a SAR granted in substitution for, or upon the conversion of, a stock appreciation right granted by another entity with respect to equity securities in the granting entity.

(vv) “**Substitute Stock Award**” means a Stock Award granted in substitution for, or upon the conversion of, a stock award granted by another entity to purchase equity securities in the granting entity.

(ww) “**Ten Percent Stockholder**” is any person who, directly or by attribution under Section 424(d) of the Code, owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or of any Affiliate on the Grant Date.

(xx) “**Termination**” means that the Awardee has ceased to be, with or without any cause or reason, an Employee, Director or Consultant. However, unless so determined by the Administrator, or otherwise provided in this Plan, “Termination” shall not include a change in status from an Employee, Consultant or Director to another such status. An event that causes an Affiliate to cease being an Affiliate shall be treated as the “Termination” of that Affiliate’s Employees, Directors, and Consultants.

2.2 Rules of Interpretation. Any reference to a “Section,” without more, is to a Section of this Plan. Captions and titles are used for convenience in this Plan and shall not, by themselves, determine the meaning of this Plan. Except when otherwise indicated by the context, the singular includes the plural and vice versa. Any reference to a statute is also a reference to the applicable rules and regulations adopted under that statute. Any reference to a statute, rule or regulation, or to a section of a statute, rule or regulation, is a reference to that statute, rule, regulation, or section as amended from time to time, both before and after the Effective Date and including any successor provisions.

3. **Shares Subject to This Plan; Term of This Plan**

3.1 Number of Award Shares. The Shares issuable under this Plan shall be authorized but unissued or reacquired Shares, including Shares repurchased by the Company on the open market. The number of Shares available for issuance after the Effective Date over the remaining term of this Plan shall be 12,500,000 (including Shares underlying awards that are outstanding as of the Effective Date, and subject to adjustment pursuant to Section 10.2). Except as required by Applicable Law, Shares subject to an outstanding Award shall not reduce the number of Shares available for issuance under this Plan until the earlier of the date such Shares are vested pursuant to the terms of the applicable Award or the actual date of delivery of the Shares to the Awardee. Those Shares (i) that are issued under the Plan that are forfeited or repurchased by the Company 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, (ii) that are withheld from an Option or Stock Award pursuant to a Company-approved “net exercise” provision or (iii) that are not delivered to or are Award Shares surrendered by a holder in consideration for applicable tax withholding will continue to be available for issuance under this Plan. Shares issued in settlement of any Dividend Equivalent Rights shall be applied against the number of Shares available for Awards. Shares subject to Substitute Awards and available under a stockholder-approved equity plan of an acquired company shall not be applied against the number of Shares available for Awards.

3.2 Source of Shares. Award Shares may be: (a) Shares that have never been issued, (b) Shares that have been issued but are no longer outstanding, or (c) Shares that are outstanding and are acquired to discharge the Company’s obligation to deliver Award Shares.

3.3 Term of this Plan.

(a) This Plan shall become effective on the Effective Date (with any amendments to the Plan being effective on and after the date thereof), and Awards may be granted under this Plan on and after, the Effective Date. Upon effectiveness of this Plan, no additional awards will be made under the Prior Plans.

(b) Subject to the provisions of Section 14, Awards may be granted under this Plan until June 15, 2022.

4. **Administration**

4.1 General.

(a) The Board shall have ultimate responsibility for administering this Plan. To the extent permitted by Applicable Law, the Board may delegate certain of its responsibilities to a Committee. In addition, to the extent permitted by Applicable Law, the Board or the Committee may further delegate its responsibilities to any Employee of the Company or any Affiliate. Where this Plan specifies that an action must be taken or a determination made by the Committee, only the Board or the Committee may take that action or make that determination; *provided* that Section 5.2 includes reference to actions that only the Committee may perform. Where this Plan references the “Administrator,” the action may be taken or determination made by the Board, the Committee, or other administrator to whom the Board or Committee has delegated specified powers, including those powers set forth in Section 4.2. However, only the Board or a Committee consisting solely of

independent directors as defined in the Company's Corporate Governance Guidelines may approve grants of Awards to Executives, and an Administrator other than the Board or the Committee may grant Awards only within the guidelines established by the Board or Committee. Moreover, all actions and determinations by any Administrator are subject to the provisions of this Plan.

(b) So long as the Company has registered and outstanding a class of equity securities under Section 12 of the Exchange Act and to the extent necessary or helpful to comply with Applicable Law with respect to officers subject to Section 16 of the Exchange Act and/or others, a Committee shall consist of two or more Company Directors who are "Non-Employee Directors" as defined in Rule 16b-3 and who are "outside directors" as defined in Section 162(m) of the Code.

4.2 Authority of the Board or the Committee. Subject to the other provisions of this Plan, the Board or the Committee shall have the authority to:

- (c) grant Awards, including Substitute Awards;
- (d) determine the Fair Market Value of Shares;
- (e) determine the Option Price and the Purchase Price of Awards;
- (f) select the Awardees;
- (g) determine the times Awards are granted;
- (h) determine the number of Shares subject to each Award;
- (i) determine the type of Shares subject to each Award;
- (j) determine the methods of payment that may be used to purchase Award Shares;
- (k) determine the methods of payment that may be used to satisfy withholding tax obligations;
- (l) determine the other terms of each Award, including but not limited to the time or times at which Awards may be exercised, whether and under what conditions an Award is assignable, whether an Option is a Nonstatutory Option or an Incentive Stock Option and automatic cancellation of the Award if certain objective requirements determined by the Administration are not met;
- (m) modify or amend any Award;
- (n) authorize any person to sign any Award Agreement or other document related to this Plan on behalf of the Company;
- (o) determine the form of any Award Agreement or other document related to this Plan, and whether that document, including signatures, may be in electronic form;

- (p) interpret this Plan and any Award Agreement or document related to this Plan;
- (q) correct any defect, remedy any omission, or reconcile any inconsistency in this Plan, any Award Agreement or any other document related to this Plan;
- (r) adopt, amend, and revoke rules and regulations under this Plan, including rules and regulations relating to sub-plans and Plan addenda;
- (s) adopt, amend, and revoke special rules and procedures which may be inconsistent with the terms of this Plan, set forth (if the Administrator so chooses) in sub-plans regarding (for example) the operation and administration of this Plan and the terms of Awards, if and to the extent necessary or useful to accommodate non-U.S. Applicable Laws and practices as they apply to Awards and Award Shares held by, or granted or issued to, persons working or resident outside of the United States or employed by Affiliates incorporated outside the United States;
- (t) determine whether a transaction or event should be treated as a Divestiture;
- (u) determine the effect of a Fundamental Transaction and, if the Board determines that a transaction or event should be treated as a Divestiture, then the effect of that Divestiture;
- (v) appoint such additional administrators as are necessary to perform various administrative acts and determine the duties of such administrators; and
- (w) make all other determinations the Administrator deems necessary or advisable for the administration of this Plan.

4.3 Scope of Discretion. Subject to the provisions of this Section 4.3, on all matters for which this Plan confers the authority, right or power on the Board, the Committee, or other Administrator to make decisions, that body may make those decisions in its sole and absolute discretion. Those decisions will be final, binding and conclusive. In making its decisions, the Board, Committee or other Administrator need not treat all persons eligible to receive Awards, all Awardees, all Awards or all Award Shares the same way. Notwithstanding anything herein to the contrary, and except as provided in Section 14.3, the discretion of the Board, Committee or other Administrator is subject to the specific provisions and specific limitations of this Plan, as well as all rights conferred on specific Awardees by Award Agreements and other agreements.

5. Persons Eligible to Receive Awards

5.1 Eligible Individuals. Awards (including Substitute Awards) may be granted to, and only to, Employees, Directors and Consultants, including to prospective Employees, Directors and Consultants conditioned on the beginning of their service for the Company or an Affiliate. However, Incentive Stock Options may only be granted to Employees, as provided in Section 7(g).

5.2 Section 162(m) Limitation.

- (a) **Options and SARs.** Subject to the provisions of this Section 5.2, for so long as the Company is a “publicly held corporation” within the meaning of Section 162(m) of

the Code: (i) no Employee may be granted within any fiscal year of the Company under this Plan Options to purchase, and SARs to receive compensation calculated with reference to, more than an aggregate of 750,000 Shares, subject to adjustment pursuant to Section 10 and considered without regard to any number of Stock Awards or the dollar amount of any Cash Awards that may have been granted or awarded to such Employee during the applicable fiscal year, and (ii) with respect to any Option or SAR that is granted with the intent of having it qualify as “qualified performance-based compensation” under Code Section 162(m), Options and SARs may be granted to an Executive only by the Committee (and, notwithstanding anything to the contrary in Section 4.1(a), not by the Board). If an Option or SAR is cancelled without being exercised, that cancelled Option or SAR shall continue to be counted against the limit on Awards that may be granted to any individual under this Section 5.2(a).

(b) **Cash Awards and Other Stock Awards.** Subject to the provisions of this Section 5.2, so long as the Company is a “publicly held corporation” within the meaning of Code Section 162(m), with respect to any Stock Award or Cash Award that is granted with the intent of having it qualify as “qualified performance-based compensation” under Code Section 162(m): (i) no Employee may be granted one or more Stock Awards within any single fiscal year of the Company to purchase more than 500,000 Shares, subject to adjustment pursuant to Section 10 and considered without regard to any number of Option or SAR Shares or the dollar amount of any Cash Awards that may have been granted or awarded to such Employee during the applicable fiscal year, and (ii) no Employee may be granted one or more Cash Awards within a single fiscal year of the Company having an aggregate amount of more than \$5,000,000, considered without regard to any number of Options, SARs or Stock Awards that may have been granted or awarded to such Employee during the applicable fiscal year. With respect to any Stock Award or Cash Award that is granted with the intent of having it qualify as “qualified performance-based compensation” under Code Section 162(m), such Awards may be granted to an Executive only by the Committee (and, notwithstanding anything to the contrary in Section 4.1(a), not by the Board).

(c) Any Cash Award or Stock Award intended as “qualified performance-based compensation” within the meaning of Section 162(m) of the Code must be awarded, vest or become exercisable contingent on the achievement of one or more Objectively Determinable Performance Conditions. The Committee shall have the discretion to determine the time and manner of compliance with Section 162(m) of the Code.

(d) Nothing in this Section 5.2 shall prevent the Committee from making any type of Award authorized for grant under this Plan outside of this Plan. In addition, nothing in this Section 5.2 shall prevent the Committee from granting Awards under this Plan that are not intended to qualify as “qualified performance-based compensation” under Code Section 162(m).

(e) Notwithstanding satisfaction, achievement or completion of any Objectively Determinable Performance Conditions, that may be specified at the time of grant of an Award to a “covered employee” within the meaning of Section 162(m) of the Code, the number of Awards, Shares, or other benefits granted, issued, retainable and/or vested under an Award on account of satisfaction of such Objectively Determinable Performance Condition(s) may

be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion shall determine.

6. **Terms and Conditions of Options**

Options will be evidenced by an Award Agreement. In addition, the following rules apply to all Options:

6.1 **Price.** No Option (other than Substitute Options) may have an Option Price less than the Fair Market Value of the underlying Share on the Grant Date.

6.2 **Term.** No Option shall be exercisable after its Expiration Date. No Option may have an Expiration Date that is more than ten years after its Grant Date. Additional provisions regarding the term of Incentive Stock Options are provided in Sections 7(a) and 7(e).

6.3 **Vesting.** Options shall be exercisable: (a) on the Grant Date, or (b) in accordance with a schedule related to the Grant Date, the date the Awardee's directorship, employment or consultancy begins, or a different date specified in the Award Agreement. Additional provisions regarding the vesting of Incentive Stock Options are provided in Section 7(c). No Option granted to an individual who is subject to the overtime pay provisions of the Fair Labor Standards Act may be exercised before the expiration of six months after the Grant Date.

6.4 **Form and Method of Payment.** In accordance with Section 4.2, the Administrator shall have the authority to determine the acceptable form and method of payment for exercising an Option. Acceptable forms of payment that the Administrator may permit with respect to the exercise of Options include:

(a) cash, check or wire transfer, denominated in U.S. dollars except as specified by the Administrator for non-U.S. Employees or non-U.S. sub-plans;

(b) other shares of stock of the Company, or the designation of other shares of stock of the Company, which have a Fair Market Value on the date of surrender greater than or equal to the Option Price of the Shares as to which the Option is being exercised;

(c) provided that a public market exists for the Common Stock, consideration received by the Company under a procedure under which a licensed broker-dealer advances funds on behalf of an Awardee or sells shares of Common Stock issued upon conversion of the Option Shares on behalf of an Awardee (a "Cashless Exercise Procedure"), provided that if the Company extends or arranges for the extension of credit to an Awardee under any Cashless Exercise Procedure, no Officer or Director may participate in that Cashless Exercise Procedure;

(d) cancellation of any debt owed by the Company or any Affiliate to the Awardee by the Company (including, without limitation, waiver of compensation due or accrued for services previously rendered to the Company);

(e) payment pursuant to any "cashless net exercise" procedures approved by the Committee; provided that the difference between the full number of Shares covered by the exercised portion of the Award and the number of Shares actually delivered shall be restored to the amount of Shares reserved for issuance under Section 3.1; and

- (f) any combination of the methods of payment permitted by any paragraph of this Section 6.4.

The Committee may also permit any other form or method of payment for Option Shares permitted by Applicable Law. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company and the Administrator may, in its sole discretion, refuse to accept a particular form of consideration at the time of any Option exercise.

6.5 Nonassignability of Options. Except as otherwise determined by the Administrator and subject to Section 17, no Option shall be assignable or otherwise transferable by the Awardee. Incentive Stock Options may only be assigned in compliance with Section 7(h).

6.6 Substitute Options. The Committee may cause the Company to grant Substitute Options in connection with the acquisition by the Company or an Affiliate of equity securities of any entity (including by merger, tender offer, or other similar transaction) or of all or a portion of the assets of any entity. Any such substitution shall be effective on the effective date of the acquisition. Substitute Options may be Nonstatutory Options or Incentive Stock Options. Unless and to the extent specified otherwise by the Committee, Substitute Options shall have the same terms and conditions as the options they replace, except that (subject to the provisions of Section 10) Substitute Options shall be Options to purchase Shares rather than equity securities of the granting entity, shall have an Option Price determined by the Committee and shall be on terms that, as determined by the Committee in its sole and absolute discretion, properly reflect the substitution.

6.7 No Repricing. The Committee may not reprice, reduce the exercise price of or make similar adjustments with the effect of lowering the exercise price of Options previously granted under the Plan, including through a cancellation and grant of any new Award or payment of cash, without the approval of the Company's stockholders other than in connection with a change in the Company's capitalization pursuant to Section 10 of the Plan.

7. Incentive Stock Options

The following rules apply only to Incentive Stock Options and only to the extent these rules are more restrictive than the rules that would otherwise apply under this Plan. With the consent of the Awardee, or where this Plan provides that an action may be taken notwithstanding any other provision of this Plan, the Administrator may deviate from the requirements of this Section, notwithstanding that any Incentive Stock Option modified by the Administrator will thereafter be treated as a Nonstatutory Option.

- (a) The Expiration Date of an Incentive Stock Option shall not be later than ten years from its Grant Date, with the result that no Incentive Stock Option may be exercised after the expiration of ten years from its Grant Date.
- (b) No Incentive Stock Option may be granted after June 15, 2022.
- (c) Options intended to be incentive stock options under Section 422 of the Code that are granted to any single Awardee under all incentive stock option plans of the Company and its Affiliates, including incentive stock options granted under this Plan, may not vest at a rate of more than \$100,000 in Fair Market Value of stock (measured on the grant dates of the options) during any calendar year. For this purpose, an option vests with respect to

a given share of stock the first time its holder may purchase that share, notwithstanding any right of the Company to repurchase that share. Unless the administrator of that option plan specifies otherwise in the related agreement governing the option, this vesting limitation shall be applied by, to the extent necessary to satisfy this \$100,000 rule, treating certain stock options that were intended to be incentive stock options under Section 422 of the Code as Nonstatutory Options. The stock options or portions of stock options to be reclassified as Nonstatutory Options are those with the highest option prices, whether granted under this Plan or any other equity compensation plan of the Company or any Affiliate that permits that treatment. This Section 7(c) shall not cause an Incentive Stock Option to vest before its original vesting date or cause an Incentive Stock Option that has already vested to cease to be vested.

(d) In order for an Incentive Stock Option to be exercised for any form of payment other than those described in Section 6.4(a), that right must be stated at the time of grant in the Award Agreement relating to that Incentive Stock Option.

(e) Any Incentive Stock Option granted to a Ten Percent Stockholder, must have an Expiration Date that is not later than five years from its Grant Date, with the result that no such Option may be exercised after the expiration of five years from the Grant Date.

(f) The Option Price of an Incentive Stock Option shall never be less than the Fair Market Value of the Shares at the Grant Date. The Option Price for the Shares covered by an Incentive Stock Option granted to a Ten Percent Stockholder shall never be less than 110% of the Fair Market Value of the Shares at the Grant Date.

(g) Incentive Stock Options may be granted only to Employees. If an Awardee changes status from an Employee to a Consultant, that Awardee's Incentive Stock Options become Nonstatutory Options if not exercised within the time period described in Section 7(i) (determined by treating that change in status as a Termination solely for purposes of this Section 7(g)).

(h) No rights under an Incentive Stock Option may be transferred by the Awardee, other than by will or the laws of descent and distribution. During the life of the Awardee, an Incentive Stock Option may be exercised only by the Awardee. The Company's compliance with a Qualified Domestic Relations Order, or the exercise of an Incentive Stock Option by a guardian or conservator appointed to act for the Awardee, shall not violate this Section 7(h).

(i) An Incentive Stock Option shall be treated as a Nonstatutory Option if it remains exercisable after, and is not exercised within, the three-month period beginning with the Awardee's Termination for any reason other than the Awardee's death or disability (as defined in Section 22(e) of the Code). In the case of Termination due to death, an Incentive Stock Option shall continue to be treated as an Incentive Stock Option if it remains exercisable after, and is not exercised within, the three month period after the Awardee's Termination provided it is exercised before the Expiration Date. In the case of Termination due to disability, an Incentive Stock Option shall be treated as a Nonstatutory Option if it remains exercisable after, and is not exercised within, one year after the Awardee's Termination.

(j) An Incentive Stock Option may only be modified by the Committee.

8. Stock Appreciation Rights, Stock Awards and Cash Awards

8.1 Stock Appreciation Rights. The following rules apply to SARs:

(a) **General.** SARs may be granted either alone, in addition to, or in tandem with other Awards granted under this Plan. The Administrator may grant SARs to eligible participants subject to terms and conditions not inconsistent with this Plan and determined by the Administrator. The specific terms and conditions applicable to the Awardee shall be provided for in the Award Agreement. SARs shall be exercisable, in whole or in part, at such times as the Administrator shall specify in the Award Agreement. The grant or vesting of a SAR may be made contingent on the achievement of Objectively Determinable Performance Conditions. The Expiration Date of an SAR shall not be later than ten years from its Grant Date, with the result that no SAR may be exercised after the expiration of ten years from its Grant Date

(b) **Exercise of SARs.** Upon the exercise of an SAR, in whole or in part, an Awardee shall be entitled to a payment in an amount equal to the excess of the Fair Market Value of a fixed number of Shares covered by the exercised portion of the SAR on the date of exercise, over the Fair Market Value of the Shares covered by the exercised portion of the SAR on the Grant Date. The amount due to the Awardee upon the exercise of a SAR shall be paid in cash, Shares or a combination thereof as, and over the period or periods, specified in the Award Agreement. An Award Agreement may place limits on the amount that may be paid over any specified period or periods upon the exercise of a SAR, on an aggregate basis or as to any Awardee. Subject to Section 9.2, a SAR shall be considered exercised when the Company receives written notice of exercise in accordance with the terms of the Award Agreement from the person entitled to exercise the SAR. If a SAR has been granted in tandem with an Option, upon the exercise of the SAR, the number of Shares that may be purchased pursuant to the Option shall be reduced by the number of Shares with respect to which the SAR is exercised.

(c) **Nonassignability of SARs.** Except as determined by the Administrator and subject to Section 17, no SAR shall be assignable or otherwise transferable by the Awardee.

(d) **Substitute SARs.** The Committee may cause the Company to grant Substitute SARs in connection with the acquisition by the Company or an Affiliate of equity securities of any entity (including by merger, tender offer, or other similar transaction) or of all or a portion of the assets of any entity. Any such substitution shall be effective on the effective date of the acquisition. Unless and to the extent specified otherwise by the Committee, Substitute SARs shall have the same terms and conditions as the SARs they replace, except that (subject to the provisions of Section 10) Substitute SARs shall be exercisable for Shares rather than equity securities of the granting entity and shall be on terms that, as determined by the Committee in its sole and absolute discretion, properly reflects the substitution.

(e) **No Repricing.** The Committee may not reprice, reduce the exercise price of or make similar adjustments with the effect of lowering the exercise price of SARs previously

granted under the Plan, including through the cancellation and grant of any new Award or payment of cash, without the approval of the Company's stockholders other than in connection with a change in the Company's capitalization pursuant to Section 10 of the Plan.

8.2 Stock Awards. The following rules apply to all Stock Awards:

(a) **General.** The specific terms and conditions of a Stock Award applicable to the Awardee may be provided for in the Award Agreement. The Award Agreement shall state the number of Shares that the Awardee shall be entitled to receive or purchase, the terms and conditions on which the Shares shall vest (Stock Awards may be made in fully vested Shares when appropriate in the discretion of the Administrator), the price to be paid, whether Shares are to be delivered at the time of grant or at some deferred date specified in the Award Agreement, whether the Award is payable solely in Shares, cash or either and, if applicable, the manner in which the Award Agreement is to be accepted or acknowledged by the Awardee. The Administrator may require that all Shares subject to a right of repurchase or risk of forfeiture be held in escrow until such repurchase right or risk of forfeiture lapses. The grant or vesting of a Stock Award may be made contingent on the achievement of Objectively Determinable Performance Conditions.

(b) **Right of Repurchase.** If so provided in the Award Agreement, Award Shares acquired pursuant to a Stock Award may be subject to repurchase by the Company or an Affiliate if not vested in accordance with the Award Agreement.

(c) **Form of Payment.** The Administrator shall determine the acceptable form and method of payment for exercising a Stock Award, which may include any or all of the forms of payment set forth in Section 6.4.

(d) **Dividend Equivalent Rights.** The Committee, in its discretion, may provide in the Award Agreement evidencing any Stock Award that the Awardee shall be entitled to Dividend Equivalent Rights, which may be settled in the form of cash, Shares or a combination of both. Dividend Equivalent Rights will not be permitted on appreciation awards (e.g., SARs and Options), and will not be paid out on unearned performance awards.

(e) **Nonassignability of Stock Awards.** Except as otherwise determined by the Administrator and subject to Section 17, no Stock Award subject by its terms to any conditions or restrictions on the issuance or ownership rights of Shares pursuant to such Award, including without limitation any vesting or similar conditions or any deferral elections, shall be assignable or otherwise transferable by the Awardee.

(f) **Substitute Stock Award.** The Committee may cause the Company to grant Substitute Stock Awards in connection with the acquisition by the Company or an Affiliate of equity securities of any entity (including by merger, tender offer, or other similar transaction) or of all or a portion of the assets of any entity. Unless and to the extent specified otherwise by the Committee, Substitute Stock Awards shall have the same terms and conditions as the stock awards they replace, except that (subject to the provisions of Section 10) Substitute Stock Awards shall be Stock Awards to purchase Shares rather than equity securities of the granting entity and shall have a Purchase Price and other terms

that, as determined by the Committee in its sole and absolute discretion, properly reflects the substitution. Any such Substitute Stock Award shall be effective on the effective date of the acquisition.

(g) Forfeiture and Repurchase Rights.

(i) **General.** In the event of the Awardee's termination, any unvested Shares and Stock Awards shall be forfeited, or if the Awardee paid a purchase price to acquire the Stock Award, the Company shall have the right, during the seven months after the Awardee's Termination, to repurchase any or all of the Award Shares that were outstanding and unvested as of the date of that Termination. The repurchase price shall be determined by the Administrator in accordance with this Section 8.2(g) which shall be either (i) the Purchase Price for the Award Shares (minus the amount of any cash dividends paid or payable with respect to the Award Shares for which the record date precedes the repurchase) or (ii) the lower of (A) the Purchase Price for the Shares or (B) the Fair Market Value of those Award Shares as of the date of the Termination. The repurchase price shall be paid in cash. The Company may assign this right of repurchase.

(ii) **Procedure.** The Company or its assignee may choose to give the Awardee a written notice of exercise of its repurchase rights under this Section 8.2(g). However, the Company's failure to give such a notice shall not affect its rights to repurchase Award Shares. The Company must, however, tender the repurchase price during the period specified in this Section 8.2(f) for exercising its repurchase rights in order to exercise such rights.

8.3 Cash Awards. Cash Awards may be granted either alone, in addition to, or in tandem with other Awards granted under this Plan. After the Administrator determines that it will offer a Cash Award, it shall advise the Awardee, by means of an Award Agreement or otherwise, of the terms, conditions and restrictions related to the Cash Award. The grant or vesting of a Cash Award may be made contingent on the achievement of Objectively Determinable Performance Conditions.

9. Exercise of Awards

9.1 In General. An Award shall be exercisable in accordance with this Plan and the Award Agreement under which it is granted.

9.2 Time of Exercise. Options and Stock Awards shall be considered exercised when the Company or its designee receives: (a) written (including electronically pursuant to Section 18.4 below) notice of exercise from the person entitled to exercise the Option or Stock Award, (b) full payment, or provision for payment, in a form and method approved by the Administrator, for the Shares for which the Option or Stock Award is being exercised, and (c) with respect to any Award the exercise of which triggers any withholding obligation, payment, or provision for payment, in a form and method approved by the Administrator, of all applicable withholding and similar taxes and/or (if applicable) transaction costs due upon exercise. An Award may not be exercised for a fraction of a Share. SARs shall be considered exercised when the Company receives written notice of the exercise from the person entitled to exercise the SAR.

9.3 Issuance of Award Shares. Subject to Sections 12.1 and 13, the Company shall issue Award Shares in the name of the Awardee (or to such other person as to whom the Award Shares may be appropriately and legally issued under procedures and rules, if any, established from time to time by the Administrator). The Company shall endeavor to issue Award Shares promptly after an Award is exercised or after the Grant Date or settlement date of a Stock Award, as applicable. Until Award Shares are actually issued, as evidenced by the appropriate entry on the stock register of the Company or its transfer agent, the Awardee will not have the rights of a stockholder with respect to those Award Shares, even though the Awardee has completed all the steps necessary to exercise the Award. No adjustment shall be made for any dividend, distribution, or other right for which the record date precedes the date the Award Shares are issued, except as provided in Section 10 or in the Award Agreement.

9.4 Termination.

(a) ***In General.*** Except as provided in an Award Agreement or in writing by the Administrator, including in an Award Agreement, and as otherwise provided in Sections 9.4(b), (c), (d) and (e) after an Awardee's Termination for other than Cause, the Awardee's Awards shall be exercisable to the extent (but only to the extent) they are vested on the date of that Termination and only during the ninety (90) days after the Termination, but in no event after the Expiration Date. Unless otherwise provided in the Award Agreement, in the event of termination for Cause the Award may not be exercised after the date of Termination. To the extent the Awardee does not exercise an Award within the time specified for exercise, the Award shall automatically terminate.

(b) ***Leaves of Absence.*** If an Awardee is an employee of the Company or an Affiliate and is on a leave of absence pursuant to the terms of the Company's Administrative Policy No. SH-1 "Working Hours and Absences" or similar policy maintained by an Affiliate, as such policies may be revised or replaced from time to time, the Awardee shall not, during the period of such absence be deemed, by virtue of such absence alone, to have terminated the Awardee's employment. The Awardee shall continue to vest in the Award during any approved medical or military leave of absence. Medical leave shall include family or medical leaves, workers' compensation leave, or pregnancy disability leave. For all other leaves of absence, the Award will fully vest only during active employment and shall not vest during a leave of absence, unless required under local law. However, if an Awardee returns to active employment with the Company or an Affiliate following such a leave, the Award will be construed to vest as if there had been no break in active employment. During any leave of absence, an Awardee shall have the right to exercise the vested portion of the Award.

(c) ***Death or Disability.*** Unless otherwise provided in the Award Agreement or determined by the Administrator, if an Awardee's Termination is due to death or disability (as determined by the Administrator with respect to all Awards other than Incentive Stock Options and as defined by Section 22(e) of the Code with respect to Incentive Stock Options), the unvested portion of all Awards of that Awardee shall be accelerated and become fully exercisable upon the Termination, and all Awards of the Awardee shall be exercisable until the Expiration Date. In the case of Termination due to death, an Award may be exercised as provided in Section 17. In the case of Termination due to disability, if a guardian or conservator has been appointed to act for the Awardee and been granted this authority as part of that appointment, that guardian or conservator may exercise the Award on behalf of the Awardee. Unless otherwise provided in the Award Agreement, death or disability occurring after an Awardee's Termination shall not cause the Termination to be treated as having occurred due to death or disability. To the extent an Award is not so exercised within the time specified for its exercise, the Award shall automatically terminate.

(d) **Divestiture.** If an Awardee's Termination is due to a Divestiture, the Committee may take any one or more of the actions described in Section 10.3 with respect to the Awardee's Awards.

(e) **Administrator Discretion.** Notwithstanding the provisions of Section 9.4 (a)-(d), the Administrator shall have complete discretion, exercisable either at the time an Award is granted or at any time while the Award remains outstanding, to:

(i) Extend the period of time for which the Award is to remain exercisable, following the Awardee's Termination, from the limited exercise period otherwise in effect for that Award to such greater period of time as the Administrator shall deem appropriate, but in no event beyond the Expiration Date; and/or

(ii) Permit the Award to be exercised, during the applicable post-Termination exercise period, not only with respect to the number of vested Shares for which such Award may be exercisable at the time of the Awardee's Termination but also with respect to one or more additional installments in which the Awardee would have vested had the Awardee not been subject to Termination.

(f) **Consulting or Employment Relationship.** Nothing in this Plan or in any Award Agreement, and no Award or the fact that Award Shares remain subject to repurchase rights or risk of forfeiture, shall: (A) interfere with or limit the right of the Company or any Affiliate to terminate the employment or consultancy of any Awardee at any time, whether with or without cause or reason, and with or without the payment of severance or any other compensation or payment, (B) confer upon any employee any right to continue in the employ of, or affiliation with, the Company or a Subsidiary nor constitute any promise or commitment by the Company or a Subsidiary regarding future positions, future work assignments, future compensation or any other term or condition of employment or affiliation or (C) interfere with the application of any provision in any of the Company's or any Affiliate's charter documents or Applicable Law relating to the election, appointment, term of office, or removal of a Director.

10. Certain Transactions and Events

10.1 **In General.** Except as provided in this Section 10, no change in the capital structure of the Company, merger, sale or other disposition of assets or of a subsidiary, change in control, issuance by the Company of shares of any class of securities or securities convertible into shares of any class of securities, exchange or conversion of securities, or other transaction or event shall require or be the occasion for any adjustments of the type described in this Section 10.

10.2 **Changes in Capital Structure.** In the event of any stock split, reverse stock split, recapitalization, combination or reclassification of stock, stock dividend, spin-off, extraordinary cash dividend or similar change to the capital structure of the Company (not including a Fundamental Transaction), the Committee shall make such adjustments as it concludes are appropriate in order to preserve the proportionate value of Awards before and after the change in capital structure of the Company to: (a) the number and type of Awards and Award Shares that may be granted under this Plan, including (without limitation) to the number of Shares available for issuance over the term of this Plan as set forth in Section 3.1 above, (b) the number and type of Options, SARs and Stock Awards that may be granted to any individual under this Plan, (c) the terms of any SAR, (d) the Purchase Price and repurchase price of any Stock Award

or other Award Shares, (e) the Option Price and number and class of securities issuable under each outstanding Option, and (f) the repurchase price of any securities substituted for Award Shares that are subject to repurchase rights. The specific adjustments shall be determined by the Committee. Unless the Committee specifies otherwise, any securities issuable as a result of any such adjustment shall be rounded down to the next lower whole security. The Committee need not adopt the same rules for each Award or each Awardee.

10.3 Fundamental Transactions. In the event of (a) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the Awards granted under this Plan are assumed, converted or replaced by the successor corporation, which assumption shall be binding on all participants), (b) a merger in which the Company is the surviving corporation but after which the stockholders of the Company immediately prior to such merger (other than any stockholder that merges, or which owns or controls another corporation that merges, with the Company in such merger) cease to own their shares or other equity interest in the Company, (c) the sale of all or substantially all of the assets of the Company, or (d) the acquisition, sale, or transfer of more than 50% of the outstanding shares of the Company by tender offer or similar transaction (each, a “**Fundamental Transaction**”), any or all outstanding Options, SARs and Stock Awards may be assumed, converted or replaced by the successor corporation (if any), which assumption, conversion or replacement shall be binding on all participants under this Plan. In the alternative, the successor corporation may substitute equivalent Options, SARs and Stock Awards or provide substantially similar consideration to participants as was provided to stockholders (after taking into account the existing provisions of the Awards). The successor corporation may also issue, in place of outstanding Shares held by the participants, substantially similar shares or other property subject to repurchase restrictions no less favorable to the participant. In the event such successor corporation (if any) does not assume or substitute Options, SARs and Stock Awards, as provided above, pursuant to a transaction described in this Subsection 10.3, the vesting with respect to such Awards shall fully and immediately accelerate or the repurchase rights of the Company shall fully and immediately terminate, as the case may be, so that the Awards may be exercised or the repurchase rights shall terminate before, or otherwise in connection with the closing or completion of the Fundamental Transaction or event and the Award shall then terminate. Notwithstanding anything in this Plan to the contrary, the Committee may, in its sole discretion, provide that the vesting of any or all Award Shares subject to vesting or right of repurchase shall accelerate or lapse, as the case may be, upon a transaction described in this Section 10.3. If the Committee exercises such discretion with respect to Options, such Options shall become exercisable in full prior to the consummation of such event at such time and on such conditions as the Committee determines, and if such Options are not exercised prior to the consummation of the Fundamental Transaction, the Committee may specify that they terminate at such time as determined by the Committee. Subject to any greater rights granted to participants under the foregoing provisions of this Section 10.3, in the event of the occurrence of any Fundamental Transaction, any outstanding Awards shall be treated as provided in the applicable agreement or plan of merger, consolidation or sale of assets.

10.4 Additional Rules and Benefits related to Fundamental Transactions. The Committee need not adopt the same rules for each Award or each Awardee. Notwithstanding anything in this Plan to the contrary, in the event of an Involuntary Termination of services for any reason other than death, disability or Cause, within 18 months following the consummation of a Fundamental Transaction, any Options, SARs and Stock Awards assumed or substituted in a Fundamental Transaction, which are subject to vesting conditions and/or the right of repurchase in favor of the Company or a successor entity, shall fully accelerate for vesting so that such Award Shares are immediately exercisable upon Termination or, if subject to the right of repurchase in favor of the Company, such repurchase rights shall lapse as of the date of Termination.

Any such Awards having an exercisability feature shall be exercisable for a period of six months following Termination.

10.5 Divestiture. If the Company or an Affiliate sells or otherwise transfers equity securities of an Affiliate to a person or entity other than the Company or an Affiliate, or leases, exchanges or transfers all or any portion of its assets to such a person or entity, then the Committee may specify that such transaction or event constitutes a “Divestiture”. In connection with a Divestiture, notwithstanding any other provision of this Plan, the Committee may, but need not, take one or more of the actions described in Section 10.3 or 10.4 with respect to Awards or Award Shares held by, for example, Employees, Directors or Consultants for whom that transaction or event results in a Termination. The Committee need not adopt the same rules for each Award or Awardee.

10.6 Dissolution. If the Company adopts a plan of dissolution, the Committee may cause Awards to be fully vested and exercisable (but not after their Expiration Date) before the dissolution is completed but contingent on its completion and may cause the Company’s repurchase rights on Award Shares to lapse upon completion of the dissolution. The Committee need not adopt the same rules for each Award or each Awardee. Notwithstanding anything herein to the contrary, in the event of a dissolution of the Company, to the extent not exercised before the earlier of the completion of the dissolution or their Expiration Date, Awards shall terminate immediately prior to the dissolution.

10.7 Cut-Back to Preserve Benefits. If the Administrator determines that the net after-tax amount to be realized by any Awardee, taking into account any accelerated vesting, termination of repurchase rights, or cash payments to that Awardee in connection with any transaction or event set forth in this Section 10 would be greater if one or more of those steps were not taken or payments were not made with respect to that Awardee’s Awards or Award Shares, then, at the election of the Awardee, to such extent, one or more of those steps shall not be taken and payments shall not be made.

11. Grants to Non-Employee Directors

11.1 Certain Transactions and Events.

(a) In the event of a Fundamental Transaction while the Awardee remains a non-Employee Director, the Shares at the time subject to each outstanding Award held by such Awardee pursuant to this Plan, but not otherwise vested, shall automatically vest in full and become exercisable for all Shares as fully vested Shares and all repurchase rights shall automatically terminate in full immediately prior to the effective date of the Fundamental Transaction. Immediately following the consummation of the Fundamental Transaction, each Award shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or Affiliate thereof).

(b) Each Award which is assumed in connection with a Fundamental Transaction shall be appropriately adjusted, immediately after such Fundamental Transaction, to apply to the number and class of securities which would have been issuable to the Awardee in consummation of such Fundamental Transaction had the Award been exercised immediately prior to such Fundamental Transaction. Appropriate adjustments shall also be made to the Option Price or Purchase Price payable per share under each outstanding Award, provided the aggregate Option Price or Purchase Price payable for such securities shall remain the same. To the extent the actual holders of the Company’s outstanding Shares receive cash consideration for their Shares in

consummation of the Fundamental Transaction, the successor corporation may, in connection with the assumption of the outstanding Awards granted to non-Employee Directors under this Plan, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per Share in such Fundamental Transaction.

12. **Withholding and Tax Reporting**

12.1 **Tax Withholding Alternatives.**

(g) **General.** Whenever Awards are granted or exercised, or Award Shares are issued or become free of restrictions, as applicable, the Company may require the Awardee to remit to the Company an amount sufficient to satisfy any applicable tax withholding requirement, whether the related tax is imposed on the Awardee or the Company. The Company shall have no obligation to deliver Award Shares or release Award Shares from an escrow or permit a transfer of Award Shares until the Awardee has satisfied those tax withholding obligations. Whenever payment in satisfaction of Awards is made in cash, the payment will be reduced by an amount sufficient to satisfy all tax withholding requirements.

(h) **Method of Payment.** The Awardee shall pay any required withholding using such forms of consideration as are described in Section 6.4 and determined appropriate by the Administrator. The Administrator, in its sole discretion, may also permit Award Shares to be withheld or surrendered to pay required withholding or for required withholding to be paid through payroll deductions. If the Administrator permits Award Shares to be withheld or surrendered, the Fair Market Value of the Award Shares withheld or surrendered, as determined as of the date of withholding, shall not exceed the amount determined by the applicable minimum statutory withholding rates to the extent the Administrator determines such limit is necessary or advisable in light of generally accepted accounting principles.

12.2 **Reporting of Dispositions.** Any holder of Option Shares acquired under an Incentive Stock Option shall promptly notify the Administrator, following such procedures as the Administrator may require, of the sale or other disposition of any of those Option Shares if the disposition occurs during: (a) the longer of two years after the Grant Date of the Incentive Stock Option and one year after the date the Incentive Stock Option was exercised, or (b) such other period as the Administrator has established.

13. **Compliance With Law**

The grant of Awards and the issuance and subsequent transfer of Award Shares shall be subject to compliance with all Applicable Law, including all applicable securities laws. Awards may not be exercised, and Award Shares may not be transferred, in violation of Applicable Law. Thus, for example, Awards may not be exercised unless: (a) a registration statement under the Securities Act is then in effect with respect to the related Award Shares, or (b) in the opinion of legal counsel to the Company, those Award Shares may be issued in accordance with an applicable exemption from the registration requirements of the Securities Act and any other applicable securities laws. The failure or inability of the Company to obtain from any regulatory body the authority considered by the Company's legal counsel to be necessary or useful for the lawful issuance of any Award Shares or their subsequent transfer shall relieve the Company of any liability for failing to issue those Award Shares or permitting their transfer. As a condition to the exercise of any Award or the transfer of any Award Shares, the Company may require the Awardee to satisfy any requirements or

qualifications that may be necessary or appropriate to comply with or evidence compliance with any Applicable Law.

14. **Amendment or Termination of this Plan or Outstanding Awards**

14.1 **Amendment and Termination.** The Board or the Committee may at any time amend, suspend, or terminate this Plan.

14.2 **Stockholder Approval.** The Company shall obtain the approval of the Company's stockholders for any amendment to this Plan if stockholder approval is necessary or desirable to comply with any Applicable Law or with the requirements applicable to the grant of Awards intended to be Incentive Stock Options. The Board may also, but need not, require that the Company's stockholders approve any other amendments to this Plan.

14.3 **Effect.** No amendment, suspension, or termination of this Plan, and no modification of any Award even in the absence of an amendment, suspension, or termination of this Plan, shall impair any existing contractual rights of any Awardee unless the affected Awardee consents to the amendment, suspension, termination, or modification. Notwithstanding anything herein to the contrary, no such consent shall be required if the Committee determines that the amendment, suspension, termination, or modification (including an amendment of the designation of the class of securities to be issued under Awards): (a) is required or advisable in order for the Company, this Plan or the Award to satisfy Applicable Law, to meet the requirements of any accounting standard or to avoid any adverse accounting treatment, or (b) in connection with any transaction or event described in Section 10, is in the best interests of the Company or its stockholders. The Committee may, but need not, take the tax or accounting consequences to affected Awardees into consideration in acting under the preceding sentence. Those decisions shall be final, binding and conclusive. Termination of this Plan shall not affect the Administrator's ability to exercise the powers granted to it under this Plan with respect to Awards granted before the termination of this Plan or with respect to Award Shares issued under such Awards even if those Award Shares are issued after the termination of this Plan.

14.4 **Recoupment/Clawback.** Notwithstanding anything in this Plan to the contrary, Awards granted under this Plan shall be subject to cancellation, forfeiture and recovery in accordance with the Company's Recoupment Policy, as the same may be amended from time to time, or any other compensation recoupment policy that may be adopted by the Committee, including any policies and procedures that the Committee determines to be necessary or appropriate to implement Section 10D of the Exchange Act and any rules promulgated thereunder or any other Applicable Law. Without limiting the foregoing, the Committee may provide for such recoupment in Award Agreements or with respect to any Award granted hereunder (including on a retroactive basis without the Awardee's consent).

15. **Reserved Rights**

15.1 **Nonexclusivity of this Plan.** This Plan shall not limit the power of the Company or any Affiliate to adopt other incentive arrangements including, for example, the grant or issuance of stock options, stock, other equity-based rights or cash bonuses or awards under other plans.

15.2 **Unfunded Plan.** This Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Awardees, any such accounts will be used merely as a convenience. The Company shall not be required to segregate any assets on account of this Plan, the grant of Awards, or the issuance of Award Shares. The Company and the Administrator shall not be deemed to be a trustee of stock or cash to

be awarded under this Plan. Any obligations of the Company to any Awardee shall be based solely upon contracts entered into under this Plan, such as Award Agreements. No such obligations shall be deemed to be secured by any pledge or other encumbrance on any assets of the Company. Neither the Company nor the Administrator shall be required to give any security or bond for the performance of any such obligations.

15.3 **Compensation.** The value of Options, SARs and Stock Awards granted pursuant to the Plan will not be included as compensation, earnings, salary or other similar terms used when calculating an Awardee's benefits under any other employee benefit plan sponsored by the Company or any Affiliate except as such other plan otherwise expressly provides.

16. **Escrow of Stock Certificates**

To enforce any restrictions on Award Shares, the Administrator may require the holder to deposit any certificates (or indicia of ownership) representing Award Shares, with stock powers or other transfer instruments approved by the Administrator endorsed in blank, with the Company or an agent of the Company to hold in escrow until the restrictions have lapsed or terminated. The Administrator may also cause a legend or legends referencing the restrictions to be placed on any such certificates.

17. **Treatment of Awards upon Death of Awardee; Limited Transferability**

17.1 **Treatment of Awards upon Death of Awardee.** The Company may from time to time establish procedures under which the Company may make certain determinations required with respect to Awards in the event of an Awardee's death. The Company's determinations and decisions in this regard shall be final and binding on all parties.

17.2 **Limited Transferability.** Options, SARs and Stock Awards shall generally be nontransferable; provided however that the Administrator may in its discretion (and as reflected in the applicable Award Agreement or an amendment thereto) make an Option, SAR or Stock Award transferable to an Awardee's family or entities affiliated with the Awardee's family if and to the extent permitted under the rules and instructions applicable to Form S-8 (or any successor form or other securities laws under which the issuance and sale of Awards and Award Shares hereunder are registered or exempted). If the Administrator makes an Option, SAR or Stock Award transferable, either at the time of grant or thereafter, such Award shall contain such additional terms and conditions as the Administrator deems appropriate, and any transferee shall be deemed to be bound by such terms upon acceptance of such transfer.

18. **Miscellaneous**

18.1 **Governing Law.** This Plan, the Award Agreements and all other agreements entered into under this Plan, and all actions taken under this Plan or in connection with Awards or Award Shares, shall be governed by the laws of the State of Delaware without giving effect to principles of conflicts of law.

18.2 **Determination of Value.** The "Fair Market Value" of a Share shall be determined as follows:

- (a) **Listed Stock.** If Shares are traded on any established stock exchange or quoted on a national market system, Fair Market Value shall be the closing sales price as quoted on that stock exchange or system for the day before the date the value is to be determined (the "Value Date") as reported in The Wall Street Journal or a similar publication. If no sales are reported as having occurred on the day before the Value Date, Fair Market Value shall be that closing sales price for the last preceding trading day on which sales of Shares

are reported as having occurred. If no sales are reported as having occurred during the five trading days before the Value Date, Fair Market Value shall be the closing bid for the Shares on the day before the Value Date. If the Shares of the Company are listed on multiple exchanges or systems, Fair Market Value shall be based on sales or bid prices on the primary exchange or system on which Shares of the Company are traded or quoted.

(b) **Stock Quoted by Securities Dealer.** If Shares are regularly quoted by a recognized securities dealer but selling prices are not reported on any established stock exchange or quoted on a national market system, Fair Market Value shall be the mean between the high bid and low asked prices on the day before the Value Date. If no prices are quoted for the day before the Value Date, Fair Market Value shall be the mean between the high bid and low asked prices on the last preceding trading day on which any bid and asked prices were quoted.

(c) **No Established Market.** If Shares are not traded on any established stock exchange or quoted on a national market system and are not quoted by a recognized securities dealer, the Administrator (following guidelines established by the Board or Committee) will determine Fair Market Value of the Shares in good faith.

18.3 Reservation of Shares. During the term of this Plan, the Company shall at all times keep available such number of Shares as are still issuable under this Plan.

18.4 Electronic Communications. Any Award Agreement, notice of exercise of an Award, or other document required or permitted by this Plan may be delivered in writing or, to the extent determined by the Administrator, electronically. Signatures or acknowledgements may also be electronic if permitted by the Administrator.

18.5 Notices. Unless the Administrator specifies otherwise, any notice to the Company under any Award Agreement or with respect to any Awards or Award Shares shall be in writing (or, if so authorized by Section 18.4, communicated electronically), shall be addressed to the Secretary of the Company, and shall only be effective when received by the Secretary of the Company.

LEIDOS, INC. STOCK COMPENSATION PLAN

Amended and Restated Effective as of September 27, 2013

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LEIDOS, INC.
STOCK COMPENSATION PLAN

PURPOSE

This Plan is an unfunded compensation arrangement established effective as of April 3, 1996 by Leidos, Inc. (previously known as Science Applications International Corporation) to make deferred awards of company stock to selected employees. This Plan is amended and restated effective January 1, 2005 to comply with Code Section 409A and amended and restated effective September 27, 2013.

ARTICLE I
DEFINITIONS

Whenever the following terms are used in the Plan they shall have the meaning specified below, unless the context indicates clearly to the contrary.

- 1.1 **Account**. The bookkeeping account established for a Participant pursuant to Article IV to record the number of Share Units awarded to the Participant, to record the Participant's Ordinary Dividend Equivalent Amounts, to record the number of Share Units credited as a result of such Ordinary Dividend Equivalent Amounts, and to record the vesting of the amounts credited to the Account.
- 1.2 **Award**. The award of Share Units to an Employee pursuant to the Plan.
- 1.3 **Awarding Authority**. The individual or group of individuals appointed by the Board to make Awards pursuant to the Plan.
- 1.4 **Beneficiary**. The person or persons properly designated by the Participant, in accordance with Section 6.3, to receive the benefits provided herein upon death of the Participant.
- 1.5 **Board**. The Board of Directors of Leidos, Inc. or its ultimate parent corporation, if any.
- 1.6 **Capital Restructuring Dividend**. The non-recurring cash dividend paid by the Company in 2006 or 2007 on shares of Company Stock in connection with the Company's capital restructuring and the initial public offering of Company Stock.
- 1.7 **Code**. The Internal Revenue Code of 1986, as amended.

1.8 Committee. The committee appointed by the Board to administer the Plan. Members of the Committee shall be eligible to receive Awards under the Plan at the discretion of the Awarding Authority.

1.9 Company. Leidos, Inc. (or its ultimate parent corporation, if any). In addition, unless the context indicates otherwise, as used in this Plan, the term Company shall also mean and include any direct or indirect subsidiary of the Company which has been approved by the Awarding Authority for participation in this Plan by its Employees.

1.10 Company Stock. The Class A Common Stock of Leidos, Inc. or any other security (including preferred stock) of the Company or the Company's ultimate parent corporation, if any, designated as Company Stock by the Committee.

1.11 Dividend Account. The portion of a Participant's Account maintained by the Committee to record the Participant's Ordinary Dividend Equivalent Amounts.

1.12 Employee. A salaried employee of the Company.

1.13 Fair Market Value.

(1) If the Company Stock is being valued in connection with a transaction (such as the crediting of Share Units to an Account or a distribution) for which the Committee determines there is a corresponding transaction by the Trust, the net price per share of Company Stock purchased or the net proceeds per share of Company Stock sold in the transaction by the Trust, in each case including all expenses of such transaction by the Trust.

(2) If paragraph (1) does not apply, (a) the closing price of the Company Stock on the New York Stock Exchange on the date for which the fair market value is determined, or, if there is no trading of the Company Stock on such date, then the closing price of the Company Stock on the New York Stock Exchange on the next preceding date on which there was trading in such shares; or (b) if the Company Stock is not listed, admitted or quoted, the Committee may designate such other source of data as it deems appropriate for determining such value for purposes of this Plan.

1.14 Ordinary Dividend. All cash dividends or other cash distributions, other than the Capital Restructuring Dividend, paid by the Company on shares of Company Stock.

1.15 Ordinary Dividend Equivalent Amount. The amount of Ordinary Dividends credited by the Company to a Participant's Account. Such amount to be equal to the per share Ordinary Dividend paid by the Company on its Company Stock multiplied by the number of Share Units credited to the Participant's Account as of the related dividend payment record date.

1.16 Participant. An Employee designated by the Awarding Authority to receive an Award under the Plan.

1.17 Plan. The Leidos, Inc. Stock Compensation Plan as set forth herein and as amended from time to time.

1.18 Separation From Service. The death, retirement or termination of the Employee's employment with the Company. This definition of Separation From Service shall be interpreted and construed in a manner intended to comply with Code Section 409A and the published authorities thereunder.

1.19 Share Unit. The interest of a Participant in a share of Company Stock held in the Participant's Account. A full Share Unit shall be equivalent to a full share of Company Stock, and a partial Share Unit shall be equivalent to the corresponding fraction of a share of Company Stock.

1.20 Termination of Affiliation. Any termination of employment with the Company by an Employee, as determined by the Committee, whether by reason of death, disability, voluntary resignation, layoff, discharge, or otherwise. Furthermore, if an Employee is employed by a direct or indirect subsidiary of the Company, such an Employee will have a Termination of Affiliation upon the divestiture of such subsidiary. The Committee shall have the discretion to establish rules and make determinations as to what constitutes a Termination of Affiliation including, without limitation, change of status (e.g., part-time, consulting Employee, etc.) or leave of absence. A Termination of Affiliation may occur regardless of whether an Employee has had a Separation From Service.

1.21 Trust. The Leidos, Inc. Stock Compensation Plan Trust established by the Company to hold assets awarded to Participants under the Plan.

1.22 Trustee. Wachovia Bank or such successor trustee as shall be appointed pursuant to the Trust.

ARTICLE II

PARTICIPATION AND AWARDS

2.1 Designation by Awarding Authority. The Awarding Authority in its sole discretion shall designate those Employees who are to receive Awards under the Plan. The Awarding Authority's designation of an Employee for a particular Award shall not require the Awarding Authority to make any further Awards to such Employee.

2.2 Awarding Authority to Make Awards. The Awarding Authority shall make Awards under the Plan by determining a number of Share Units to be credited to those Employees whom the Awarding Authority has selected for participation in the Plan and by establishing an Account in

favor of such Employees in accordance with Article IV to hold such Share Units. A separate Account shall be established for each Award. Each Account shall be subject to a vesting schedule specified by the Awarding Authority. The amount, timing and vesting of each Award shall be decided in the Awarding Authority's sole discretion, and the Awarding Authority may apply different terms to Awards made to different Employees as well as to different Awards made to the same Employee.

2.3 Awards May be Held in Trust.

(a) With respect to Awards granted before January 1, 2005, within a reasonable period of time following the date of the Award, the Company shall contribute to the Trust Company Stock or an amount of money sufficient to purchase shares of Company Stock corresponding to the number of Share Units made in such Award. The Trustee shall apply such contribution toward the purchase of Company Stock in accordance with the directions of the Committee and the terms of the Trust. To the extent any such Award is made to an Employee of an affiliate of the Company, the Company may charge the cost of the corresponding Trust contribution to such affiliate as agreed between the Company and the affiliate.

(b) Effective January 1, 2005, contributions to the Trust with respect to Awards shall be made only if the Company, in its sole discretion, determines to make such contributions. Regardless of whether the Company makes contributions to the Trust with respect to Awards, the Participant shall be credited with a number of Share Units subject to the Award.

2.4 Vesting and Forfeiture. Each Account shall be subject to a vesting schedule, not to exceed seven (7) years, established by the Awarding Authority. Vesting shall cease upon the Participant's Termination of Affiliation for any reason other than the death of the Participant. In the event of death of a Participant, all of the Participant's Account(s) shall become immediately vested. The unvested portion of a Participant's Accounts upon a Termination of Affiliation shall be immediately forfeited by the Participant, and any shares of Company Stock represented by such unvested portion shall be returned to the Company or reallocated in accordance with the Committee's directions and the terms of the Trust. Notwithstanding anything to the contrary in the provisions of this Plan regarding distribution of Accounts, the provisions of this Section 2.4 shall govern vesting and forfeitures of Accounts. Accordingly, a Participant may have a Termination of Affiliation under this Section 2.4 (resulting in a forfeiture of the unvested portion of the Participant's Accounts) prior to the Participant's Separation From Service.

ARTICLE III

TRUST FUND

3.1 Trust Fund Established. The Company has established the Trust pursuant to a trust agreement under which the Trustee will hold and administer in trust all assets deposited with the Trustee in accordance with the terms of this Plan. The Board shall have the authority to select and

remove the Trustee to act under the Trust agreement, and to enter into new or amended trust agreements as it deems advisable.

3.2 Company, Committee, Board, Award Authority and Trustee Not Responsible for Adequacy of Trust Fund. Neither the Company, Board, Award Authority, Committee nor Trustee shall be liable or responsible for the adequacy of funds held in the Trust to meet and discharge any or all payments and liabilities hereunder. All Plan benefits will be paid from the Trust assets or by the Company to the extent not paid from Trust assets, and neither the Board, Award Authority, Committee nor the Trustee shall have any duty or liability to pay such benefits or furnish the Trust with any funds, securities or other assets.

3.3 Invasion of Trust by Creditors. If assets of the Trust should be reduced due to action of the Company's creditors, as provided in the Trust document, the Committee shall reduce each Account for which the Trust held assets on a pro rata basis to reflect such reduction in Trust assets, and the Company shall have no obligation to replace such lost assets.

3.4 Trust Expenses. Expenses of the Trust which are not paid by the Company shall be applied to reduce each Account for which the Trust holds assets on a pro rata basis.

ARTICLE IV

ACCOUNTS

4.1 Committee to Maintain Accounts. The Committee shall open and maintain a separate Account with respect to each Award made under the Plan for purposes of keeping a record of the number of Share Units credited as a result of the Award.

4.2 Accounting Procedures. The Committee shall establish and may amend from time to time accounting procedures for the purpose of making allocations, distributions, valuations and adjustments to Accounts provided for in this Article IV. A Participant or Beneficiary shall have no contractual or other right to have a particular accounting procedure or convention apply, or continue to apply, and the Committee shall be free to alter any such procedure or convention without obligation to any Participant or Beneficiary.

4.3 Ordinary Dividend Equivalents. As of any date that the Company pays an Ordinary Dividend, each Participant's Dividend Account shall be credited with an Ordinary Dividend Equivalent Amount. Such Ordinary Dividend Equivalent Amount shall be credited to each Participant's Account in the form of a number of Share Units (including partial Share Units) determined by dividing the Participant's Ordinary Dividend Equivalent Amount (expressed in dollars) by the Fair Market Value of a share of Company Stock as of the crediting date. Amounts credited to a Participant's Dividend Account shall vest (or be forfeited) in accordance with the provisions of Section 2.4.

ARTICLE V
RIGHTS IN ACQUIRED STOCK

5.1 Power to Vote Stock Rests With Trustee. The power to vote any stock held by the Trustee shall rest solely with the Trustee, who shall vote such stock in the same proportion that the other shareholders vote their shares of stock of the Company. For purposes of this Section 5.1, in determining how other shareholders voted, the Trustee shall take into account the votes of shareholders with respect to all classes of voting stock, including but not limited to Class A and Class B Common Stock.

5.2 Tender Offers. In the case of a tender offer for the Company Stock, the Trustee shall tender the shares of Company Stock held by the Trust only if more than fifty percent (50%) of the shares of Company Stock held outside the Trust are tendered by the shareholders.

5.3 Dividends. All Ordinary Dividends on Company Stock held in Trust shall be held by the Trustee and reinvested as directed by the Committee. The Capital Restructuring Dividend on Company Stock held in Trust shall be immediately disbursed by the Trustee to the Company for immediate distribution by the Company to Participants in accordance with Section 6.6. No person (including, but not limited to, the Trustee, the Company, the Committee or the Board) shall have the authority or ability to delay the immediate transfer of the Capital Restructuring Dividend from the Trustee to the Company pursuant to this Section 5.3.

ARTICLE VI
DISTRIBUTION OF ACCOUNTS

6.1 Time of Distribution. Subject to the acceleration provisions of Article VII, a Participant's Account shall be distributed as follows:

(a) With respect to Awards granted prior to January 1, 2005:

(1) If the Participant filed an election to receive distribution as an Award vests in a manner prescribed by the Committee before the expiration of the applicable election deadline as determined below with respect to the Award contained in the Account, the Participant's Account shall be distributed as it becomes vested, with each payment to be made within a reasonable period of time following the date of vesting of the portion of the Account to be paid; provided, however, that such payments shall be made no later than the last day of the calendar year in which the applicable vesting date occurs or, if later, the fifteenth day of the third calendar month following the applicable vesting date. The applicable election deadline was ninety (90) days following the date of the Award. Such election shall be irrevocable. In addition to executing an election, the Participant may also be required to execute an agreement with the Company, on a form prescribed by the

Committee, relating to the Company's right of repurchase of Company Stock, if any, and such other matters as the Committee shall prescribe.

(2) If the Participant failed to make the election described in subsection (a)(1), the Participant's Account shall be distributed in full within a reasonable period of time following the seventh anniversary of the date of the Award contained in such Account (but no later than the last day of the calendar year in which the seventh anniversary occurs or, if later, the fifteenth day of the third calendar month following the date of such seventh anniversary); provided, however, that if the Participant has a Separation From Service prior to such seventh anniversary, then the vested portion of the Participant's Account shall be distributed within a reasonable period of time following the Separation From Service (but no later than the last day of the calendar year in which the Separation From Service occurs or, if later, the fifteenth day of the third calendar month following the date the Separation From Service occurs).

(b) With respect to Awards granted on or after January 1, 2006, the Participant's Account shall be distributed as it becomes vested, with each payment to be made within a reasonable period of time following the date of vesting of the portion of the Account to be paid; provided, however, that such payments shall be made no later than the last day of the calendar year in which the applicable vesting date occurs or, if later, the fifteenth day of the third calendar month following the applicable vesting date.

(c) Notwithstanding the foregoing, if any stock of the Company is publicly traded on an established securities market at the time of a Participant's Separation From Service, any distribution on account of the Separation From Service of a Participant who is a "specified employee" under Code Section 409A(a)(1)(B)(i) shall not be made before the earlier of (i) the date which is six (6) months after such Participant's Separation From Service or (ii) the date of the Participant's death. For any twelve (12) month period commencing April 1 and ending March 31, an Employee is a "specified employee" if the Employee was a "key employee" at any time during the calendar year ending before such April 1. A key employee is defined in Code Section 416(i) without regard to Code Section 416(i)(5).

6.2 Form of Distribution. Each distribution shall be made in a lump sum and in the form of Company Stock, except that fractional Share Units shall, as determined according to procedures established by the Committee, be distributed in kind as fractional shares or applied towards satisfying tax withholding obligations with respect to Participants' distributions. A Participant shall have no right to request a cash distribution.

6.3 Beneficiary Designation.

(a) Upon forms provided by the Committee, each Participant shall designate in writing the Beneficiary or Beneficiaries whom such Participant desires to receive the benefits of this Plan, if any, payable in the event of such Participant's death. A Participant may from time to time change his or her designated Beneficiary or Beneficiaries without the consent of such Beneficiary or Beneficiaries by filing a new designation in writing with the Committee. The Committee may rely upon the designation of Beneficiary or Beneficiaries last filed by the Participant in accordance with the terms of this Plan.

(b) If the designated Beneficiary does not survive the Participant, or if there is no valid Beneficiary designation, amounts payable under the Plan shall be paid to the Participant's spouse, or if there is no surviving spouse, then to the duly appointed and currently acting personal representative of the Participant's estate. If there is no personal representative of the Participant's estate duly appointed and acting in that capacity within sixty (60) days after the Participant's death, then all payments due under the Plan shall be payable to the person or persons who can verify by affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder pursuant to the laws of intestate succession or other statutory provision in effect at the Participant's death in the state in which the Participant resided.

6.4 Distribution to Guardian. If the Committee shall find that any person to whom any payment is payable under this Plan is unable to care for his or her affairs because of illness or accident, or is a minor, a payment due (unless a prior claim therefor shall have been made by a duly appointed guardian or other legal representative) may be paid to the spouse, a child, a parent, or a brother or sister, or to any custodian, conservator or other fiduciary responsible for the management and control of such person's financial affairs in such manner and proportions as the Committee may determine. Any such payment shall be a complete discharge of the liabilities of the Company and the Trust to the Participant or Beneficiary under this Plan.

6.5 Withholding of Taxes. To the extent any distribution is subject to withholding taxes, the Committee shall require, as a condition to the payment of such distribution, that the taxes be withheld from such distribution. With respect to amounts paid from the Trust, the Trustee shall deliver the withheld amounts to the Company which shall pay over the withheld taxes as required by law. The Committee may, but need not, allow the Participant to make payment to the Company in the form of a check for such withholding taxes, and the Committee may provide in its discretion for other methods of withholding acceptable to the Company.

6.6 Distribution of Dividend Equivalents.

(a) Notwithstanding anything to the contrary in this Article VI, effective January 1, 2006, Dividend Equivalents with respect to the Capital Restructuring Dividend shall be distributed as set forth in this Section 6.6.

(b) Dividend Equivalents with respect to the Capital Restructuring Dividend shall be distributed by the Company to Participants as soon as administratively feasible upon the Company's receipt of the Capital Restructuring Dividend from the Trustee in accordance with Section 5.3. No one (including, but not limited to, the Trustee, the Company, the Board, the Committee or any Participant) shall have the authority or the ability to delay the immediate distribution of Dividend Equivalents or alter the amount of Dividend Equivalents distributed with respect to the Capital Restructuring Dividend. The distribution of Dividend Equivalents with respect to the Capital Restructuring Dividend to be made to a Participant in accordance with this Section 6.6(b) shall equal the product of (i) the Participant's Share Units as of the record date for the Capital Restructuring Dividend, times (ii) the per share Capital Restructuring Dividend. Immediate payment of the Dividend Equivalent upon the payment of the Capital Restructuring Dividend by the Company is intended to satisfy the requirement of Code Section 409A that payment be made as of a specified time or pursuant to a fixed schedule.

(c) Distributions of Dividend Equivalents with respect to the Capital Restructuring Dividend shall be made in cash without interest and shall be made from the Capital Restructuring Dividend paid to the Trust and transferred to the Company pursuant to Section 5.3.

ARTICLE VII

ACCELERATION OF DISTRIBUTION AND/OR VESTING

7.1 Change in Control. All Accounts shall be immediately distributed to the Participants to whom such Accounts belong, upon the occurrence of a Change in Control (as hereinafter defined) of the Company. A "Change in Control" shall be deemed to occur if any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "34 Act")), other than the Company, any subsidiary or employee benefit plan or trust maintained by the Company or subsidiary, during any 12-month period ending on the date of the most recent acquisition by such person, becomes the beneficial owner (as defined in Rule 13d-3 under the 34 Act), directly or indirectly of the Company's stock representing thirty-five percent (35%) or more of the voting power of the Company's then-outstanding stock; provided, however, that a transaction shall not constitute a Change in Control unless it is a "change in the ownership or effective control" of the Company, or a change "in the ownership of a substantial portion of the assets" of the Company within the meaning of Code Section 409A. For purposes of the foregoing, a subsidiary is any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations, other than the last corporation in such chain, owns at least fifty percent (50%) of the total voting power in one of the other corporations in such chain.

7.2 Hardship.

(c) Prior to January 1, 2005, notwithstanding the provisions of Section 6.1 hereof, a Participant shall be entitled to request a hardship distribution of all or any portion of the vested portion of his or her Account(s). A Participant must make a written request for a hardship distribution, stating the reasons such withdrawal is necessary because of a financial hardship. The Committee, in its sole discretion, shall determine whether or not to grant the hardship distribution of such Participant's Account(s) and, in so doing, may rely on the Participant's statements, and a hardship distribution may be approved without further investigation unless the Committee has reason to believe such statements are false.

(d) Effective January 1, 2005, a withdrawal under this Section 7.2 shall be permitted only if the Participant incurs an "unforeseeable emergency," as defined below. Any such distribution shall be limited to the amount of which distribution is reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, State or local income taxes or penalties reasonably anticipated to result from the distribution). For purposes of this Section 7.2(b), an "unforeseeable emergency" is a severe financial hardship of the Participant resulting from (i) an illness or accident of the Participant, the Participant's spouse or dependent, (ii) the loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home to the extent not otherwise covered by insurance), or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of whether a Participant has an unforeseeable emergency shall be made in accordance with the authorities published pursuant to Code Section 409A.

ARTICLE VIII

PLAN TERMINATION AND AMENDMENT

8.1 Termination and Amendments. The Plan shall continue until all amounts have been distributed in accordance with the terms of the Plan. Notwithstanding the foregoing sentence, the Company retains the right to amend or terminate the Plan for any reason, including but not limited to adverse changes in accounting rules or tax laws or the bankruptcy, receivership or dissolution of the Company. In the event of a Plan termination, benefits will be paid out when due under the terms of the Plan. To the extent feasible, the Committee shall use its best efforts to avoid adversely affecting the rights of any existing Participants in the Plan, but prior to a Change in Control, the Committee shall be under no specific duty or obligation in this regard. Following a Change in Control, no amendment or termination of the Plan shall adversely affect any benefits earned by Participants prior to the amendment or termination.

ARTICLE IX

PLAN ADMINISTRATION

9.1 Committee. The Plan shall be administered by the Committee. Subject to the provisions of the Plan and the authority granted hereunder to the Awarding Authority, the Committee

shall have exclusive power to determine the manner and time of Awards and payment of benefits to the extent herein provided and to exercise any other discretionary powers granted to the Committee pursuant to the Plan. The decisions or determinations by the Committee shall be final and binding upon all parties, including shareholders, Participants, Beneficiaries and other Employees. The Committee shall have the authority to interpret the Plan, to make factual findings and determinations, to adopt and revise rules and regulations relating to the Plan and to make any other determinations which it believes necessary or advisable for the administration of the Plan. The Committee's discretion in these matters shall be as broad and unfettered as permitted by law. Notwithstanding the foregoing, after a Change in Control, any findings, adoption or revision of rules or regulations, interpretations, decisions or determinations made by the Committee (including under Section 9.2) shall not be given any deference by a court or arbitrator, and if challenged by a Participant or Beneficiary, shall be reviewed on a de novo basis.

9.2 Committee Powers. The Committee shall have all powers necessary to supervise the administration of the Plan and control its operations. In addition to any powers and authority conferred on the Committee elsewhere in the Plan or by law, the Committee shall have, by way of illustration and not by way of limitation, the following powers and authority:

(a) To designate agents to carry out responsibilities relating to the Plan;

(b) To employ such legal, actuarial, medical, accounting, clerical and other assistance as it may deem appropriate in carrying out the provisions of this Plan;

(c) To administer, interpret, construe and apply this Plan and to decide all questions which may arise or which may be raised under this Plan by any Employee, Participant, Beneficiary or other person whomsoever, including but not limited to all questions relating to eligibility to participate in the Plan, determination of Awards and the amount of benefits to which any Participant may be entitled;

(d) To establish rules and procedures from time to time for the conduct of its business and for the administration and effectuation of its responsibilities under the Plan;

(e) To establish claims procedures, and to make forms available for filing of such claims, and to provide the name of the person or persons with whom such claims should be filed. The Committee shall establish procedures for action upon claims initially made and the communication of a decision to the claimant promptly and, in any event, not later than sixty (60) days after the date of the claim; the claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a written decision is not furnished to the claimant within such sixty (60) day period. Every claim for benefits which is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (1) the specific reason or reasons for the denial, (2) specific reference to any provisions of this Plan on

which denial is based, (3) description of any additional material or information necessary for the claimant to perfect his claim with an explanation of why such material or information is necessary, and (4) an explanation of the procedure for further reviewing the denial of the claim under the Plan. The Committee shall establish a procedure for review of claim denials, such review to be undertaken by the Committee. The review given after denial of any claim shall be a full and fair review with the claimant or his duly authorized representative having one hundred eighty (180) days after receipt of denial of his claim to request such review, having the right to review all pertinent documents and the right to submit issues and comments in writing. The Committee shall establish a procedure for issuance of a decision by the Committee not later than sixty (60) days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than one hundred twenty (120) days after receipt of the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of this Plan on which the decision is based; and

(f) To perform or cause to be performed such further acts as it may deem to be necessary, appropriate, or convenient in the efficient administration of the Plan.

Prior to a Change in Control, any action taken in good faith by the Committee in the exercise of authority conferred upon it by this Plan shall be conclusive and binding upon the Participants and their Beneficiaries, and all discretionary powers conferred upon the Committee shall be absolute. Following a Change in Control, the actions of the Committee and its exercise of discretionary powers shall be reviewed on a de novo basis if challenged by a Participant or Beneficiary.

9.3 Plan Expenses. Members of the Committee shall serve as such without compensation from the Plan, but may receive compensation from the Company for so serving. All Plan administration expenses shall be borne by the Company or the Trust as determined by the Committee in its sole discretion.

9.4 Reliance Upon Documents and Opinions. The members of the Committee, the Awarding Authority, the Board, and the Company shall be entitled to rely upon any tables, valuations, computations, estimates, certificates, opinions and reports furnished by any consultant, or firm or corporation which employs one or more consultants or advisors. The Committee may, but is not required to, rely upon all records of the Company with respect to any matter or thing whatsoever, and may likewise treat such records as conclusive with respect to all Employees, Participants, Beneficiaries and any other persons whomsoever, except as otherwise provided by law.

9.5 Requirement of Proof. The Committee, the Awarding Authority, the Board, or the Company may require satisfactory proof of any matter under this Plan from or with respect to any Employee, Participant or Beneficiary, and no such person shall acquire any rights or be entitled to receive any benefits under this Plan until such proof shall be furnished as so required.

9.6 Limitation on Liability. No Employee or director of the Company and no other person shall be subject to any liability by reason of or arising from his or her participation in the establishment or administration or operation of the Plan unless he or she acts fraudulently or in bad faith.

9.7 Indemnification.

(a) To the extent permitted by law, the Company shall indemnify each member of the Awarding Authority, of the Committee, and any other Employee or director of the Company who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative, or investigative, by reason of his or her conduct in the performance in connection with the establishment or administration of the Plan or any amendment or termination of the Plan.

(b) This indemnification shall apply against expenses including, without limitation, attorneys fees and any expenses of establishing a right to indemnification hereunder, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, except in relation to matters as to which he or she has acted fraudulently or in bad faith in the performance of such duties.

(c) The termination of any proceeding by judgment, order, settlement, conviction, upon a plea of nolo contendere or its equivalent shall not, in and of itself, create a presumption that the person acted fraudulently or in bad faith in the performance of his or her duties.

(d) Expenses incurred in defending any such proceeding may be advanced by the Company prior to the final disposition of such proceeding, upon receipt of an undertaking by or on behalf of the recipient to repay such amount, unless it shall be determined ultimately that the recipient is entitled to be indemnified as authorized in this Section 9.7.

(e) The right of indemnification set forth in this Section 9.7 shall be in addition to any other right to which any Awarding Authority member, Committee member or other person may be entitled as a matter of law, by corporate bylaws or otherwise.

ARTICLE X
MISCELLANEOUS PROVISIONS

10.1 Restrictions on Plan Interest.

(g) A Participant's interest in this Plan shall be limited to his or her Account and he or she shall have no other interest in any assets of the Company nor any right as against the Company, Awarding Authority or Committee for payment of benefits under this Plan.

(h) None of the benefits, payments, proceeds, claims or rights hereunder of any Participant or Beneficiary shall be subject to any claim of any creditor of such Participant or Beneficiary and in particular the same shall not be subject to attachment, garnishment, or other legal process by any creditor of such Participant or Beneficiary.

(i) A Participant or Beneficiary shall not have any right to alienate, anticipate, commute, pledge, encumber, or assign any of the benefits or payments or proceeds which he or she may expect to receive, contingently or otherwise, under the Plan.

(j) A Participant's and Beneficiary's interest in this Plan and the assets of the Trust are subject to the claims of the Company's creditors as provided in the Trust. Each Participant and Beneficiary shall, however, be considered a general creditor of the Company with respect to his or her Account, so that if the Company should become insolvent, the Participant or Beneficiary will have a claim against the Company and Trust assets equal to that of the Company's other general creditors (regardless of whether assets are removed from the Trust by a trustee in bankruptcy).

(k) Whenever a provision of this Plan restricts or limits a Participant or a Participant's Account, benefit or distribution, such limitation shall also apply to a Beneficiary unless otherwise specified.

10.2 No Enlargement of Employee Rights.

(d) This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Employee, or to be consideration for, or an inducement to, or a condition of, the employment of any Employee.

(e) An Employee's employment with the Company is not for any specified term and may be terminated by such Employee or by the Company at any time for any reason, with or without cause. Nothing in this Plan or in any agreement pursuant to this Plan shall confer upon any Employee or Participant any right to continue in the employ of or affiliation with the Company nor constitute any promise or commitment by the Company regarding future positions, future work assignments, future compensation or any other term or condition of employment or affiliation.

(f) No person shall have any right to any benefits under this Plan, except to the extent expressly provided herein.

(g) The Plan is not intended to nor shall it be deemed to be a Plan providing retirement income or resulting in the deferral of income by Employees for periods extending to the termination of covered employment or beyond.

10.3 Rights of Repurchase and First Refusal for the Company. Any Company Stock distributed from the Plan may be subject to a right of repurchase and right of first refusal by the Company, as well as any conditions, limitations, or restrictions contained in any applicable agreement. The terms and conditions of the right of repurchase and right of first refusal, to the extent applicable, shall be in addition to those applied to Company Stock by the Restated Certificate of Incorporation of Leidos, Inc., as amended.

10.4 Mailing of Payments. All payments under the Plan shall be delivered in person or mailed to the last address of the Participant (or, in the case of the death of the Participant to that of any other person entitled to such payments under the terms of the Plan). Each Participant shall be responsible for furnishing the Committee with his or her correct current address and the correct current name and address of his or her Beneficiary.

10.5 Inability to Locate Participant or Beneficiary. In the event that the Committee is unable to locate a Participant or Beneficiary to whom benefits are payable hereunder after mailing a notice to the Participant's or Beneficiary's last known address, and such inability lasts for a period of three (3) years, then any remaining benefits payable hereunder shall be forfeited to the Company and no Participant or Beneficiary shall have any right to further benefits from the Plan, even if subsequently located.

10.6 Governing Law. All legal questions pertaining to the Plan shall be determined in accordance with the laws of the State of Delaware, excluding its rules governing conflict of laws. Without limiting Section 10.9, it is intended that this Plan be administered and interpreted in a manner consistent with the applicable requirements of Code Section 409A, and further that the Plan be interpreted in a manner that satisfied the applicable requirements of Rule 16b-3 promulgated under the Exchange Act, so that Awards will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Exchange Act and will not be subject to avoidable liability thereunder.

10.7 Illegality of Particular Provision. If any particular provision of this Plan shall be found to be illegal or unenforceable, such provision shall not affect the other provisions thereof, but the Plan shall be construed in all respect as if such invalid provision were omitted.

10.8 Interpretation. Section headings are for convenient reference only and shall not be deemed to be part of the substance of this instrument or in any way to enlarge or limit the contents of any article or section.

10.9 Tax Effects. The Company makes no representations or warranties as to the tax consequences to a Participant or to a Participant's Beneficiary from the grant of Awards hereunder or the subsequent receipt of any benefits as a result thereof. Each Participant must rely solely on his or her own tax advisor with respect to the tax consequences arising from the grant of Awards or the receipt of benefits hereunder, or from any other related transaction.

10.10 Receipt or Release. Any payment to any Participant or Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Awarding Authority, the Committee and the Company, and the Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

10.11 Records. The records of the Company with respect to the Plan shall be conclusive on all Participants, Beneficiaries, and all other persons whomsoever.

10.12 Arbitration. Any person disputing a decision of the Committee shall submit such dispute to binding arbitration pursuant to the rules of the American Arbitration Association, to be held in Fairfax County, Commonwealth of Virginia. In any arbitration with respect to a decision or action of the Committee taken before a Change in Control, the losing party in such arbitration proceedings shall bear the costs of arbitration, and each party shall bear its own attorneys' fees. In any arbitration with respect to a decision or action of the Committee taken after a Change in Control, the Company shall bear the costs of arbitration (other than attorneys' fees), and the arbitrator may make an award of attorneys' fees; any such award shall be made according to the then-prevailing standards for judicial awards of attorneys' fees applicable to civil actions brought under the Employee Retirement Income Security Act of 1974, as amended.

10.13 Recoupment of Awards. Notwithstanding any other provision herein including, but not limited to, Sections 2.2, 7.1, 8.1 and 10.1(b), and notwithstanding any other provisions in any Award agreement with respect to this Plan, Awards granted or paid under this Plan shall be subject to recoupment by the Company pursuant to the Company's recoupment policy originally adopted on June 18, 2009 by the Human Resources and Compensation Committee of the Board, as such policy may subsequently be amended (the "Recoupment Policy"). Although consent to the Recoupment Policy by a Participant is not a prerequisite to the effectiveness of the Recoupment Policy with respect to the Participant, acceptance of an Award under this Plan shall be deemed to constitute consent by the Participant to the terms and conditions of the Recoupment Policy with respect to such Award and any and all prior Awards granted to the Participant under this Plan. For purposes of clarity, to the extent provided by the Recoupment Policy, a Participant may be required to return certain payments made to the Participant with respect to an Award, and payments that otherwise would have been made to the Participant with respect to an Award may be reduced or

entirely eliminated. Such actions may be taken pursuant to the Recoupment Policy without regard to whether such payments and the Participant's Awards were otherwise vested.

LEIDOS, INC.

MANAGEMENT STOCK COMPENSATION PLAN

Amended and Restated Effective as of September 27, 2013

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LEIDOS, INC.

MANAGEMENT STOCK COMPENSATION PLAN

PURPOSE

This Plan is an unfunded compensation arrangement established effective as of April 3, 1996 by Leidos, Inc. (previously known as Science Applications International Corporation) to make deferred awards of company stock to selected management and highly compensated Employees. This Plan was amended and restated effective January 1, 2005 to comply with Code Section 409A and amended and restated effective September 27, 2013.

**ARTICLE I
DEFINITIONS**

Whenever the following terms are used in the Plan they shall have the meaning specified below, unless the context indicates clearly to the contrary.

1.1 Account. The bookkeeping account established for a Participant pursuant to Article IV to record the number of Share Units awarded to the Participant, to record the Participant's Ordinary Dividend Equivalent Amounts, to record the number of Share Units credited as a result of such Ordinary Dividend Equivalent Amounts, and to record the vesting of the amounts credited to the Account.

1.2 Award. The award of Share Units to an Employee pursuant to the Plan.

1.3 Awarding Authority. The individual or group of individuals appointed by the Board to make Awards pursuant to the Plan.

1.4 Beneficiary. The person or persons properly designated by the Participant, in accordance with Section 6.3, to receive the benefits provided herein upon death of the Participant.

1.5 Board. The Board of Directors of Leidos, Inc., or its ultimate parent corporation, if any.

1.6 Capital Restructuring Dividend. The non-recurring cash dividend paid by the Company in 2006 or 2007 on shares of Company Stock in connection with the Company's capital restructuring and the initial public offering of Company Stock

1.7 Code. The Internal Revenue Code of 1986, as amended.

1.8 Committee. The committee appointed by the Board to administer the Plan. Members of the Committee shall be eligible to receive Awards under the Plan at the discretion of the Awarding Authority.

1.9 Company. Leidos, Inc. (or its ultimate parent corporation, if any). In addition, unless the context indicates otherwise, as used in this Plan, the term Company shall also mean and include any direct or indirect subsidiary of the Company which has been approved by the Awarding Authority for participation in this Plan by its Employees.

1.10 Company Stock. The Class A Common Stock of Leidos, Inc., or any other security (including preferred stock) of the Company or the Company's ultimate parent corporation, if any, designated as Company Stock by the Committee.

1.11 Dividend Account. The portion of a Participant's Account maintained by the Committee to record the Participant's Ordinary Dividend Equivalent Amounts.

1.12 Employee. A management or highly compensated employee of the Company, as determined by the Committee.

1.13 Fair Market Value.

(1) If the Company Stock is being valued in connection with a transaction (such as the crediting of Share Units to an Account or a distribution) for which the Committee determines there is a corresponding transaction by the Trust, the net price per share of Company Stock purchased or the net proceeds per share of Company Stock sold in the transaction by the Trust, in each case including all expenses of such transaction by the Trust.

(2) If paragraph (1) does not apply, (a) the closing price of the Company Stock on the New York Stock Exchange on the date for which the fair market value is determined, or, if there is no trading of the Company Stock on such date, then the closing price of the Company Stock on the New York Stock Exchange on the next preceding date on which there was trading in such shares; or (b) if the Company Stock is not listed, admitted or quoted, the Committee may designate such other source of data as it deems appropriate for determining such value for purposes of this Plan.

1.14 Ordinary Dividend. All cash dividends or other cash distributions, other than the Capital Restructuring Dividend, paid by the Company on shares of Company Stock.

1.15 Ordinary Dividend Equivalent Amount. The amount of Ordinary Dividends credited by the Company to a Participant's Account. Such amount to be equal to the per

share Ordinary Dividend paid by the Company on its Company Stock multiplied by the number of Share Units credited to the Participant's Account as of the related dividend payment record date.

1.16 Participant. An Employee designated by the Awarding Authority to receive an Award under the Plan.

1.17 Plan. The Leidos, Inc. Management Stock Compensation Plan as set forth herein and as amended from time to time.

1.18 Separation From Service. The death, retirement or termination of the Employee's employment with the Company. This definition of Separation From Service shall be interpreted and construed in a manner intended to comply with Code Section 409A and the published authorities thereunder.

1.19 Share Unit. The interest of a Participant in a share of Company Stock held in the Participant's Account. A full Share Unit shall be equivalent to a full share of Company Stock, and a partial Share Unit shall be equivalent to the corresponding fraction of a share of Company Stock.

1.20 Termination of Affiliation. Any termination of employment with the Company by an Employee, as determined by the Committee, whether by reason of death, disability, voluntary resignation, layoff, discharge, or otherwise. Furthermore, if an Employee is employed by a direct or indirect subsidiary of the Company, such an Employee will have a Termination of Affiliation upon the divestiture of such subsidiary. The Committee shall have the discretion to establish rules and make determinations as to what constitutes a Termination of Affiliation including, without limitation, change of status (e.g., part-time, consulting Employee, etc.) or leave of absence. A Termination of Affiliation may occur regardless of whether an Employee has had a Separation From Service.

1.21 Trust. The Leidos, Inc. Stock Compensation Plan Trust established by the Company to hold assets awarded to Participants under the Plan.

1.22 Trustee. Wachovia Bank or such successor trustee as shall be appointed pursuant to the Trust.

ARTICLE II PARTICIPATION AND AWARDS

2.1 Designation by Awarding Authority. The Awarding Authority in its sole discretion shall designate those Employees who are to receive Awards under the Plan. The

Awarding Authority's designation of an Employee for a particular Award shall not require the Awarding Authority to make any further Awards to such Employee.

2.2 Awarding Authority to Make Awards. The Awarding Authority shall make Awards under the Plan by determining a number of Share Units to be credited to those Employees whom the Awarding Authority has selected for participation in the Plan and by establishing an Account in favor of such Employees in accordance with Article IV to hold such Share Units. A separate Account shall be established for each Award. Each Account shall be subject to a vesting schedule specified by the Awarding Authority. The amount, timing and vesting of each Award shall be decided in the Awarding Authority's sole discretion, and the Awarding Authority may apply different terms to Awards made to different Employees as well as to different Awards made to the same Employee.

2.3 Awards May be Held in Trust.

(a) With respect to Awards granted before January 1, 2005, within a reasonable period of time following the date of the Award, the Company shall contribute to the Trust Company Stock or an amount of money sufficient to purchase shares of Company Stock corresponding to the number of Share Units made in such Award. The Trustee shall apply such contribution toward the purchase of Company Stock in accordance with the directions of the Committee and the terms of the Trust. To the extent any such Award is made to an Employee of an affiliate of the Company, the Company may charge the cost of the corresponding Trust contribution to such affiliate as agreed between the Company and the affiliate.

(b) Effective January 1, 2005, contributions to the Trust with respect to Awards shall be made only if the Company, in its sole discretion, determines to make such contributions. Regardless of whether the Company makes contributions to the Trust with respect to Awards, the Participant shall be credited with a number of Share Units subject to the Award.

2.4 Vesting and Forfeiture. Each Account shall be subject to a vesting schedule, not to exceed seven (7) years, established by the Awarding Authority. Vesting shall cease upon the Participant's Termination of Affiliation for any reason other than the death of the Participant. In the event of death of a Participant, all of the Participant's Account(s) shall become immediately vested. The unvested portion of a Participant's Accounts upon a Termination of Affiliation shall be immediately forfeited by the Participant, and any shares of Company Stock represented by such unvested portion shall be returned to the Company or reallocated in accordance with the Committee's directions and the terms of the Trust. Notwithstanding anything to the contrary in the provisions of this Plan regarding distribution

of Accounts, the provisions of this Section 2.4 shall govern vesting and forfeitures of Accounts. Accordingly, a Participant may have a Termination of Affiliation under this Section 2.4 (resulting in a forfeiture of the unvested portion of the Participant's Accounts) prior to the Participant's Separation From Service.

ARTICLE III TRUST FUND

3.1 Trust Fund Established. The Company has established the Trust pursuant to a trust agreement under which the Trustee will hold and administer in trust all assets deposited with the Trustee in accordance with the terms of this Plan. The Board shall have the authority to select and remove the Trustee to act under the Trust agreement, and to enter into new or amended trust agreements as it deems advisable.

3.2 Company, Committee, Board, Award Authority and Trustee Not Responsible for Adequacy of Trust Fund. Neither the Company, Board, Award Authority, Committee nor Trustee shall be liable or responsible for the adequacy of funds held in the Trust to meet and discharge any or all payments and liabilities hereunder. All Plan benefits will be paid from the Trust assets or by the Company to the extent not paid from Trust assets, and neither the Board, Award Authority, Committee nor the Trustee shall have any duty or liability to pay such benefits or furnish the Trust with any funds, securities or other assets.

3.3 Invasion of Trust by Creditors. If assets of the Trust should be reduced due to action of the Company's creditors, as provided in the Trust document, the Committee shall reduce each Account for which the Trust held assets on a pro rata basis to reflect such reduction in Trust assets, and the Company shall have no obligation to replace such lost assets.

3.4 Trust Expenses. Expenses of the Trust which are not paid by the Company shall be applied to reduce each Account for which the Trust holds assets on a pro rata basis.

ARTICLE IV ACCOUNTS

4.1 Committee to Maintain Accounts. The Committee shall open and maintain a separate Account with respect to each Award made under the Plan for purposes of keeping a record of the number of Share Units credited as a result of the Award.

4.2 Accounting Procedures. The Committee shall establish and may amend from time to time accounting procedures for the purpose of making allocations, distributions, valuations and adjustments to Accounts provided for in this Article IV. A Participant or

Beneficiary shall have no contractual or other right to have a particular accounting procedure or convention apply, or continue to apply, and the Committee shall be free to alter any such procedure or convention without obligation to any Participant or Beneficiary.

4.3 Ordinary Dividend Equivalents. As of any date that the Company pays an Ordinary Dividend, each Participant's Dividend Account shall be credited with an Ordinary Dividend Equivalent Amount. Such Ordinary Dividend Equivalent Amount shall be credited to each Participant's Account in the form of a number of Share Units (including partial Share Units) determined by dividing the Participant's Ordinary Dividend Equivalent Amount (expressed in dollars) by the Fair Market Value of a share of Company Stock as of the crediting date. Amounts credited to a Participant's Dividend Account shall vest (or be forfeited) in accordance with the provisions of Section 2.4.

ARTICLE V RIGHTS IN ACQUIRED STOCK

5.1 Power to Vote Stock Rests With Trustee. The power to vote any stock held by the Trustee shall rest solely with the Trustee, who shall vote such stock in the same proportion that the other shareholders vote their shares of stock of the Company. For purposes of this Section 5.1, in determining how other shareholders voted, the Trustee shall take into account the votes of shareholders with respect to all classes of voting stock, including but not limited to Class A and Class B Common Stock.

5.2 Tender Offers. In the case of a tender offer for the Company Stock, the Trustee shall tender the shares of Company Stock held by the Trust only if more than fifty percent (50%) of the shares of Company Stock held outside the Trust are tendered by the shareholders.

5.3 Dividends. All Ordinary Dividends on Company Stock held in Trust shall be held by the Trustee and reinvested as directed by the Committee. The Capital Restructuring Dividend on Company Stock held in Trust shall be immediately disbursed by the Trustee to the Company for immediate distribution by the Company to Participants in accordance with Section 6.6. No person (including, but not limited to, the Trustee, the Company, the Committee or the Board) shall have the authority or ability to delay the immediate transfer of the Capital Restructuring Dividend from the Trustee to the Company pursuant to this Section 5.3.

ARTICLE VI
DISTRIBUTION OF ACCOUNTS

6.1 Time of Distribution. Subject to the acceleration provisions of Article VII, a Participant's Account shall be distributed as follows:

(a) With respect to Awards granted prior to January 1, 2005, if the Participant filed an election in a manner prescribed by the Committee before the expiration of the applicable election deadline, the vested portion of the Participant's Account shall be distributed or commence to be distributed within a reasonable period of time following the date (i) it becomes vested, or (ii) the Participant has a Separation From Service with the Company, as elected by the Participant; provided, however, that such payments shall be made no later than the last day of the calendar year in which the applicable payment date occurs or, if later, the fifteenth day of the third calendar month following the applicable payment date. The applicable election deadline was ninety (90) days following the date of the Award. If the Participant failed to make the election described in this subsection (a), the Participant's Account with respect to Awards made before January 1, 2005 shall be distributed or commence to be distributed within a reasonable period of time following the seventh anniversary of the date of the Award contained in such Account (but no later than the last day of the calendar year in which the seventh anniversary occurs or, if later, the fifteenth day of the third calendar month following the seventh anniversary); provided, however, that if the Participant has a Separation From Service prior to such payment date, then the vested portion of the Participant's Account shall be distributed or commence to be distributed within a reasonable period of time following the Separation From Service (but no later than the last day of the calendar year in which the Separation From Service occurs or, if later, the fifteenth day of the third calendar month following such Separation From Service). The election under this subsection (a) shall be irrevocable. In addition to executing an election, the Participant may also be required to execute an agreement with the Company, on a form prescribed by the Committee, relating to the Company's right of repurchase of Company Stock, if any, and such other matters as the Committee shall prescribe.

(b) With respect to Awards granted on or after January 1, 2005, the vested portion of the Participant's Account shall be distributed or commence to be distributed within a reasonable period of time following the date the Participant has a Separation From Service; provided, however, that such payments shall be made no later than the last day of the calendar year in which the Separation From Service occurs or, if later, the fifteenth day of the third calendar month following the date of the Separation From Service. For Awards made on or after January 1, 2005, a Participant may in a manner prescribed by the Committee elect between the forms of distribution specified in Section 6.2 for distributions made if the Participant's Separation From Service occurs on or after age 59 ½. Such election must be

made before the expiration of the applicable election deadline with respect to the Award. The applicable election deadline for an Award that is entirely unvested for thirteen (13) or more months from the date of the grant of the Award shall be thirty (30) days following such grant date. The applicable election deadline for any other Award shall be the last day of the calendar year preceding the calendar year in which the Award is granted. In addition to executing an election, the Participant may also be required to execute an agreement with the Company, on a form prescribed by the Committee, relating to the Company's right of repurchase of Company Stock, if any, and such other matters as the Committee shall prescribe.

(c) Notwithstanding the foregoing, if any stock of the Company is publicly traded on an established securities market at the time of a Participant's Separation From Service, any distribution on account of the Separation From Service of a Participant who is a "specified employee" under Code Section 409A(a)(1)(B)(i) shall not be made before the earlier of (i) the date which is six (6) months after such Participant's Separation From Service or (ii) the date of the Participant's death. For any twelve (12) month period commencing April 1 and ending March 31, an Employee is a "specified employee" if the Employee was a "key employee" at any time during the calendar year ending before such April 1. A key employee is defined in Code Section 416(i) without regard to Code Section 416(i)(5).

6.2 Form of Distribution.

(a) Except as set forth in this Section 6.2, each distribution shall be made in a lump sum.

(b) For awards made on or after January 1, 2005, a Participant shall elect, for distributions made if the Participant's Separation From Service occurs on or after age 59½, to receive payment in lump sum or in installments over a 5-year period. If elected, installment payments shall be spread in approximately equal numbers of shares of Company Stock over the payout period. Except as set forth in Sections 6.2(c) and 6.2(d), a Participant's election of form of distribution shall be irrevocable. If the Participant does not timely make an election, the payment shall be a lump sum.

(c) Both of the forms of distribution set forth in Section 6.2(b) shall be considered a single payment for purposes of Code Section 409A. Accordingly, Participants shall be allowed to make a new form of distribution election with respect to Awards described in Section 6.2(b), provided that the following requirements are satisfied.

(i) The election does not take effect until at least twelve (12) months after the date the election is made, and the election must be made at least

twelve (12) months prior to the date the first payment would be made to the Participant absent the election.

(ii) The commencement date of the first payment to the Participant shall be five (5) years following the date the payment would have commenced absent the change in the Participant's election; and

(iii) No Participant may make more than one (1) new form of distribution election.

Any attempt to change a payout election that does not satisfy these requirements shall be void.

(d) Pursuant to authority issued by the Internal Revenue Service under Code Section 409A, the following transition rule shall apply with respect to Awards (whenever granted) other than Awards that (absent an election) would be payable in whole or in part in 2006:

(i) Each Participant who had not had a Separation From Service as of December 31, 2006 shall be permitted to elect, for distributions made if the Participant's Separation From Service occurs on or after age 59 ½, to receive payment in lump sum or over a 5-year period.

(ii) The elections under this Section 6.2(d) shall be made pursuant to rules prescribed by the Committee, but shall in no event be made after December 31, 2006.

(e) Each distribution shall be made in the form of Company Stock, except that fractional Share Units shall, as determined according to procedures established by the Committee, be distributed in kind as fractional shares or applied towards satisfying tax withholding obligations with respect to Participants' distributions. A Participant shall have no right to request a cash distribution.

6.3 Beneficiary Designation.

(a) Upon forms provided by the Committee, each Participant shall designate in writing the Beneficiary or Beneficiaries whom such Participant desires to receive the benefits of this Plan, if any, payable in the event of such Participant's death. A Participant may from time to time change his or her designated Beneficiary or Beneficiaries without the consent of such Beneficiary or Beneficiaries by filing a new designation in writing with the Committee. The Committee may rely upon the designation of Beneficiary or Beneficiaries last filed by the Participant in accordance with the terms of this Plan.

(b) If the designated Beneficiary does not survive the Participant, or if there is no valid Beneficiary designation, amounts payable under the Plan shall be paid to the Participant's spouse, or if there is no surviving spouse, then to the duly appointed and currently acting personal representative of the Participant's estate. If there is no personal representative of the Participant's estate duly appointed and acting in that capacity within sixty (60) days after the Participant's death, then all payments due under the Plan shall be payable to the person or persons who can verify by affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder pursuant to the laws of intestate succession or other statutory provision in effect at the Participant's death in the state in which the Participant resided.

6.4 Distribution to Guardian. If the Committee shall find that any person to whom any payment is payable under this Plan is unable to care for his or her affairs because of illness or accident, or is a minor, a payment due (unless a prior claim therefor shall have been made by a duly appointed guardian or other legal representative) may be paid to the spouse, a child, a parent, or a brother or sister, or to any custodian, conservator or other fiduciary responsible for the management and control of such person's financial affairs in such manner and proportions as the Committee may determine. Any such payment shall be a complete discharge of the liabilities of the Company and the Trust to the Participant or Beneficiary under this Plan.

6.5 Withholding of Taxes. To the extent any distribution is subject to withholding taxes, the Committee shall require, as a condition to the payment of such distribution, that the taxes be withheld from such distribution. With respect to amounts paid from the Trust, the Trustee shall deliver the withheld amounts to the Company which shall pay over the withheld taxes as required by law. The Committee may, but need not, allow the Participant to make payment to the Company in the form of a check for such withholding taxes, and the Committee may provide in its discretion for other methods of withholding acceptable to the Company.

6.6 Distribution of Dividend Equivalents.

(a) Notwithstanding anything to the contrary in this Article VI, effective January 1, 2006, Dividend Equivalents with respect to the Capital Restructuring Dividend shall be distributed as set forth in this Section 6.6.

(b) Dividend Equivalents with respect to the Capital Restructuring Dividend shall be distributed by the Company to Participants as soon as administratively feasible upon the Company's receipt of the Capital Restructuring Dividend from the Trustee in accordance with Section 5.3. No one (including, but not limited to, the Trustee, the

Company, the Board, the Committee or any Participant) shall have the authority or the ability to delay the immediate distribution of Dividend Equivalents or alter the amount of Dividend Equivalents distributed with respect to the Capital Restructuring Dividend. The distribution of Dividend Equivalents with respect to the Capital Restructuring Dividend to be made to a Participant in accordance with this Section 6.6(b) shall equal the product of (i) the Participant's Share Units as of the record date for the Capital Restructuring Dividend, times (ii) the per share Capital Restructuring Dividend. Immediate payment of the Dividend Equivalent upon the payment of the Capital Restructuring Dividend by the Company is intended to satisfy the requirement of Code Section 409A that payment be made as of a specified time or pursuant to a fixed schedule.

(c) Distributions of Dividend Equivalents with respect to the Capital Restructuring Dividend shall be made in cash without interest and shall be made from the Capital Restructuring Dividend paid to the Trust and transferred to the Company pursuant to Section 5.3.

ARTICLE VII ACCELERATION OF DISTRIBUTION AND/OR VESTING

7.1 Change in Control. All Accounts shall be immediately distributed to the Participants to whom such Accounts belong, upon the occurrence of a Change in Control (as hereinafter defined) of the Company. A "Change in Control" shall be deemed to occur if any "person" (as such term is defined in Section 3(a)(9) of the United States Securities Exchange Act of 1934 (the "34 Act")), other than the Company, any subsidiary or any employee benefit plan or trust maintained by the Company or subsidiary, during any 12-month period ending on the date of the most recent acquisition by such person, becomes the beneficial owner (as defined in Rule 13d-3 under the 34 Act), directly or indirectly of the Company's stock representing thirty-five percent (35%) or more of the voting power of the Company's then-outstanding stock; provided, however, that a transaction shall not constitute a Change in Control unless it is a "change in the ownership or effective control" of the Company, or a change "in the ownership of a substantial portion of the assets" of the Company within the meaning of Code Section 409A. For purposes of the foregoing, a subsidiary is any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations, other than the last corporation in such chain, owns at least fifty percent (50%) of the total voting power in one of the other corporations in such chain.

7.2 Hardship.

(a) Prior to January 1, 2005, notwithstanding the provisions of Section 6.1 hereof, a Participant shall be entitled to request a hardship distribution of all or any portion of the vested portion of his or her Account(s). A Participant must make a written request for a hardship distribution, stating the reasons such withdrawal is necessary because of a financial hardship. The Committee, in its sole discretion, shall determine whether or not to grant the hardship distribution of such Participant's Account(s) and, in so doing, may rely on the Participant's statements, and a hardship distribution may be approved without further investigation unless the Committee has reason to believe such statements are false.

(b) Effective January 1, 2005, a withdrawal under this Section 7.2 shall be permitted only if the Participant incurs an "unforeseeable emergency," as defined below. Any such distribution shall be limited to the amount of which distribution is reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, State or local income taxes or penalties reasonably anticipated to result from the distribution). For purposes of this Section 7.2(b), an "unforeseeable emergency" is a severe financial hardship of the Participant resulting from (i) an illness or accident of the Participant, the Participant's spouse or dependent, (ii) the loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home to the extent not otherwise covered by insurance), or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of whether a Participant has an unforeseeable emergency shall be made in accordance with the authorities published pursuant to Code Section 409A.

ARTICLE VIII

PLAN TERMINATION AND AMENDMENT

8.1 Termination and Amendments. The Plan shall continue until all amounts have been distributed in accordance with the terms of the Plan. Notwithstanding the foregoing sentence, the Company retains the right to amend or terminate the Plan for any reason, including but not limited to adverse changes in accounting rules or tax laws or the bankruptcy, receivership or dissolution of the Company. In the event of a Plan termination, benefits will be paid out when due under the terms of the Plan. To the extent feasible, the Committee shall use its best efforts to avoid adversely affecting the rights of any existing Participants in the Plan, but prior to a Change in Control, the Committee shall be under no specific duty or obligation in this regard. Following a Change in Control, no amendment or termination of the Plan shall adversely affect any benefits earned by Participants prior to the amendment or termination.

ARTICLE IX
PLAN ADMINISTRATION

9.1 Committee. The Plan shall be administered by the Committee. Subject to the provisions of the Plan and the authority granted hereunder to the Awarding Authority, the Committee shall have exclusive power to determine the manner and time of Awards and payment of benefits to the extent herein provided and to exercise any other discretionary powers granted to the Committee pursuant to the Plan. The decisions or determinations by the Committee shall be final and binding upon all parties, including shareholders, Participants, Beneficiaries and other Employees. The Committee shall have the authority to interpret the Plan, to make factual findings and determinations, to adopt and revise rules and regulations relating to the Plan and to make any other determinations which it believes necessary or advisable for the administration of the Plan. The Committee's discretion in these matters shall be as broad and unfettered as permitted by law. Notwithstanding the foregoing, after a Change in Control, any findings, adoption or revision of rules or regulations, interpretations, decisions or determinations made by the Committee (including under Section 9.2) shall not be given any deference by a court or arbitrator, and if challenged by a Participant or Beneficiary, shall be reviewed on a de novo basis.

9.2 Committee Powers. The Committee shall have all powers necessary to supervise the administration of the Plan and control its operations. In addition to any powers and authority conferred on the Committee elsewhere in the Plan or by law, the Committee shall have, by way of illustration and not by way of limitation, the following powers and authority:

- (a) To designate agents to carry out responsibilities relating to the Plan;
- (b) To employ such legal, actuarial, medical, accounting, clerical and other assistance as it may deem appropriate in carrying out the provisions of this Plan;
- (c) To administer, interpret, construe and apply this Plan and to decide all questions which may arise or which may be raised under this Plan by any Employee, Participant, Beneficiary or other person whomsoever, including but not limited to all questions relating to eligibility to participate in the Plan, determination of Awards and the amount of benefits to which any Participant may be entitled;
- (d) To establish rules and procedures from time to time for the conduct of its business and for the administration and effectuation of its responsibilities under the Plan;

(e) To establish claims procedures, and to make forms available for filing of such claims, and to provide the name of the person or persons with whom such claims should be filed. The Committee shall establish procedures for action upon claims initially made and the communication of a decision to the claimant promptly and, in any event, not later than sixty (60) days after the date of the claim; the claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a written decision is not furnished to the claimant within such sixty (60) day period. Every claim for benefits which is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (1) the specific reason or reasons for the denial, (2) specific reference to any provisions of this Plan on which denial is based, (3) description of any additional material or information necessary for the claimant to perfect his claim with an explanation of why such material or information is necessary, and (4) an explanation of the procedure for further reviewing the denial of the claim under the Plan. The Committee shall establish a procedure for review of claim denials, such review to be undertaken by the Committee. The review given after denial of any claim shall be a full and fair review with the claimant or his duly authorized representative having one hundred eighty (180) days after receipt of denial of his claim to request such review, having the right to review all pertinent documents and the right to submit issues and comments in writing. The Committee shall establish a procedure for issuance of a decision by the Committee not later than sixty (60) days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than one hundred twenty (120) days after receipt of the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of this Plan on which the decision is based; and

(f) To perform or cause to be performed such further acts as it may deem to be necessary, appropriate, or convenient in the efficient administration of the Plan.

Prior to a Change in Control, any action taken in good faith by the Committee in the exercise of authority conferred upon it by this Plan shall be conclusive and binding upon the Participants and their Beneficiaries, and all discretionary powers conferred upon the Committee shall be absolute. Following a Change in Control, the actions of the Committee and its exercise of discretionary powers shall be reviewed on a de novo basis if challenged by a Participant or Beneficiary.

9.3 Plan Expenses. Members of the Committee shall serve as such without compensation from the Plan, but may receive compensation from the Company for so

serving. All Plan administration expenses shall be borne by the Company or the Trust as determined by the Committee in its sole discretion.

9.4 Reliance Upon Documents and Opinions. The members of the Committee, the Awarding Authority, the Board, and the Company shall be entitled to rely upon any tables, valuations, computations, estimates, certificates, opinions and reports furnished by any consultant, or firm or corporation which employs one or more consultants or advisors. The Committee may, but is not required to, rely upon all records of the Company with respect to any matter or thing whatsoever, and may likewise treat such records as conclusive with respect to all Employees, Participants, Beneficiaries and any other persons whomsoever, except as otherwise provided by law.

9.5 Requirement of Proof. The Committee, the Awarding Authority, the Board, or the Company may require satisfactory proof of any matter under this Plan from or with respect to any Employee, Participant or Beneficiary, and no such person shall acquire any rights or be entitled to receive any benefits under this Plan until such proof shall be furnished as so required.

9.6 Limitation on Liability. No Employee or director of the Company and no other person shall be subject to any liability by reason of or arising from his or her participation in the establishment or administration or operation of the Plan unless he or she acts fraudulently or in bad faith.

9.7 Indemnification.

(a) To the extent permitted by law, the Company shall indemnify each member of the Awarding Authority, of the Committee, and any other Employee or director of the Company who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative, or investigative, by reason of his or her conduct in the performance in connection with the establishment or administration of the Plan or any amendment or termination of the Plan.

(b) This indemnification shall apply against expenses including, without limitation, attorneys fees and any expenses of establishing a right to indemnification hereunder, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, except in relation to matters as to which he or she has acted fraudulently or in bad faith in the performance of such duties.

(c) The termination of any proceeding by judgment, order, settlement, conviction, upon a plea of nolo contendere or its equivalent shall not, in and of itself, create

a presumption that the person acted fraudulently or in bad faith in the performance of his or her duties.

(d) Expenses incurred in defending any such proceeding may be advanced by the Company prior to the final disposition of such proceeding, upon receipt of an undertaking by or on behalf of the recipient to repay such amount, unless it shall be determined ultimately that the recipient is entitled to be indemnified as authorized in this Section 9.7.

(e) The right of indemnification set forth in this Section 9.7 shall be in addition to any other right to which any Awarding Authority member, Committee member or other person may be entitled as a matter of law, by corporate bylaws or otherwise.

ARTICLE X MISCELLANEOUS PROVISIONS

10.1 Restrictions on Plan Interest.

(a) A Participant's interest in this Plan shall be limited to his or her Account and he or she shall have no other interest in any assets of the Company nor any right as against the Company, Awarding Authority or Committee for payment of benefits under this Plan.

(b) None of the benefits, payments, proceeds, claims or rights hereunder of any Participant or Beneficiary shall be subject to any claim of any creditor of such Participant or Beneficiary and in particular the same shall not be subject to attachment, garnishment, or other legal process by any creditor of such Participant or Beneficiary.

(c) A Participant or Beneficiary shall not have any right to alienate, anticipate, commute, pledge, encumber, or assign any of the benefits or payments or proceeds which he or she may expect to receive, contingently or otherwise, under the Plan.

(d) A Participant's and Beneficiary's interest in this Plan and the assets of the Trust are subject to the claims of the Company's creditors as provided in the Trust. Each Participant and Beneficiary shall, however, be considered a general creditor of the Company with respect to his or her Account, so that if the Company should become insolvent, the Participant or Beneficiary will have a claim against the Company and Trust assets equal to that of the Company's other general creditors (regardless of whether assets are removed from the Trust by a trustee in bankruptcy).

(e) Whenever a provision of this Plan restricts or limits a Participant or a Participant's Account, benefit or distribution, such limitation shall also apply to a Beneficiary unless otherwise specified.

10.2 No Enlargement of Employee Rights.

(a) This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Employee, or to be consideration for, or an inducement to, or a condition of, the employment of any Employee.

(b) An Employee's employment with the Company is not for any specified term and may be terminated by such Employee or by the Company at any time for any reason, with or without cause. Nothing in this Plan or in any agreement pursuant to this Plan shall confer upon any Employee or Participant any right to continue in the employ of or affiliation with the Company nor constitute any promise or commitment by the Company regarding future positions, future work assignments, future compensation or any other term or condition of employment or affiliation.

(c) No person shall have any right to any benefits under this Plan, except to the extent expressly provided herein.

(d) The Plan is not intended to nor shall it be deemed to be a Plan providing retirement income or resulting in the deferral of income by Employees for periods extending to the termination of covered employment or beyond.

10.3 Rights of Repurchase and First Refusal for the Company. Any Company Stock distributed from the Plan may be subject to a right of repurchase and right of first refusal by the Company, as well as any conditions, limitations, or restrictions contained in any applicable agreement. The terms and conditions of the right of repurchase and right of first refusal, to the extent applicable, shall be in addition to those applied to Company Stock by the Restated Certificate of Incorporation of Leidos, Inc., as amended.

10.4 Mailing of Payments. All payments under the Plan shall be delivered in person or mailed to the last address of the Participant (or, in the case of the death of the Participant to that of any other person entitled to such payments under the terms of the Plan). Each Participant shall be responsible for furnishing the Committee with his or her correct current address and the correct current name and address of his or her Beneficiary.

10.5 Inability to Locate Participant or Beneficiary. In the event that the Committee is unable to locate a Participant or Beneficiary to whom benefits are payable hereunder after

mailing a notice to the Participant's or Beneficiary's last known address, and such inability lasts for a period of three (3) years, then any remaining benefits payable hereunder shall be forfeited to the Company and no Participant or Beneficiary shall have any right to further benefits from the Plan, even if subsequently located.

10.6 Governing Law. All legal questions pertaining to the Plan shall be determined in accordance with the laws of the State of Delaware, excluding its rules governing conflict of laws. Without limiting Section 10.9, it is intended that this Plan be administered and interpreted in a manner consistent with the applicable requirements of Code Section 409A, and further that the Plan be interpreted in a manner that satisfied the applicable requirements of Rule 16b-3 promulgated under the Exchange Act, so that Awards will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Exchange Act and will not be subject to avoidable liability thereunder.

10.7 Illegality of Particular Provision. If any particular provision of this Plan shall be found to be illegal or unenforceable, such provision shall not affect the other provisions thereof, but the Plan shall be construed in all respect as if such invalid provision were omitted.

10.8 Interpretation. Section headings are for convenient reference only and shall not be deemed to be part of the substance of this instrument or in any way to enlarge or limit the contents of any article or section.

10.9 Tax Effects. The Company makes no representations or warranties as to the tax consequences to a Participant or to a Participant's Beneficiary from the grant of Awards hereunder or the subsequent receipt of any benefits as a result thereof. Each Participant must rely solely on his or her own tax advisor with respect to the tax consequences arising from the grant of Awards or the receipt of benefits hereunder, or from any other related transaction.

10.10 Receipt or Release. Any payment to any Participant or Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Awarding Authority, the Committee and the Company, and the Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

10.11 Records. The records of the Company with respect to the Plan shall be conclusive on all Participants, Beneficiaries, and all other persons whomsoever.

10.12 Arbitration. Any person disputing a decision of the Committee shall submit such dispute to binding arbitration pursuant to the rules of the American Arbitration Association, to be held in Fairfax County, Commonwealth of Virginia. In any arbitration

with respect to a decision or action of the Committee taken before a Change in Control, the losing party in such arbitration proceedings shall bear the costs of arbitration, and each party shall bear its own attorneys' fees. In any arbitration with respect to a decision or action of the Committee taken after a Change in Control, the Company shall bear the costs of arbitration (other than attorneys' fees), and the arbitrator may make an award of attorneys' fees; any such award shall be made according to the then-prevailing standards for judicial awards of attorneys' fees applicable to civil actions brought under the Employee Retirement Income Security Act of 1974, as amended.

10.13 Recoupment of Awards. Notwithstanding any other provision herein including, but not limited to, Sections 2.2, 7.1, 8.1 and 10.1(b), and notwithstanding any other provisions in any Award agreement with respect to this Plan, Awards granted or paid under this Plan shall be subject to recoupment by the Company pursuant to the Company's recoupment policy originally adopted on June 18, 2009 by the Human Resources and Compensation Committee of the Board, as such policy may subsequently be amended (the "Recoupment Policy"). Although consent to the Recoupment Policy by a Participant is not a prerequisite to the effectiveness of the Recoupment Policy with respect to the Participant, acceptance of an Award under this Plan shall be deemed to constitute consent by the Participant to the terms and conditions of the Recoupment Policy with respect to such Award and any and all prior Awards granted to the Participant under this Plan. For purposes of clarity, to the extent provided by the Recoupment Policy, a Participant may be required to return certain payments made to the Participant with respect to an Award, and payments that otherwise would have been made to the Participant with respect to an Award may be reduced or entirely eliminated. Such actions may be taken pursuant to the Recoupment Policy without regard to whether such payments and the Participant's Awards were otherwise vested.

KEYSTAFF DEFERRAL PLAN

LEIDOS, INC.

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EXHIBIT 10.4

KEYSTAFF DEFERRAL PLAN

OF

LEIDOS, INC.

1. **Purpose**

1.1 The purpose of this Plan is to provide a means to enhance the Company's capacity to attract and retain outstanding directors and executives in key positions by assisting them in meeting their future financial security objectives. The Plan was amended and restated effective January 1, 2005 to comply with Section 409A of the Code and amended and restated effective September 27, 2013.

2. **Definitions**

2.1 Whenever the following terms are used in the Plan, they shall have the meaning specified below.

2.2 "**Account**" -- shall mean the Account maintained for bookkeeping purposes by the Committee with respect to each Participant to evidence the Participant's Deferrals of Deferrable Amounts hereunder. The Company shall credit to each Participant's Account an amount equal to the compensation which otherwise would have been paid had the Participant not elected to defer compensation. Such credits shall be made at the time compensation would have been paid to the Participant. The Account shall also receive quarterly earnings credits in accordance with provisions of Section 5. Separate Accounts shall be established to record amounts deferred (and earnings credits thereon) with respect to Plan Years beginning before and after December 31, 1990, to be referred to herein as Pre-1991 Accounts and Post-1990 Accounts, respectively. Except as otherwise stated herein, references to Account(s) shall include both the Pre-1991 and Post-1990 Account(s).

2.3 "**Anniversary Date**"-- shall be the last day of a Plan Year.

2.4 "**Beneficiary**"-- shall mean the person or persons properly designated by the Participant, in accordance with Section 7, to receive the benefits provided herein upon death of the Participant.

2.5 "**Board**" -- shall mean the Board of Directors of Leidos, Inc., or its ultimate parent corporation, if any.

- 2.6 “Bonus Compensation Plan”** -- shall mean the Company’s 1984 Bonus Compensation Plan, and any successor plan, including the Equity Incentive Plan.
- 2.7 “Code”** -- shall mean the Internal Revenue Code of 1986, as amended.
- 2.8 “Committee”**-- shall mean the committee composed of such members as shall be appointed from time to time by the Board to administer the Plan.
- 2.9 “Company”**-- shall mean Leidos, Inc. (or its ultimate parent corporation, if any). In addition, unless the context indicates otherwise, as used in this Plan the term Company shall also mean and include any direct or indirect subsidiary of the Company which has been approved by the Deferral Authority for participation in this Plan by its Employees.
- 2.10 “Deferrable Amount(s)”**-- shall mean the cash bonus or vested stock bonus, if any, payable to an Employee or Director, in accordance with Company procedures under the Bonus Compensation Plan, Directors’ fees or other payments as determined by the Committee. In no way does the adoption or operation of this Plan obligate the Company to pay any bonus or continue any compensation program. Effective for salaries paid on or after January 1, 2007, the Committee may in its discretion designate all or part of Employees’ salaries as Deferrable Amounts.
- 2.11 “Deferral”** -- shall mean the amount of Deferrable Amounts a Participant has deferred in accordance with Section 4.1
- 2.12 “Deferral Authority”** -- shall mean the individual or group of individuals appointed by the Board to determine which Employees are eligible to make Deferrals and to participate in the Plan.
- 2.13 “Director”** -- shall mean a member of the Board, other than a Director Emeritus, or a member of the Board of Directors of any subsidiary or affiliate thereof which has been approved by the Deferral Authority for participation in this Plan by its Employees or Directors.
- 2.14 “Effective Date”** -- shall be January 1, 1986.
- 2.15 “Employee”** -- shall mean a management or highly compensated employee of the Company.
- 2.16 “Equity Incentive Plan”** -- shall mean the 2006 Equity Incentive Plan and any successor plan.

2.17 “Moody’s Seasoned Corporate Bond Rate” -- sometimes referred to as “Moody’s,” is an economic indicator; an arithmetic average of yields of representative bonds: industrials, public utilities, AAA, AA, A and BAA. For Plan purposes, Moody’s Rate shall be determined by the Committee based on financial services or publications selected by the Committee.

2.18 “Normal Payout” -- shall mean the payment(s) described in Section 6.3.

2.19 “Participant” -- shall mean an Employee or Director designated by the Deferral Authority for participation in the Plan who timely files an election to participate and makes or receives Deferrals hereunder.

2.20 “Plan” -- shall mean the Leidos, Inc. Keystaff Deferral Plan as set forth herein and as amended from time to time.

2.21 “Plan Year” -- shall begin on February 1 of each year. The Plan Year which commenced January 1, 2000 shall end on January 31, 2001 and thereafter shall be the period from February 1 to January 31. A short Plan Year shall commence February 1, 2005 and end December 31, 2005. Effective January 1, 2006 and thereafter, the Plan Year shall be the calendar year.

2.22 “Retirement Date” -- shall mean the date of an Employee’s or Director’s Termination of Affiliation on attaining age 59 ½. Effective January 1, 2005, a Retirement Date shall not occur unless the Employee or Director has had a Separation From Service.

2.23 “Separation From Service” -- shall mean the death, retirement or termination of the Employee’s employment with the Company, or in the case of a Director, ceasing to perform services for the Company as a member of the Board. This definition of Separation From Service shall be interpreted and construed in a manner intended to comply with Code Section 409A and the published authorities thereunder.

2.24 “Termination of Affiliation” -- shall mean any termination of employment with the Company by an Employee, as determined by the Committee, whether by reason of death, disability, voluntary resignation, layoff, discharge, divestiture of the Employee’s business unit or otherwise, and, in the case of a Director, ceasing to be an active Director. The Committee shall have the discretion to establish rules and make determinations as to what constitutes a Termination of Affiliation including, without limitation, change of status (e.g., part-time, consulting Employee, etc.) or leave of absence. Notwithstanding the foregoing, effective January 1, 2005, a Termination of Affiliation shall not occur unless the Employee or Director has had a Separation From Service.

3. Eligibility

3.1 The Deferral Authority in its sole discretion shall designate those Employees or Directors who are to be eligible to participate in the Plan with respect to Deferrals for a particular Plan Year or with respect to a particular Deferrable Amount or Amounts. Designating an individual as eligible to participate in the Plan for a particular Plan Year or with respect to a particular Deferrable Amount shall not require the Deferral Authority to designate such individual for any subsequent Plan Year or with respect to any subsequent Deferrable Amounts. The designation of eligibility by the Deferral Authority may be made in such manner as determined by the Deferral Authority, including, without limitation, establishment of criteria such as compensation level or level or authority.

4. Deferrals

4.1 Deferral Elections

4.1.1 An eligible Employee or Director shall not become a Participant in the Plan unless and until he or she has executed and delivered to the Committee a Deferral election, including any forms or agreements as may be prescribed by the Committee, and the Committee shall have accepted such Deferral election and/or additional forms or agreements. To initially participate in the Plan, the Employee or Director must submit his or her Deferral election, including any forms or agreements prescribed by the Committee, during the applicable Deferral election period established by the Committee. Beginning with the Deferral election made in the Plan Year ending January 31, 2004 for Deferrals during calendar year 2004, the Participant's election shall be carried forward automatically to future Plan Years for which the Participant is eligible to participate unless, during the applicable election period for such future Plan Years, the Participant elects to modify or cancel the prior election under procedures established by the Committee. Effective for Deferrals on or after January 1, 2005, the last day of the Deferral election period for any Deferrable Amounts other than "performance-based compensation" (as defined below) shall be no later than the last day of the calendar year prior to the first calendar year during which the Employee or Director performs services for which such Deferrable Amounts is earned. Furthermore, the Committee may to the extent consistent with satisfying Code Section 409A, permit an Employee or Director to make a Deferral election within 30 days following the date such Employee or Director first becomes eligible to participate in the Plan, as indicated by the effective date of his status change in the Plan's records. Such a Deferral election shall be with respect to compensation earned for services performed after the election.

4.1.2 If Deferrable Amounts constitutes “performance-based compensation,” then the Committee may, but need not, delay the last day of the Deferral election period. The last day of the Deferral election period with respect to any Deferrable Amounts considered to be performance-based compensation shall be no later than six (6) months before the end of the service period over which such Deferrable Amounts is earned. For this purpose, “performance-based compensation” means compensation where the amount of or entitlement to the compensation is contingent on the satisfaction of pre-established written performance criteria relating to a performance period of at least twelve (12) consecutive months, provided that performance-based compensation does not include any amount that will be paid regardless of performance, or based upon a level of performance that is substantially certain to be met at the time the criteria is established. Performance-based compensation must also meet any other applicable requirements established under authority issued pursuant to Code Section 409A.

4.1.3 The total Deferrals elected for a particular Plan Year may be in an amount up to a specified percentage of Deferrable Amounts, such maximum percentage to be up to one hundred percent (100%) as determined by the Deferral Authority.

4.1.4 A Participant’s initial Deferral election shall elect among the forms of distribution specified in Section 6.3.2 with respect to the Participant’s Normal Payout (if any).

4.2 Changes to Deferral Elections

4.2.1 Any Deferral election by a Participant for a particular Plan Year shall be irrevocable for that Plan Year following the end of such Plan Year’s Deferral election period.

5. Earnings on Participants’ Accounts

5.1 Deferrals shall be credited to the Participant’s Account as of the date of deferral. Interest in each Plan Year will be credited quarterly on the average Account balance for that quarter. The rate of interest applied to the Pre-1991 Account shall be at a base rate equivalent to an annual rate equal to Moody’s Rate, and the rate applicable to the Post-1990 Account shall be at a base rate equivalent to an annual rate equal to the Moody’s Rate less one percent (1%). In each case, the Moody’s Rate in effect on each Anniversary Date shall be used to determine the applicable rate of interest applied during the subsequent Plan Year.

6. Payout of Participants' Accounts

6.1 Termination Payouts

6.1.1 A Participant who has a Termination of Affiliation prior to one year of Plan participation shall receive an amount equal to his or her Account, less any credited earnings. Payment shall be made in a lump sum within ninety (90) days following Termination of Affiliation or as soon as administratively feasible thereafter.

6.1.2 A Participant who has a Termination of Affiliation on or after one year of Plan participation but prior to the Participant's Retirement Date shall receive payment in a lump sum within ninety (90) days following Termination of Affiliation or as soon as administratively feasible thereafter equal to his or her Account(s) as of the most recent quarterly valuation.

6.1.3 A Participant who has a Termination of Affiliation on or after the Participant's Retirement Date shall be subject and entitled to the Normal Payout provisions set forth in Section 6.3.

6.2 Survivor Payouts

6.2.1 If a Participant dies before Normal Payout commences, the Company shall make a Survivor Payout, as defined in Section 6.2.2, to the designated Beneficiary.

6.2.2 The Survivor Payout shall consist of the Participant's Account(s) at the time of death.

6.2.3 The Survivor Payout shall be paid in a lump sum to the Beneficiary within ninety (90) days following verification of the Participant's death or as soon as administratively feasible thereafter.

6.2.4 Notwithstanding subsection 6.2.3 above, if while an Employee and on or before the date of the Participant's death, the Participant had reached age 59 ½, the Survivor Payout shall be made in the form (i.e., lump sum, 5-year, 10-year or 15-year period) the Participant had elected for the Participant's Normal Payout.

6.3 Normal Payouts

6.3.1 Normal Payouts shall be made to Participants who have a Termination of Affiliation on or after a Retirement Date. Normal Payouts shall commence upon Termination of Affiliation.

6.3.2 As set forth in Section 4.1.4, the Participant shall elect to receive the Normal Payout in a lump sum or over a 5-year, 10-year or 15-year period. The first payment will commence within ninety (90) days following the Termination of Affiliation or as soon as administratively feasible thereafter.

6.3.3 If a Participant does not elect a payout option, the payments shall be over a 5-year period.

6.3.4 Normal Payout shall consist of the Participant's Account(s) spread equally over the elected payout period. Earnings shall continue to be credited to the remaining Account(s) during the payout period and shall be estimated so that approximately equal payments can be made.

6.3.5 If a Participant dies during the Normal Payout period, Normal Payout shall continue as scheduled to the Participant's Beneficiary.

6.3.6 Except as set forth in this Section 6.3.6 and in Section 6.3.7, a Participant's election of form of distribution shall be irrevocable. Each of the forms of distribution set forth in Section 6.3.2 shall be considered a single payment for purposes of Code Section 409A. Accordingly, Participants shall be allowed to make a new form of distribution election, provided that the following requirements are satisfied.

- (a) The election does not take effect until at least twelve (12) months after the date the election is made, and the election must be made at least twelve (12) months prior to the date the first payment would be made to the Participant absent the election.
- (b) The commencement date of the first payment to the Participant shall be five (5) years following the date the payment would have commenced absent the change in the Participant's election; and
- (c) No Participant may make more than one (1) new form of distribution election.

Any attempt to change a payout election that does not satisfy these requirements shall be void.

6.3.7 Pursuant to authority issued by the Internal Revenue Service under Code Section 409A, the following transition rules shall apply:

(a) Each Participant who had not had a Separation From Service as of December 31, 2006 shall be permitted to elect among the forms of distribution specified in Section 6.3.2 with respect to the Participant's Normal Payout (if any). If a Participant does not make an election under this subsection (a), then the Participant's previous election among forms of distribution shall continue to apply.

(b) Each Participant who had not had a Separation From Service as of December 31, 2006 and had reached the Participant's 55th birthday as of December 31, 2006 shall (in addition to the election under subsection (a)) be permitted to elect whether distribution of the Participant's Normal Payout (if any) shall commence (i) upon the Participant's Termination of Affiliation, or (ii) upon the later of the date the Participant reaches age 65 or the Participant's Termination of Affiliation. If a Participant does not make an election under this subsection (b), then distribution of the Participant's Normal Payout (if any) shall commence upon the Participant's Termination of Affiliation.

(c) The elections under this Section 6.3.7 shall be made pursuant to rules prescribed by the Committee, but shall in no event be made after December 31, 2006.

6.3.8 Notwithstanding the foregoing, if any stock of the Company is publicly traded on an established securities market, the distribution to any Participant who is a "specified employee" under Code Section 409A(a)(1)(B)(i) shall not be made (or commence to be made in the case of installment payments) before the earlier of (i) the date which is six (6) months after such Participant's Separation From Service or (ii) the date of the Participant's death. For any twelve (12) month period commencing April 1 and ending March 31, an Employee is a "specified employee" if the Employee was a "key employee" at any time during the calendar year ending before such April 1. A key employee is defined in Code Section 416(i) without regard to Code Section 416(i)(5).

6.4 Cash Distributions

6.4.1 All distributions under the Plan shall be made in cash.

7. Beneficiary Designation

7.1 Upon forms provided by the Committee, each Participant shall designate in writing the Beneficiary or Beneficiaries whom such Participant desires to receive the benefits of this Plan payable in the event of such Participant's death.

7.2 A Participant may from time to time change his or her designated Beneficiary or Beneficiaries without the consent of such Beneficiary or Beneficiaries by filing a new designation in writing with the Committee.

7.3 The Company may rely upon the designation of Beneficiary or Beneficiaries last filed by the Participant in accordance with the terms of this Plan.

7.4 If the designated Beneficiary does not survive the Participant, or if there is no valid Beneficiary designation, amounts payable under the Plan shall be paid to the Participant's spouse, or if there is no surviving spouse, then to the duly appointed and currently acting personal representative of the Participant's estate. If there is no personal representative of the Participant's estate duly appointed and acting in that capacity within sixty (60) days after the Participant's death, then all payments due under the Plan shall be payable to the person or persons who can verify by affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder pursuant to the laws of intestate succession or other statutory provisions in effect at the Participant's death in the state in which the Participant resided.

7.5 If the Committee shall find that any person to whom any payment is payable under this Plan is unable to care for his or her affairs because of illness or accident, or is a minor, a payment due (unless a prior claim therefore shall have been made by a duly appointed guardian or other legal representative) may be paid to the spouse, a child, a parent, or a brother or sister, or to any custodian, conservator or other fiduciary responsible for the management and control of such person's financial affairs in such manner and proportions as the Committee may determine. Any such payment shall, to the extent thereof, discharge of the liabilities of the Company to the Participant or Beneficiary under this Plan.

7.6 Whenever a provision of this Plan restricts or limits a Participant or a Participant's Account, benefit or distribution, such limitation shall also apply to a Beneficiary unless otherwise specified.

8. Hardship and Acceleration Provisions

8.1 Notwithstanding the provisions of Section 6 hereof, a Participant shall be entitled to request a hardship withdrawal of all or any portion of the Participant's Account or acceleration of payments of the Participant's Account if payments have already commenced under the payout option selected by the Participant. A Participant must make a written request to the Committee for a hardship withdrawal or request for accelerated payment, stating the reasons such withdrawal or acceleration is necessary because of a financial hardship. The Committee, in its sole discretion, shall determine whether or not to grant the Participant's request and, in so doing, may rely on the Participant's statements, and a hardship withdrawal or accelerated payment may be approved without further investigation unless the Committee has reason to believe such statements are false. The Participant shall specify from which of the Participant's Account(s) (i.e., Pre-1991 or Post-1990, or both) the hardship withdrawal shall be taken.

8.2 Effective January 1, 2005, a withdrawal under Section 8.1 shall be permitted only if the Participant incurs an "unforeseeable emergency," as defined below. Any such distribution shall be limited to the amount for which distribution is reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, State or local income taxes or penalties reasonably anticipated to result from the distribution). For purposes of this Section, an "unforeseeable emergency" is a severe financial hardship of the Participant resulting from (i) an illness or accident of the Participant, the Participant's spouse or dependent, (ii) the loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home to the extent not otherwise covered by insurance, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of whether a Participant has an unforeseeable emergency shall be made in accordance with the authorities published pursuant to Code Section 409A.

9. Amendment and Termination of Plan; Change in Control

9.1 The Company may, at its absolute and sole discretion, amend or terminate the Plan at any time.

9.2 In the event of a Plan termination, benefits will be paid out when due under the terms of the Plan. To the extent feasible, the Committee shall use its best efforts to avoid adversely affecting the rights of any existing Participants in the Plan, but prior to a Change in Control (as hereinafter defined), the Committee shall be under no specific duty or obligation in this regard. Following a Change in Control no amendment or termination

of the Plan shall adversely affect any benefits earned by Participants prior to the amendment or termination.

9.3 All Accounts shall be immediately distributed to the Participants to whom such Accounts belong, upon the occurrence of a Change in Control (as hereinafter defined) of the Company. A “Change in Control” shall be deemed to occur if any “person” (as defined in Section 3(a)(9) of the United States Securities Exchange Act of 1934 (the “34 Act”)), other than the Company, any subsidiary or any employee benefit plan or trust maintained by the Company or subsidiary, during any 12-month period ending on the date of the most recent acquisition by such person, becomes the beneficial owner (as defined in Rule 13d-3 under the 34 Act), directly or indirectly of the Company’s stock representing thirty-five percent (35%) or more of the voting power of the Company’s then-outstanding stock; provided, however, that a transaction shall not constitute a Change in Control unless it is a “change in the ownership or effective control” of the Company, or a change “in the ownership of a substantial portion of the assets” of the Company within the meaning of Code Section 409A. For purposes of the foregoing, a subsidiary is any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations, other than the last corporation in such chain, owns at least fifty percent (50%) of the total voting power in one of the other corporations in such chain.

10. Nature of Accounts

10.1 All amounts credited to the Account(s) shall remain the sole property of the Company and shall be usable by it as part of its general funds for any legal purpose whatsoever. The Account(s) shall exist only as bookkeeping entries for the purpose of facilitating the computation of earnings credits hereunder and such Account(s) shall not constitute trust funds, escrow accounts, or any other form of asset segregation in favor of anyone other than the Company. No Participant shall have any interest in any specific asset of the Company by virtue of this Plan and each Participant’s rights under this Plan shall at all times be limited to those of a general unsecured creditor of the Company. Although sometimes referred to in this Plan as “interest,” amounts credited to Account(s) pursuant to Section 5.1 may be treated as compensation for tax and payroll withholding purposes, pursuant to applicable Code and United States Department of Treasury regulation requirements.

11. Committee

11.1 The Plan shall be administered by the Committee appointed by the Board. Subject to the provisions of the Plan and the authority granted to the Deferral Authority,

the Committee shall have exclusive power to determine the manner and time of Deferrals and payment of benefits to the extent herein provided and to exercise any other discretionary powers granted to the Committee pursuant to the Plan. The decisions or determinations by the Committee shall be final and binding upon all parties, including shareholders, Participants, Beneficiaries and other Employees. The Committee shall have the authority to interpret the Plan, to make factual findings and determinations, to adopt and revise rules and regulations relating to the Plan and to make any other determinations which it believes necessary or advisable for the administration of the Plan. The Committee's discretion shall be as broad and unfettered as permitted by law. Notwithstanding the foregoing, after a Change in Control, any findings, adoption or revision of rules or regulations, interpretations, decisions or determinations made by the Committee (including under Section 11.2) shall not be given any deference by a court or arbitrator, and if challenged by a Participant or Beneficiary, shall be reviewed on a de novo basis.

11.2 The Committee shall have all powers necessary to supervise the administration of the Plan and control its operations. In addition to any powers and authority conferred on the Committee elsewhere in the Plan or by law, the Committee shall have, by way of illustration and not by way of limitation, the following powers and authority:

11.2.1 To designate agents to carry out responsibilities relating to the Plan;

11.2.2 To employ such legal, actuarial, medical, accounting, clerical and other assistance as it may deem appropriate in carrying out the provisions of this Plan;

11.2.3 To administer, interpret, construe and apply this Plan and to decide all questions which may arise or which may be raised under this Plan by any Employee, Participant, Beneficiary or other person whatsoever, including but not limited to all questions relating to eligibility to participate in the Plan, and the amount of benefits to which any Participant may be entitled;

11.2.4 To establish rules and procedures from time to time for the conduct of its business and for the administration and effectuation of its responsibilities under the Plan;

11.2.5 To establish claims procedures, and to make forms available for filing of such claims, and to provide the name of the person or persons with whom such claims should be filed. The Committee shall establish procedures for action upon claims initially made and the communication of a decision to the claimant promptly and, in any event, not later than sixty (60) days after the date of the claim; the claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a decision is not furnished to the claimant within such sixty (60) day period. Every claim

for benefits which is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (1) the specific reason or reasons for the denial, (2) specific reference to any provisions of this Plan on which denial is based, (3) description of any additional material or information necessary for the claimant to perfect his claim with an explanation of why such material or information is necessary, and (4) an explanation of the procedure for further reviewing the denial of the claim under the Plan. The Committee shall establish a procedure for review of claim denials, such review to be undertaken by the Committee. The review given after denial of any claim shall be a full and fair review with the claimant or his duly authorized representative having one hundred eighty (180) days after receipt of denial of his claim to request such review, having the right to review all pertinent documents and the right to submit issues and comments in writing. The Committee shall establish a procedure for issuance of a decision by the Committee not later than sixty (60) days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than one hundred twenty (120) days after receipt of the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of this Plan on which the decision is based; and

11.2.6 To perform or cause to be performed such further acts as it may deem to be necessary, appropriate, or convenient in the efficient administration of the Plan.

11.2.7 Prior to a Change in Control, any action taken in good faith by the Committee in the exercise of authority conferred upon it by this Plan shall be conclusive and binding upon the Participants and their Beneficiaries, and all discretionary powers conferred upon the Committee shall be absolute. Following a Change in Control, the actions of the Committee and its exercise of discretionary powers shall be reviewed on a de novo basis if challenged by a Participant or Beneficiary.

11.3 Members of the Committee shall serve as such without compensation from the Plan, but may receive compensation from the Company for so serving. All Plan administration expenses shall be borne by the Company.

11.4 The members of the Committee, the Deferral Authority, the Board, and the Company shall be entitled to rely upon any tables, valuations, computations, estimates, certificates, opinions and reports furnished by any consultant, or firm or corporation which employs one or more consultants or advisors. The Committee may, but is not required to, rely upon all records of the Company with respect to any matter or thing whatsoever, and may likewise treat such records as conclusive with respect to all

Employees, Participants, Beneficiaries and any other persons whomsoever, except as otherwise provided by law.

11.5 The Committee, the Deferral Authority, the Board or the Company may require satisfactory proof of any matter under this Plan from or with respect to any Employee, director, consultant, Participant or Beneficiary, and no such person shall acquire any rights or be entitled to receive any benefits under this Plan until such proof shall be furnished as so required.

11.6 Any person dealing with the Committee may rely on and shall be fully protected in relying on a certificate or memorandum in writing signed by any Committee member so authorized, or by a quorum of the members of the Committee, as constituted as of the date of such certificate or memorandum, as evidence of any action taken or resolution adopted by the Committee.

11.7 No Employee or director of the Company shall be subject to any liability by reason of or arising from his or her participation in the establishment or administration or operation of the Plan unless he or she acts fraudulently or in bad faith.

11.8 Indemnification

11.8.1 To the extent permitted by law, the Company shall indemnify each member of the Deferral Authority, the Committee, and any other Employee or director of the Company who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative, or investigative, by reason of his or her conduct in the performance in connection with the establishment or administration of the Plan or any amendment or termination of the Plan.

11.8.2 This indemnification shall apply against expenses including, without limitation, attorneys fees and any expenses of establishing a right to indemnification hereunder, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, except in relation to matters as to which he or she has acted fraudulently or in bad faith in the performance of such duties.

11.8.3 The termination of any proceeding by judgment, order, settlement, conviction, upon a plea of nolo contendere or its equivalent shall not, in and of itself, create a presumption that the person acted fraudulently or in bad faith in the performance of his or her duties.

11.8.4 Expenses incurred in defending any such proceeding may be advanced by the Company prior to the final disposition of such proceeding, upon receipt of an undertaking

by or on behalf of the recipient to repay such amount, unless it shall be determined ultimately that the recipient is entitled to be indemnified as authorized in this Section 11.8.

11.8.5 The right of indemnification set forth in this Section 11.8 shall be in addition to any other right to which any Committee member or other person may be entitled as a matter of law, by corporate bylaws or otherwise.

12. Limitation on Rights of Participants

12.1 If a Participant is an employee of the Company, such employment is not for any specific term and may be terminated by the Participant or Company at any time, for any reason, with or without cause. Neither this Plan nor any election to defer compensation hereunder shall be held or construed to confer on any person any legal right to be continued as an Employee, consultant or director of the Company; nor to constitute any promise or commitment by the Company regarding future positions, future work assignments, future compensation or any other term or condition of employment or affiliation.

13. Non-Transferability

13.1 No right to payment under this Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same shall be void. No right to payment shall in any manner be liable for, or subject to, the debts, contracts, liabilities or torts of the person entitled thereto.

14. Restriction Against Assignment

14.1 The Participant or Beneficiary shall not have the power to transfer, assign, anticipate, modify, or otherwise encumber in any manner whatsoever any of the payments that will become due pursuant to this Plan, nor shall said payments be subject to attachment, garnishment or execution, or be transferable by operation of law in event of bankruptcy or insolvency.

15. Forfeiture

15.1 In the event that the Committee is unable to locate a Participant or Beneficiary to whom benefits are payable hereunder after mailing a notice to the Participant's or Beneficiary's last known address, and such inability lasts for a period of three (3) years, then any remaining benefits payable hereunder shall be forfeited to the Company and no

Participant or Beneficiary shall have any right to further benefits from the Plan, even if subsequently located.

16. Mailing of Payments

16.1 All payments under the Plan shall be delivered in person or mailed to the last address of the Participant (or, in the case of the death of the Participant to that of any other person entitled to such payments under the terms of the Plan). Each Participant shall be responsible for furnishing the Committee with his or her correct current address and the correct current name and address of his or her Beneficiary.

17. Governing Law

17.1 All legal questions pertaining to the Plan shall be determined in accordance with the laws of Delaware, excluding its rules governing conflicts of laws. Without limiting Section 20, it is intended that this Plan be administered and interpreted in a manner consistent with the applicable requirements of Code Section 409A.

18. Illegality of Particular Provision

18.1 If any particular provision of this Plan shall be found to be illegal or unenforceable, such provision shall not affect the other provisions thereof, but the Plan shall be construed in all respect as if such invalid provision were omitted.

19. Interpretation

19.1 Section headings are for convenient reference only and shall not be deemed to be part of the substance of this instrument or in any way to enlarge or limit the contents of any article or section.

20. Tax Effects

20.1 The Company makes no representations or warranties as to the tax consequences to a Participant or to a Participant's Beneficiary from Deferrals hereunder or the subsequent receipt of any benefits as a result thereof. Each Participant must rely solely on his or her own tax advisor with respect to the tax consequences arising from the Deferrals or the receipt of benefits hereunder, or from any other related transaction. All distributions of benefits shall be subject to applicable tax withholding requirements.

21. Receipt or Release

21.1 Any payment to any Participant or Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Committee and the Company, and the Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

22. Records

22.1 The records of the Company with respect to the Plan shall be conclusive on all Participants, Beneficiaries, and all other persons whomsoever.

23. Arbitration

23.1 Any person disputing a decision of the Committee shall submit such dispute to binding arbitration pursuant to the rules of the American Arbitration Association, to be held in Fairfax County, Commonwealth of Virginia. In any arbitration with respect to a decision or action of the Committee taken before a Change in Control, the losing party in such arbitration proceedings shall bear the costs of arbitration, and each party shall bear its own attorneys' fees. In any arbitration with respect to a decision or action of the Committee taken after a Change in Control, the Company shall bear the costs of arbitration (other than attorneys' fees), and the arbitrator may make an award of attorneys' fees; any such award shall be made according to the then-prevailing standards for judicial awards of attorneys' fees applicable to civil actions brought under the Employee Retirement Income Security Act of 1974, as amended.

24. Recoupment of Awards

24.1 Notwithstanding any other provision herein including, but not limited to, Sections 8, 9.2, 9.3, and 11.1 and notwithstanding any other provisions in any Deferral election or other agreement with respect to the Plan, payments made under the Plan and Accounts under the Plan shall be subject to recoupment or reduction by the Company pursuant to the Company's recoupment policy originally adopted on June 18, 2009 by the Human Resources and Compensation Committee of the Board, as such policy may subsequently be amended (the "Recoupment Policy"). Although consent to the Recoupment Policy by a Participant is not a prerequisite to the effectiveness of the Recoupment Policy with respect to the Participant, the filing of an election by a Participant with respect to any Deferral under the Plan shall be deemed to constitute consent by the Participant to the

terms and conditions of the Recoupment Policy with respect to the Participant's Deferrals and any and all prior Deferrals under the Plan. For purposes of clarity, to the extent provided by the Recoupment Policy, a Participant may be required to return certain payments of Plan benefits made to the Participant, and payments that otherwise would have been made to the Participant with respect to the Participant's Account under the Plan may be reduced or entirely eliminated. Such actions may be taken pursuant to the Recoupment Policy without regard to whether such payments and the Participant's Account were otherwise vested.

LEIDOS, INC.

KEY EXECUTIVE STOCK DEFERRAL PLAN

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LEIDOS, INC.

KEY EXECUTIVE STOCK DEFERRAL PLAN

ARTICLE I

PURPOSE AND EFFECTIVE DATE

This Plan is an unfunded, deferred compensation arrangement established by Leidos, Inc. (the “Company”) to provide selected Employees and Directors with a method of supplementing their retirement income by deferring a portion of their compensation and to make an indirect investment in Company Stock through a “rabbi trust” vehicle. The Plan is effective as of January 4, 1996, and was amended and restated effective January 1, 2005 to comply with Section 409A of the Code and amended and restated effective September 27, 2013.

ARTICLE II

DEFINITIONS

Whenever the following terms are used in the Plan they shall have the meaning specified below, unless the context indicates clearly to the contrary.

2.1. Account. The Account maintained for bookkeeping purposes by the Committee with respect to each Participant to evidence the Participant’s Deferrals of Deferrable Amounts hereunder, to record the number of Share Units credited as a result of such deferrals, to record the Participant’s Ordinary Dividend Equivalent Amounts and to record the number of Share Units credited as a result of such Ordinary Dividend Equivalent Amounts.

2.2. Beneficiary. The person or persons properly designated by the Participant, in accordance with Section 7.4, to receive the benefits provided herein upon death of the Participant.

2.3. Board. The Board of Directors of Leidos, Inc., or its ultimate parent corporation, if any.

2.4. Bonus Compensation Plan. The Company’s 1984 Bonus Compensation Plan, and any successor plan, including the Equity Incentive Plan.

2.5. Capital Restructuring Dividend. The non-recurring cash dividend paid by the Company in 2006 on shares of Company Stock in connection with the Company’s capital restructuring and the initial public offering of Company Stock.

2.6. Code. The Internal Revenue Code of 1986, as amended.

2.7. Committee. The committee composed of such members as shall be appointed from time to time by the Board to administer the Plan.

2.8. Company. Leidos, Inc. (or its ultimate parent corporation, if any). In addition, unless the context indicates otherwise, as used in this Plan the term Company shall also mean and include any direct or indirect subsidiary of the Company which has been approved by the Deferral Authority for participation in this Plan by its Employees.

2.9. Company Stock. The common stock of Leidos Holdings, Inc., par value \$0.0001 per share, or any other security (including preferred stock) of the Company or the Company's ultimate parent corporation, if any, designated as Company Stock by the Committee.

2.10. Deferral. The amount of Deferrable Amounts a Participant has deferred in accordance with Section 3.2 or which is designated as a Deferral under this Plan in connection with an Employee's offer letter for employment with the Company. Deferrals shall be denominated as Share Units.

2.11. Deferral Authority. The individual or group of individuals appointed by the Board to determine which Employees are eligible to make Deferrals and to participate in the Plan.

2.12. Deferrable Amount(s). The bonus, if any, payable to an Employee or Director, in accordance with Company procedures under the Bonus Compensation Plan, Directors' fees or other payments as determined by the Committee. In no way does the adoption or operation of this Plan obligate the Company to pay any bonus or continue any compensation program.

2.13. Director. A member of the Board, other than a Director Emeritus, or a member of the Board of Directors of any subsidiary or affiliate thereof which has been approved by the Deferral Authority for participation in this Plan by its Employees or Directors.

2.14. Distribution Date. The date when distributions begin under the Plan, as specified in Section 7.1.

2.15. Dividend Account. The portion of a Participant's Account maintained by the Committee to record the Participant's Ordinary Dividend Equivalent Amounts.

2.16. Dividend Equivalent

2.17. Employee. A management or highly compensated employee of the Company.

2.18. Equity Incentive Plan. The 2006 Equity Incentive Plan and any successor plan.

2.1. Fair Market Value.

(1) If the Company Stock is being valued in connection with a transaction (such as the crediting of amounts to an Account or a distribution) for which the Committee determines there is a corresponding transaction by the Trust, the net price per share of Company Stock purchased or the net proceeds per share of Company Stock sold in the transaction by the Trust, in each case including all expenses of such transaction by the Trust.

(2) If paragraph (1) does not apply, (a) the closing price of the Company Stock on the New York Stock Exchange on the date for which the fair market value is determined, or, if there is no trading of the Company Stock on such date, then the closing price of the Company Stock on the New York Stock Exchange on the next preceding date on which there was trading in such shares; or (b) if the Company Stock is not listed, admitted or quoted, the Committee may designate such other source of data as it deems appropriate for determining such value for purposes of this Plan.

2.2. Ordinary Dividend. All cash dividends or other cash distributions, other than the Capital Restructuring Dividend, paid by the Company on shares of Company Stock.

2.3. Ordinary Dividend Equivalent Amount. The amount of Ordinary Dividends credited by the Company to a Participant's Account. Such amount to be equal to the per share Ordinary Dividend paid by the Company on its Company Stock multiplied by the number of Share Units credited to the Participant's Account as of the related dividend payment record date.

2.4. Participant. An Employee or Director designated by the Deferral Authority for participation in the Plan who timely files an election to participate and makes or receives Deferrals hereunder.

2.5. Plan. The Science Applications International Corporation Key Executive Stock Deferral Plan, as set forth herein and as amended from time to time.

2.6. Plan Year. January 1 through December 31.

2.7. Retirement Date. The date of an Employee's termination of employment from the Company or a Director's ceasing to be an active Director as determined by the Committee, on or after attaining age 59 ½. Effective January 1, 2005, a Retirement Date shall not occur unless the Employee or Director has had a Separation From Service.

2.8. Separation From Service. The death, retirement or termination of the Employee's employment with the Company, or in the case of a Director, ceasing to perform

services for the Company as a member of the Board. This definition of Separation From Service shall be interpreted and construed in a manner intended to comply with Code Section 409A and the published authorities thereunder.

2.9. Share Unit. The interest of a Participant in a share of Company Stock held in the Participant's Account. A full Share Unit shall be equivalent to a full share of Company Stock, and a partial Share Unit shall be equivalent to the corresponding fraction of a share of Company Stock.

2.10. Termination of Affiliation. Any termination of employment with the Company by an Employee, as determined by the Committee, whether by reason of death, disability, voluntary resignation, layoff, discharge or otherwise, prior to attaining age 59 ½ and, in the case of a Director, ceasing to be an active Director prior to attaining age 59 ½. The Committee shall have the discretion to establish rules and make determinations as to what constitutes a Termination of Affiliation including, without limitation, change of status (e.g., part-time, consulting Employee, etc.) or leave of absence. Notwithstanding the foregoing, a Termination of Affiliation shall not occur unless the Employee or Director has had a Separation From Service.

2.11. Trust. The Science Applications International Corporation Key Executive Stock Deferral Trust established by the Company to hold assets used by the Company to provide for benefits to Participants and Beneficiaries under the Plan.

2.12. Trustee. Wachovia Bank or such successor trustee as shall be appointed pursuant to the Trust instrument.

ARTICLE III PARTICIPATION

3.1. Designation by Deferral Authority. The Deferral Authority in its sole discretion shall designate those Employees or Directors who are to be eligible to participate in the Plan with respect to Deferrals for a particular Plan Year or with respect to a particular Deferrable Amount or Amounts. Designating an individual as eligible to participate in the Plan for a particular Plan Year or with respect to a particular Deferrable Amount shall not require the Deferral Authority to designate such individual for any subsequent Plan Year or with respect to any subsequent Deferrable Amounts. The designation of eligibility by the Deferral Authority may be made in such manner as determined by the Deferral Authority, including, without limitation, establishment of criteria such as compensation level or level or authority.

3.2. Deferral Elections.

(a) An eligible Employee or Director shall not become a Participant in the Plan unless and until he or she has executed and delivered to the Committee a Deferral election, including any forms or agreements as may be prescribed by the Committee, and the Committee shall have accepted such Deferral election and/or additional forms or agreements. Participation in the Plan and any elections made by a Participant, including Deferral elections and elections as to form of distribution under Article VII, is conditioned on the Participant executing an agreement with the Company, in a manner prescribed by the Committee, relating to the Company's right of repurchase of Company Stock (to the extent applicable) and such other matters as the Committee shall prescribe. To initially participate in the Plan, the Employee or Director must submit his or her Deferral election, including any forms or agreements prescribed by the Committee, during the applicable Deferral election period established by the Committee. Effective for Deferrals on or after January 1, 2005, the last day of the Deferral election period for any Deferrable Amount other than "performance-based compensation" (as defined below) shall be no later than the last day of the calendar year prior to the first calendar year during which the Employee or Director performs services for which such Deferral Amount is earned. Beginning with the Deferral election made in the 2003 Plan Year for Deferrable Amounts received during calendar year 2004, the Participant's election shall be carried forward automatically to future Plan Years for which the Participant is eligible to participate unless, during the applicable Deferral election period for such future Plan Years, the Participant elects to modify or cancel the prior election under procedures established by the Committee. In addition to amounts deferred pursuant to a Deferral election, additional Deferrals may be credited to a Participant's Account pursuant to the terms of an offer letter with an Employee made at the time of commencement of employment with the Company, as determined and approved by the Deferral Authority in its sole discretion. Furthermore, the Committee may, to the extent consistent with satisfying Code Section 409A, permit an Employee or Director to make a Deferral Election within thirty (30) days following the date such Employee or Director first becomes eligible to participate in the Plan, as indicated by the effective date of his status change in the Plan's records. Such a Deferral election shall be with respect to compensation earned for services performed after the election.

(b) If a Deferrable Amount constitutes "performance-based compensation," then the Committee may, but need not, delay the last day of the Deferral election period. The last day of the Deferral election period with respect to any Deferrable Amount which is considered to be performance-based compensation shall be no later than six (6) months before the end of the service period over which such Deferrable Amount is earned. For this purpose, "performance-based compensation" means compensation where the amount of or entitlement to the compensation is contingent on the satisfaction of pre-established written performance criteria relating to a performance period of at least twelve (12) consecutive months, provided that performance-based compensation does not include any amount that will be paid regardless of performance, or based upon a level of performance that is substantially certain to be met at the

time the criteria is established. Performance-based compensation must also meet any other applicable requirements established under authority issued pursuant to Code Section 409A.

3.3. Amounts Subject to Deferral. The total Deferrals elected for a particular Plan Year may be in an amount up to a specified percentage of Deferrable Amounts, such maximum percentage to be up to one hundred percent (100%) as determined by the Deferral Authority.

3.4. Deferral Election Irrevocable. Any Deferral election by a Participant for a particular Plan Year shall be irrevocable for that Plan Year following the end of such Plan Year's Deferral election period.

3.5. Deferrals May be Held in Trust.

(a) With respect to Deferrals before January 1, 2005, within a reasonable period of time following the date on which a Deferrable Amount would have been paid to a Participant but for the Deferral hereunder, the Company shall contribute, to the Trust, Company Stock or money in an amount sufficient to purchase shares of Company Stock equal in value (based, prior to any public offering of Company Stock, on the then prevailing Formula Price as determined under the Company's Certificate of Incorporation) to the Deferral. The Trustee shall apply such contribution toward the purchase of Company Stock in accordance with directions of the Committee and terms of the Trust and the Participant shall be credited with the applicable number of Share Units.

(b) Effective January 1, 2005, contributions to the Trust with respect to Deferrals shall be made only if the Company, in its sole discretion, determines to make such contributions. Regardless of whether the Company makes contributions to the Trust with respect to Deferrals, the Participant shall be credited with a number of Share Units equal to the Deferral. If it becomes necessary to determine the value of a full or partial Share Unit prior to any public offering of Company Stock, such value shall be based on the then prevailing Formula Price (as determined under the Company's Certificate of Incorporation) as of the date the Deferrable Amount would have been paid to the Participant but for the Deferral hereunder. Following any public offering of Company Stock, such value shall be determined according to the Fair Market Value of the Company Stock as of the date the Deferrable Amount would have been paid to the Participant but for the Deferral hereunder. However, for Deferrals made by Directors, such value shall be determined according to the Fair Market Value of the Company Stock as of the third business day of the calendar quarter following the calendar quarter in which the Deferrable Amount was earned by the Director.

ARTICLE IV TRUST FUND

4.1. Trust Fund Established. The Company has established the Trust pursuant to a trust agreement under which the Trustee will hold and administer in trust all assets deposited with the Trustee in accordance with the terms of this Plan. The Board shall have the authority to select and remove the Trustee to act under the Trust agreement, and to enter into new or amended trust agreements as it deems advisable.

4.2. Company, Board, Deferral Authority, Committee and Trustee Not Responsible for Adequacy of Trust Fund. Neither the Company, Board, Deferral Authority, Committee nor Trustee shall be liable or responsible for the adequacy of the funds held in the Trust to meet and discharge any or all payments and liabilities hereunder. All Plan benefits will be paid from the Trust assets or by the Company to the extent not paid from Trust assets, and neither the Board, Deferral Authority, Committee nor Trustee shall have any duty or liability to pay such benefits or furnish the Trust with any funds, securities or other assets.

4.3. Invasion of Trust by Creditors. If assets of the Trust should be reduced due to action of the Company's creditors, as provided in the Trust document, the Committee shall reduce each Account for which the Trust held assets on a pro rata basis to reflect such reduction in Trust assets, and the Company shall have no obligation to replace such lost assets.

4.4. Trust Expenses. Expenses of the Trust which are not paid by the Company shall be applied to reduce each Account for which the Trust holds assets on a pro rata basis.

ARTICLE V ACCOUNTS

5.1. Committee to Maintain Accounts. The Committee shall open and maintain a separate Account for each Participant to record the Deferrals made by the Participant and the number of Share Units credited as a result of the Deferrals.

5.2. Additional Accounting Procedures. The Committee shall establish and may amend from time to time additional accounting procedures for the purpose of making allocations, distributions, valuations and adjustments to Accounts, and to allocate Trust earnings expenses and losses to such accounts. A Participant or Beneficiary shall have no contractual or other right to have a particular accounting procedure or convention apply, or continue to apply, and the Committee shall be free to alter any such procedure or convention without notice or obligation to any Participant or Beneficiary.

5.3. Limitation on Benefits. Benefits payable to a Participant or Beneficiary under the Plan shall be limited to the vested Account balance credited to such Participant or Beneficiary.

5.4. Vesting of Account Balances. A Participant's Account balance shall be one hundred percent (100%) vested except with respect to the portion of the Account balance attributable to vesting bonuses awarded under the Bonus Compensation Plan. Such portion of a Participant's Account balance shall become vested (and the nonvested portion forfeited) at the time or times the bonus would have become vested (and the nonvested portion forfeited) under the Bonus Compensation Plan without regard to deferral under this Plan. The Share Units represented by such forfeited portion shall be returned to the Company or reallocated in accordance with the Committee's directions and the terms of the Trust.

5.5. Ordinary Dividend Equivalents. As of any date that the Company pays an Ordinary Dividend, each Participant's Dividend Account shall be credited with an Ordinary Dividend Equivalent Amount. Such Ordinary Dividend Equivalent Amount shall be credited to each Participant's Account in the form of a number of Share Units (including partial Share Units) determined by dividing the Participant's Ordinary Dividend Equivalent Amount (expressed in dollars) by the Fair Market Value of a share of Company Stock as of the crediting date. Amounts credited to a Participant's Dividend Account shall be fully vested at all times; provided, however, that amounts credited to a Participant's Dividend Account with respect to the portion of the Account balance attributable to bonuses of vesting restricted stock units shall vest (or be forfeited) in accordance with the provisions of Section 5.4.

ARTICLE VI RIGHTS IN ACQUIRED STOCK

6.1. Power to Vote Stock Rests With Trustee. The power to vote any stock held by the Trustee shall rest solely with the Trustee, who shall vote such stock in the same proportion that the other shareholders vote their shares of stock of the Company. For purposes of this Section 6.1, in determining how other shareholders voted, the Trustee shall take into account the votes of shareholders with respect to all classes of voting stock, including but not limited to Class A and Class B Common Stock.

6.2. Tender Offers. In the case of a tender offer for the Company Stock, the Trustee shall tender the shares of Company Stock held by the Trust only if more than fifty percent (50%) of the shares of Company Stock held outside the Trust are tendered by the shareholders.

6.3. Dividends. All Ordinary Dividends on Company Stock held in Trust shall be held by the Trustee and reinvested as directed by the Committee. The Capital Restructuring Dividend on Company Stock held in Trust shall be immediately disbursed by the Trustee to the Company for immediate distribution by the Company to Participants in accordance with Section 7.7. No person (including, but not limited to, the Trustee, the Company, the Committee or the Board) shall have the authority or ability to delay the immediate transfer of the Capital Restructuring Dividend from the Trustee to the Company pursuant to this Section 6.3.

ARTICLE VII DISTRIBUTIONS

7.1. Time of Commencement of Distribution. Subject to the acceleration provisions of Article VIII, the balance credited to a Participant's Account shall be distributed, or commence to be distributed, to the Participant on the first to occur of the following events:

- (c) the Participant's Retirement Date; or
- (d) the date of the Participant's Termination of Affiliation with the Company.

7.2. Form of Distribution. Each distribution shall be made in the form of Company Stock, except that fractional Share Units shall, as determined according to procedures established by the Committee, be distributed in kind as fractional shares or applied towards satisfying tax withholding obligations with respect to Participants' distributions. A Participant shall have no right to request a cash distribution.

7.3. Methods of Distribution.

(a) Lump Sum on Death. If a Participant dies having an Account balance (regardless of whether distributions have begun under the Plan), the remaining balance in the Participant's Account shall be paid in the form of a lump sum to the Beneficiary or Beneficiaries designated in accordance with Section 7.4, or as otherwise provided in Sections 7.4 and 7.5, within a reasonable period following the date when the Committee receives notice of the Participant's death.

(b) Election for Retirement Distributions. Subject to the acceleration provisions in Article VIII, distributions made on account of a Participant's Retirement Date shall be made to the Participant in accordance with a valid election made by the Participant under this subsection (b). The Participant may elect in a manner prescribed by the Committee to have his or her Account paid in one of the following forms:

(1) A lump sum payment of the entire Account Balance; or

(2) A series of annual payments over a five (5) or ten (10) year period. Each installment shall include one-fifth or one-tenth, as applicable, of the number of shares of Company Stock distributable to the Participant. Effective for new Participants making Deferral elections for the 2004 and subsequent Plan years, a series of annual payments over a fifteen (15) year period shall be an available option for distributions following the Participant's Retirement Date. Each installment shall include one-fifteenth of the number of shares of Company Stock distributable to the Participant.

In the event Participant elects a lump sum payment as described in Section 7.3(b)(1) and Participant has an Account balance attributable to vesting bonuses under the Bonus Compensation Plan that will continue vesting after such lump sum payment, additional distributions shall be made within a reasonable period of time following each date Share Units vest. In the event Participant elects a series of annual payments as described in Section 7.3(b)(2) and Participant has an Account balance attributable to vesting bonuses under the Bonus Compensation Plan that will continue vesting after any annual distribution of Participant's Account balance occurs, any Share Units that vest after a distribution will be added to the Account balance and distributed ratably over the remaining series of annual payments.

Effective January 1, 2005, a Participant's election of the form of distribution shall be made at the time the Participant first makes a Deferral election. Such election of form of distribution shall be applicable to all subsequent Deferral elections by the Participant.

(c) Change of Distribution Election. Except as set forth in this Section 7.3(c), a Participant's election of form of distribution shall be irrevocable. Each of the forms of distribution set forth in Section 7.3(b) shall be considered a single payment for purposes of Code Section 409A. Accordingly, Participants shall be allowed to make a new form of distribution election, provided that the following requirements are satisfied:

(1) the election does not take effect until at least twelve (12) months after the date the election is made, and the election must be made at least twelve (12) months prior to the date the first payment would be made to the Participant absent the election;

(2) the commencement date of the first payment to the Participant shall be five (5) years following the date the payment would have commenced absent the change in the Participant's election; and

(3) no Participant may make more than one (1) new form of distribution election.

Any attempt to change a distribution election that does not satisfy these requirements shall be void.

(d) Other Distributions. Distributions other than those specified in subsection (a) or (b) above shall be made as a lump sum within a reasonable period of time following a Participant's Termination of Affiliation.

(e) Default Distribution. If the Participant fails to make a valid election as described in subsection (b), the Participant's Account shall be distributed in full as a lump sum payment within a reasonable period of time following the Distribution Date. If Participant has an Account balance attributable to vesting bonuses under the Bonus Compensation Plan that will continue vesting after such lump sum payment is made, additional distributions shall be made within a reasonable period of time following each date Share Units vest.

(f) Notwithstanding the foregoing, if any stock of the Company is publicly traded on an established securities market, the distribution to any Participant who is a "specified employee" under Code Section 409A(a)(1)(B)(i) shall not be made (or commence to be made in the case of installment payments) before the earlier of (i) the date which is six (6) months after such Participant's Separation From Service or (ii) the date of the Participant's death. For any twelve (12) month period commencing April 1 and ending March 31, an Employee is a "specified employee" if the Employee was a "key employee" at any time during the calendar year ending before such April 1. A key employee is defined in Code Section 416(i) without regard to Code Section 416(i) (5).

(g) Notwithstanding Section 7.3(c), pursuant to a transition rule issued by the Internal Revenue Service under Code Section 409A, each Participant who has not had a Separation from Service as of December 31, 2006, shall be permitted to elect among the forms of distribution specified in Section 7.3(b) with respect to distributions made on account of the Participant's Retirement Date. The elections under this Section 7.3(g) shall be made pursuant to rules prescribed by the Committee, but shall in no event be made after December 31, 2006. If a Participant does not make an election under this subsection (g), then the Participant's previous election among forms of distribution shall continue to apply.

7.4. Beneficiary Designation

(a) Upon forms provided by the Committee, each Participant shall designate in writing the Beneficiary or Beneficiaries whom such Participant desires to receive the benefits of this Plan, if any, payable in the event of such Participant's death. A Participant may from time to time change his or her designated Beneficiary or Beneficiaries without the consent of such Beneficiary or Beneficiaries by filing a new designation in writing with the Committee. The

Committee may rely upon the designation of Beneficiary or Beneficiaries last filed by the Participant in accordance with the terms of this Plan.

(b) If the designated Beneficiary does not survive the Participant, or if there is no valid Beneficiary designation, amounts payable under the Plan shall be paid to the Participant's spouse, or if there is no surviving spouse, then to the duly appointed and currently acting personal representative of the Participant's estate. If there is no personal representative of the Participant's estate duly appointed and acting in that capacity within sixty (60) days after the Participant's death, then all payments due under the Plan shall be payable to the person or persons who can verify by affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder pursuant to the laws of intestate succession or other legal provision in effect at the Participant's death in the jurisdiction having authority over disposition of the Participant's estate.

7.5. Distribution to Guardian. If the Committee shall find that any person to whom any payment is payable under this Plan is unable to care for his or her affairs because of illness or accident, or is a minor, a payment due (unless a prior claim therefore shall have been made by a duly appointed guardian or other legal representative) may be paid to the spouse, a child, a parent, or a brother or sister, or to any custodian, conservator or other fiduciary responsible for the management and control of such person's financial affairs in such manner and proportions as the Committee may determine. Any such payment shall, to the extent thereof, discharge of the liabilities of the Company to the Participant or Beneficiary under this Plan.

7.6. Withholding of Taxes. To the extent any distribution is subject to withholding taxes, the Committee shall require, as a condition to the payment of such distribution, that the taxes be withheld from such distribution. With respect to amounts paid from the Trust, the Trustee shall deliver the withheld amounts to the Company which shall pay over the withheld taxes as required by law. The Committee may, but need not, allow the Participant to make payment to the Company in the form of a check for such withholding taxes, and the Committee may provide in its discretion for other methods of withholding acceptable to the Company.

7.7. Distribution of Dividend Equivalents.

(a) Notwithstanding anything to the contrary in this Article VII, effective January 1, 2006, Dividend Equivalents with respect to the Capital Restructuring Dividend shall be distributed as set forth in this Section 7.7.

(b) Dividend Equivalents with respect to the Capital Restructuring Dividend shall be distributed by the Company to Participants as soon as administratively feasible upon the Company's receipt of the Capital Restructuring Dividend from the Trustee in accordance with Section 6.3. No one (including, but not limited to, the Trustee, the Company, the Board, the

Committee or any Participant) shall have the authority or the ability to delay the immediate distribution of Dividend Equivalents or alter the amount of Dividend Equivalents distributed with respect to the Capital Restructuring Dividend. The distribution of Dividend Equivalents with respect to the Capital Restructuring Dividend to be made to a Participant in accordance with this Section 7.7(b) shall equal the product of (i) the Participant's Share Units as of the record date for the Capital Restructuring Dividend, times (ii) the per share Capital Restructuring Dividend. Immediate payment of the Dividend Equivalent upon the payment of the Capital Restructuring Dividend by the Company is intended to satisfy the requirement of Code Section 409A that payment be made as of a specified time or pursuant to a fixed schedule.

(c) Distributions of Dividend Equivalents with respect to the Capital Restructuring Dividend shall be made in cash without interest and shall be made from the Capital Restructuring Dividend paid to the Trust and transferred to the Company pursuant to Section 6.3.

ARTICLE VIII ACCELERATION OF DISTRIBUTION

8.1. Change in Control. All Accounts shall be immediately distributed to the Participants to whom such Accounts belong, upon the occurrence of a Change in Control (as hereinafter defined) of the Company. A "Change in Control" shall be deemed to occur if any person (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act")) other than the Company, any subsidiary or employee benefit plan or trust maintained by the Company or subsidiary, during any 12-month period ending on the date of the most recent acquisition by such person, becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of the Company's stock representing thirty-five percent (35%) or more of the voting power of the Company's then-outstanding stock; provided, however, that a transaction shall not constitute a Change in Control unless it is a "Change in the ownership or effective control" of the Company, or a change "in the ownership of a substantial portion of the assets" of the Company within the meaning of Code Section 409A. For purposes of the foregoing, a subsidiary is any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations, other than the last corporation in such chain, owns at least fifty percent (50%) of the total voting power in one of the other corporations in such chain.

8.2. Hardship.

(h) Prior to January 1, 2005, notwithstanding the provisions of Section 7.1 and 7.3 hereof, a Participant shall be entitled to request a hardship distribution of all or any portion of his or her Account. A Participant or legal representative of the Participant must make a written

request for a hardship distribution, stating the reasons such withdrawal is necessary because of a financial hardship. The Committee, in its sole discretion, shall determine whether or not to grant the hardship distribution of such Participant's Account and, in so doing, may rely on the Participant's statements, and a hardship distribution may be approved without further investigation unless the Committee has reason to believe such statements are false.

(i) Effective January 1, 2005, a withdrawal under this Section 8.2 shall be permitted only if the Participant incurs an "unforeseeable emergency," as defined below. Any such distribution shall be limited to the amount for which distribution is reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, State or local income taxes or penalties reasonably anticipated to result from the distribution). For purposes of this Section 8.2(b), an "unforeseeable emergency" is a severe financial hardship of the Participant resulting from (i) an illness or accident of the Participant, the Participant's spouse or dependent, (ii) the loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home to the extent not otherwise covered by insurance, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of whether a Participant has an unforeseeable emergency shall be made in accordance with the authorities published pursuant to Code Section 409A.

ARTICLE IX SOURCE OF PAYMENT

9.1. No Direct Interest in Trust Assets. All distributions hereunder shall be paid solely from the Trust or from the assets of the Company, as determined by the Company. The Company shall pay any distributions not paid by the Trust. No special or separate funds shall be established and no other segregation of assets shall be made to assure the payment of benefits hereunder. A Participant shall have no right, title, or interest whatever in or to any investments which the Company may make through the Trust to meet its obligations hereunder. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create any kind of a fiduciary relationship between the Company and a Participant or any other person.

ARTICLE X
PLAN TERMINATION AND AMENDMENT

10.1. Termination and Amendments. The Plan shall continue until all amounts credited to the Participants' Accounts have been distributed in accordance with the terms of the Plan. Notwithstanding the foregoing sentence, the Company retains the right to amend or terminate the Plan for any reason, including but not limited to adverse changes in tax laws or the bankruptcy, receivership or dissolution of the Company. In the event of a Plan termination, benefits will be paid out when due under the terms of the Plan. To the extent feasible, the Committee shall use its best efforts to avoid adversely affecting the rights of any existing Participants in the Plan, but prior to a Change in Control, the Committee shall be under no specific duty or obligation in this regard. Following a Change in Control, no amendment or termination of the Plan shall adversely affect any benefits earned by Participants prior to the amendment or termination.

ARTICLE XI
PLAN ADMINISTRATION

11.1. Committee. The Plan shall be administered by the Committee. Subject to the provisions of the Plan and the authority granted to the Deferral Authority, the Committee shall have exclusive power to determine the manner and time of Deferrals and payment of benefits to the extent herein provided and to exercise any other discretionary powers granted to the Committee pursuant to the Plan. The decisions or determinations by the Committee shall be final and binding upon all parties, including shareholders, Participants, Beneficiaries and other Employees. The Committee shall have the authority to interpret the Plan, to make factual findings and determinations, to adopt and revise rules and regulations relating to the Plan and to make any other determinations which it believes necessary or advisable for the administration of the Plan. The Committee's discretion shall be as broad and unfettered as permitted by law. Notwithstanding the foregoing, after a Change in Control, any findings, adoption or revision of rules or regulations, interpretations, decisions or determinations made by the Committee (including under Section 11.2) shall not be given any deference by a court or arbitrator, and if challenged by a Participant or Beneficiary, shall be reviewed on a de novo basis.

11.2. Committee Powers. The Committee shall have all powers necessary to supervise the administration of the Plan and control its operations. In addition to any powers and authority conferred on the Committee elsewhere in the Plan or by law, the Committee shall have, by way of illustration and not by way of limitation, the following powers and authority;

(a) To designate agents to carry out responsibilities relating to the Plan;

(b) To employ such legal, actuarial, medical, accounting, clerical and other assistance as it may deem appropriate in carrying out the provisions of this Plan;

(c) To administer, interpret, construe and apply this Plan and to decide all questions which may arise or which may be raised under this Plan by any Employee, Participant, Beneficiary or other person whatsoever, including but not limited to all questions relating to eligibility to participate in the Plan, and the amount of benefits to which any Participant may be entitled;

(d) To establish rules and procedures from time to time for the conduct of its business and for the administration and effectuation of its responsibilities under the Plan;

(e) To establish claims procedures, and to make forms available for filing of such claims, and to provide the name of the person or persons with whom such claims should be filed. The Committee shall establish procedures for action upon claims initially made and the communication of a decision to the claimant promptly and, in any event, not later than sixty (60) days after the date of the claim; the claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a decision is not furnished to the claimant within such sixty (60) day period. Every claim for benefits which is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (1) the specific reason or reasons for the denial, (2) specific reference to any provisions of this Plan on which denial is based, (3) description of any additional material or information necessary for the claimant to perfect his claim with an explanation of why such material or information is necessary, and (4) an explanation of the procedure for further reviewing the denial of the claim under the Plan. The Committee shall establish a procedure for review of claim denials, such review to be undertaken by the Committee. The review given after denial of any claim shall be a full and fair review with the claimant or his duly authorized representative having one hundred eighty (180) days after receipt of denial of his claim to request such review, having the right to review all pertinent documents and the right to submit issues and comments in writing. The Committee shall establish a procedure for issuance of a decision by the Committee not later than sixty (60) days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than one hundred twenty (120) days after receipt of the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of this Plan on which the decision is based; and

(f) To perform or cause to be performed such further acts as it may deem to be necessary, appropriate, or convenient in the efficient administration of the Plan.

Prior to a Change in Control, any action taken in good faith by the Committee in the exercise of authority conferred upon it by this Plan shall be conclusive and binding upon the Participants and their Beneficiaries, and all discretionary powers conferred upon the Committee shall be absolute. Following a Change in Control, the actions of the Committee and its exercise of discretionary powers shall be reviewed on a de novo basis if challenged by a Participant or Beneficiary.

11.3. Plan Expenses. Members of the Committee shall serve as such without compensation from the Plan, but may receive compensation from the Company for so serving. All Plan administration expenses shall be borne by the Company or the Trust as determined by the Committee in its sole discretion.

11.4. Reliance Upon Documents and Opinions. The members of the Committee, the Deferral Authority, the Board, and the Company shall be entitled to rely upon any tables, valuations, computations, estimates, certificates, opinions and reports furnished by any consultant, or firm or corporation which employs one or more consultants or advisors. The Committee may, but is not required to, rely upon all records of the Company with respect to any matter or thing whatsoever, and may likewise treat such records as conclusive with respect to all Employees, Participants, Beneficiaries and any other persons whomsoever, except as otherwise provided by law.

11.5. Requirement of Proof. The Committee, the Deferral Authority, the Board, or the Company may require satisfactory proof of any matter under this Plan from or with respect to any Employee, Director, consultant, Participant or Beneficiary, and no such person shall acquire any rights or be entitled to receive any benefits under this Plan until such proof shall be furnished as so required.

11.6. Reliance on Committee Memorandum. Any person dealing with the Committee may rely on and shall be fully protected in relying on a certificate or memorandum in writing signed by any Committee member so authorized, or by a quorum of the members of the Committee, as constituted as of the date of such certificate or memorandum, as evidence of any action taken or resolution adopted by the Committee.

11.7. Limitation on Liability. No Employee or Director of the Company shall be subject to any liability by reason of or arising from his or her participation in the establishment or administration or operation of the Plan unless he or she acts fraudulently or in bad faith.

11.8. Indemnification.

(a) To the extent permitted by law, the Company shall indemnify each member of the Deferral Authority, the Committee, and any other Employee or Director of the Company who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative, or investigative, by reason of his or her conduct in the performance in connection with the establishment or administration of the Plan or any amendment or termination of the Plan.

(b) This indemnification shall apply against expenses including, without limitation, attorneys fees and any expenses of establishing a right to indemnification hereunder, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, except in relation to matters as to which he or she has acted fraudulently or in bad faith in the performance of such duties.

(c) The termination of any proceeding by judgment, order, settlement, conviction, upon a plea of nolo contendere or its equivalent shall not, in and of itself, create a presumption that the person acted fraudulently or in bad faith in the performance of his or her duties.

(d) Expenses incurred in defending any such proceeding may be advanced by the Company prior to the final disposition of such proceeding, upon receipt of an undertaking by or on behalf of the recipient to repay such amount, unless it shall be determined ultimately that the recipient is entitled to be indemnified as authorized in this Section 11.8.

(e) The right of indemnification set forth in this Section 11.8 shall be in addition to any other right to which any Committee member or other person may be entitled as a matter of law, by corporate bylaws or otherwise.

**ARTICLE XII
MISCELLANEOUS PROVISIONS**

12.1. Restrictions on Plan Interest.

(g) A Participant's interest in this Plan shall be limited to his or her Account and he or she shall have no other interest in any assets of the Company nor any right as against the Company, Deferral Authority or Committee for payment of benefits under this Plan.

(h) None of the benefits, payments, proceeds, claims or rights hereunder of any Participant or Beneficiary shall be subject to any claim of any creditor of such Participant or

Beneficiary and in particular the same shall not be subject to attachment, garnishment, or other legal process by any creditor of such Participant or Beneficiary.

(i) A Participant or Beneficiary shall not have any right to alienate, anticipate, commute, pledge, encumber, or assign any of the benefits or payments or proceeds which he or she may expect to receive, contingently or otherwise, under the Plan.

(j) A Participant's and Beneficiary's interest in this Plan and his or her Account in the Trust are subject to the claims of the Company's creditors as provided in the Trust. Each Participant and Beneficiary shall, however, be considered a general creditor of the Company with respect to his or her Account, so that if the Company should become insolvent, the Participant or Beneficiary will have a claim against the Company and Trust assets equal to that of the Company's other general creditors (regardless of whether assets are removed from the Trust by a trustee in bankruptcy).

(k) Whenever a provision of this Plan restricts or limits a Participant or a Participant's Account, benefit or distribution, such limitation shall also apply to a Beneficiary unless otherwise specified.

12.2. No Enlargement of Employee Rights.

(d) This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Employee or Director, or be consideration for, or an inducement to, or a condition of, the employment of any Employee or affiliation of any Director.

(e) The employment of any Employee is not for any specified term and may be terminated by any Employee or by the Company at any time, for any reason, with or without cause. Nothing contained in the Plan shall be deemed to give any Employee the right to be retained in the employ of the Company, to constitute any promise or commitment by the Company regarding future positions, future work assignments, future compensation or any other term or condition of employment or to interfere with the right of the Company to discharge or retire any Employee at any time.

(f) No person shall have any right to any benefits under this Plan, except to the extent expressly provided herein.

12.3. Rights of Repurchase and First Refusal for the Company. Any Company Stock distributed from the Plan may be subject to a right of repurchase and right of first refusal by the Company, as well as any conditions, limitations or restrictions contained in an agreement specified in Section 3.2. The terms and conditions of the right of repurchase and right of first

refusal to the extent applicable, shall be in addition to those applied to Company Stock by the Restated Certificate of Incorporation of Leidos Holdings, Inc., as amended.

12.4. Mailing of Payments. All payments under the Plan shall be delivered in person or mailed to the last address of the Participant (or, in the case of the death of the Participant to that of any other person entitled to such payments under the terms of the Plan). Each Participant shall be responsible for furnishing the Committee with his or her correct current address and the correct current name and address of his or her Beneficiary.

12.5. Inability to Locate Participant or Beneficiary. In the event that the Committee is unable to locate a Participant or Beneficiary to whom benefits are payable hereunder after mailing a notice to the Participant's or Beneficiary's last known address, and such inability lasts for a period of three (3) years, then any remaining benefits payable hereunder shall be forfeited to the Company and no Participant or Beneficiary shall have any right to further benefits from the Plan, even if subsequently located.

12.6. Governing Law. All legal questions pertaining to the Plan shall be determined in accordance with the laws of Delaware, excluding its rules governing conflicts of laws. Without limiting Section 12.9, it is intended that this Plan be administered and interpreted in a manner consistent with the applicable requirements of Code Section 409A, and further that the Plan be interpreted in a manner that satisfies the applicable requirements of Rule 16b-3 promulgated under the Exchange Act, so that elective deferrals will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Exchange Act and will not be subjected to avoidable liability thereunder.

12.7. Illegality of Particular Provision. If any particular provision of this Plan shall be found to be illegal or unenforceable, such provision shall not affect the other provisions thereof, but the Plan shall be construed in all respect as if such invalid provision were omitted.

12.8. Interpretation. Section headings are for convenient reference only and shall not be deemed to be part of the substance of this instrument or in any way to enlarge or limit the contents of any article or section.

12.9. Tax Effects. The Company makes no representations or warranties as to the tax consequences to a Participant or to a Participant's Beneficiary from Deferrals hereunder or the subsequent receipt of any benefits as a result thereof. Each Participant must rely solely on his or her own tax advisor with respect to the tax consequences arising from the Deferrals or the receipt of benefits hereunder, or from any other related transaction.

12.10. Receipt or Release. Any payment to any Participant or Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of

all claims against the Committee and the Company, and the Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

12.11. Records. The records of the Company with respect to the Plan shall be conclusive on all Participants, Beneficiaries, and all other persons whomsoever.

12.12. Arbitration. Any person disputing a decision of the Committee shall submit such dispute to binding arbitration pursuant to the rules of the American Arbitration Association, to be held in Fairfax County, Commonwealth of Virginia. In any arbitration with respect to a decision or action of the Committee taken before a Change in Control, the losing party in such arbitration proceedings shall bear the costs of arbitration, and each party shall bear its own attorneys' fees. In any arbitration with respect to a decision or action of the Committee taken after a Change in Control, the Company shall bear the costs of arbitration (other than attorneys' fees), and the arbitrator may make an award of attorneys' fees; any such award shall be made according to the then-prevailing standards for judicial awards of attorneys' fees applicable to civil actions brought under the Employee Retirement Income Security Act of 1974, as amended.

12.13. Recoupment of Awards. Notwithstanding any other provision herein including, but not limited to, Sections 8, 10.1, 11.1 and 12.1(b), and notwithstanding any other provisions in any Deferral election or other agreement with respect to the Plan, payments made under the Plan and Accounts under the Plan shall be subject to recoupment or reduction by the Company pursuant to the Company's recoupment policy originally adopted on June 18, 2009 by the Human Resources and Compensation Committee of the Board, as such policy may subsequently be amended (the "Recoupment Policy"). Although consent to the Recoupment Policy by a Participant is not a prerequisite to the effectiveness of the Recoupment Policy with respect to the Participant, the filing of an election by a Participant with respect to any Deferral under the Plan shall be deemed to constitute consent by the Participant to the terms and conditions of the Recoupment Policy with respect to the Participant's Deferrals and any and all prior Deferrals under the Plan. For purposes of clarity, to the extent provided by the Recoupment Policy, a Participant may be required to return certain payments of Plan benefits made to the Participant, and payments that otherwise would have been made to the Participant with respect to the Participant's Account under the Plan may be reduced or entirely eliminated. Such actions may be taken pursuant to the Recoupment Policy without regard to whether such payments and the Participant's Account were otherwise vested.

2006 EMPLOYEE STOCK PURCHASE PLAN

(Restated* September 27, 2013)

1. Establishment of Plan.

Leidos Holdings, Inc. (the “**Company**”) proposes to grant options for purchase of the Company’s Class A Preferred Stock or the Company’s Common Stock as determined by the Committee to eligible employees of the Company and its Participating Subsidiaries pursuant to this 2006 Employee Stock Purchase Plan (this “**Plan**”). The Company intends this Plan to qualify as an “employee stock purchase plan” under Section 423 of the Code (as may be amended from time to time), although the Company makes no undertaking or representation to maintain such qualification. In addition, the Plan authorizes the grant of options under a Non-423 Plan Component pursuant to rules, procedures or sub-plans adopted by the Board (or its designate) designed to achieve desired tax or other objectives. To the extent that the Company grants options to employees of its Affiliates, such grants shall be made under the Non-423 Plan Component. Any term not expressly defined in this Plan but defined for purposes of Section 423 of the Code shall have the same definition herein.

2. Definitions.

This Plan uses the following defined terms:

- (a) “**Affiliate**” means any entity other than a Subsidiary in which the Company has a controlling interest and which is not a “subsidiary corporation” as defined in Section 424(f) of the Code.
- (b) “**Annual Increase**” means the automatic annual increase in the Share Limit described in Section 3.
- (c) “**Board**” means the Board of Directors of the Company.
- (d) “**Class A Preferred Stock**” means the Class A Preferred Stock of the Company.
- (e) “**Code**” means the Internal Revenue Code of 1986, as amended.
- (f) “**Committee**” means the Compensation Committee of the Board.
- (g) “**Common Stock**” means the common stock of the Company, par value \$0.0001 per share.
- (h) “**Company**” means Leidos Holdings, Inc., a Delaware corporation.

* Reflects a change in the Company’s name and adjustments to share amounts to reflect a one-for-four reverse stock split, both effected on September 27, 2013.

- (i) “**employee**” has the meaning set forth in Section 4.
- (j) “**Employee Stock Purchase Committee**” means a committee consisting of one or more management employees of the Company appointed in accordance with Section 5.
- (k) “**fair market value**” means the value of a Share as determined under Section 10.
- (l) “**First Offering Period**” means the period commencing and ending on those dates determined by the Committee.
- (m) “**Maximum Share Amount**” means a maximum number of Shares which may be purchased by any employee at any single Purchase Date described in Section 12.
- (n) “**Non-423 Plan Component**” means a component of this Plan which does not qualify under Section 423 of the Code.
- (o) “**Notice Period**” means the period within two (2) years from the Offering Date relating to the applicable shares or one (1) year from the Purchase Date on which the applicable shares were purchased.
- (p) “**Offering Date**” means the first business day of each Offering Period.
- (q) “**Offering Period**” means a period of three (3) months except for the First Offering Period as set forth in Section 7 of this Plan. The duration and timing of Offering Periods may be changed pursuant to Section 7, Section 16 and Section 29 of this Plan, provided that no Offering Period shall exceed a period of twenty-four (24) months.
- (r) “**Parent Corporation**” shall have the same meaning as “parent corporation” in Section 424(e) of the Code.
- (s) “**Participating Subsidiaries**” means Leidos, Inc. and such Parent Corporations, Subsidiaries or Affiliates that the Board designates from time to time as corporations that shall participate in this Plan.
- (t) “**Plan**” means this 2006 Employee Stock Purchase Plan of the Company.
- (u) “**Purchase Date**” means the last business day of each Purchase Period.

(v) “**Purchase Period**” means a period of three (3) months, except for the first Purchase Period, coincident with an Offering Period. The duration and timing of Purchase Periods may be changed pursuant to Section 7, Section 16 and Section 29 of this Plan, provided that no Purchase Period shall exceed a period of six (6) months.

(w) “**Reserves**” means the number and type of Shares covered by each option under this Plan which has not yet been exercised and the number and type of Shares which have been authorized for issuance under this Plan, including the Annual Increase, but have not yet been placed under option.

(x) “**Section 423 Plan**” has the meaning set forth in Section 21.

(y) “**Share**” means a share of the Class A Preferred Stock or Common Stock, as determined by the Committee.

(z) “**Share Limit**” means the limit on the total number of Shares available for issuance under this Plan described in Section 3.

(aa) “**Subsidiary**” shall have the same meaning as “subsidiary corporation” in Section 424(f) of the Code.

(bb) “**Value Date**” means the date the fair market value of a Share is to be determined.

3. Number of Shares.

The total number of Shares initially available for issuance pursuant to this Plan shall be 2,250,000 (the “**Share Limit**”), subject to adjustments effected in accordance with Section 16 of this Plan. Notwithstanding the foregoing and subject to Section 16, the Share Limit shall automatically increase on February 1, 2007 and February 1 of each year thereafter until and including February 1, 2016 (unless the Plan is terminated earlier in accordance with the provisions hereof) by the “**Annual Increase**” which shall consist of a number of shares equal to the least of (i) 2,250,000, (ii) two percent (2%) of the number of shares of Common Stock of the Company outstanding on the last day of the immediately preceding fiscal year (measured on a converted basis with respect to outstanding shares of Class A Preferred Stock), or (iii) a lesser number determined by the Committee prior to such February 1. To the extent the Board (or its designate) shall have implemented a Non-423 Plan Component, the Share Limit shall be reduced by the number of shares issued under the Non-423 Plan Component. Shares issued under this Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares

reacquired in private transactions or open market purchases, but all shares issued under this Plan and the Non-423 Plan Component shall be counted against the Share Limit.

4. Purpose.

The purpose of this Plan is to provide eligible employees of the Company and Participating Subsidiaries with a convenient means of acquiring an equity interest in the Company through payroll deductions, to enhance such employees' sense of participation in the affairs of the Company and Participating Subsidiaries, and to provide an incentive for continued employment. For the purposes of this Plan, "employee" shall mean any individual who is an employee of the Company or a Participating Subsidiary. Whether an individual qualifies as an employee shall be determined by the Committee, in its sole discretion. The Committee shall be guided by the provisions of Treasury Regulation Section 1.423-2(e) and Section 3401(c) of the Code and the Treasury Regulations thereunder as to employees in the United States, with the intent that the Plan cover all "employees" within the meaning of those provisions other than those who are not eligible to participate in the Plan, provided, however, that any determinations regarding whether an individual is an "employee" shall be prospective only, unless otherwise determined by the Committee. Unless the Committee makes a contrary determination, the employees of the Company shall, for all purposes of this Plan, be those individuals who are employees of the Company or a Participating Subsidiary for regular payroll purposes or are on a leave of absence for not more than 90 days. Any inquiries regarding eligibility to participate in the Plan shall be directed to the Committee, whose decision shall be final.

5. Administration.

This Plan shall be administered by the Committee. The Committee may delegate certain administrative responsibilities to an Employee Stock Purchase Committee, including (a) prescribing, amending and rescinding rules and regulations relating to the Plan; (b) prescribing forms for carrying out the provisions and purposes of the Plan; (c) interpreting the Plan; and (d) making all other determinations deemed necessary or advisable for the administration of the Plan, including factual determinations. Subject to the provisions of this Plan, the Committee shall have all authority to (i) determine and change the percentage discount pursuant to Section 10, (ii) determine and change the Offering Periods and Offering Dates pursuant to Section 7, (iii) determine and change the purchase price for shares pursuant to Section 10, (iv) prescribe minimum holding periods for the Shares issued under this Plan, and (v) prescribe, amend and rescind rules and regulations relating to this Plan. All decisions of the Committee and the Employee Stock Purchase Committee shall be final and binding upon all participants. Members of the Committee and the Employee Stock Purchase Committee shall receive no compensation for their services in connection with the administration of this Plan, other than standard fees as established from time to time by the Board for services rendered by Board members serving on

Board committees. All expenses incurred in connection with the administration of this Plan shall be paid by the Company.

6. Eligibility.

Any employee of the Company or the Participating Subsidiaries is eligible to participate in an Offering Period (as hereinafter defined) under this Plan except the following:

(a) employees who are not employed by the Company or a Participating Subsidiary prior to the beginning of such Offering Period or prior to such other time period as specified by the Committee;

(b) employees who, together with any other person whose stock would be attributed to such employee pursuant to Section 424(d) of the Code, own stock or hold options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any of its Participating Subsidiaries or who, as a result of being granted an option under this Plan with respect to such Offering Period, would own stock or hold options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of issued and outstanding stock of the Company or any of its Participating Subsidiaries;

(c) individuals who provide services to the Company or any of its Participating Subsidiaries as independent contractors who are reclassified as common law employees for any reason except for federal income and employment tax purposes; and

(d) employees who reside in countries for whom such employees' participation in the Plan would result in a violation under any corporate or securities laws of such country of residence.

Individuals who are not employees of the Company or a Participating Subsidiary shall not be eligible to participate in an Offering Period.

7. Offering Dates.

The Offering Periods of this Plan may be up to twenty-four (24) months in duration and may consist of up to eight (8) Purchase Periods of up to six (6) months in duration during which payroll deductions of the participants are accumulated under this Plan. However, unless and until determined otherwise by the Committee, except for the First Offering Period, each Offering Period shall have a duration of three months and shall commence on April 1, July 1, October 1 or January 1 and each Offering Period shall have only one Purchase Period which shall run simultaneously with the Offering Period. The First Offering Period shall commence and end on

those dates determined by the Committee. The Committee shall have the power to change the Offering Dates, the Purchase Dates and the duration of Offering Periods or Purchase Periods without stockholder approval if such change is announced prior to the relevant Offering Period or prior to such other time period as specified by the Committee.

8. Participation in this Plan.

Eligible employees may become participants in an Offering Period under this Plan on the Offering Date, after satisfying the eligibility requirements, by delivering a subscription agreement to the Company prior to such Offering Date, or such other time period as specified by the Committee. An eligible employee who does not deliver a subscription agreement to the Company after becoming eligible to participate in an Offering Period shall not participate in that Offering Period or any subsequent Offering Period unless such employee enrolls in this Plan by delivering a subscription agreement with the Company prior to such Offering Period, or such other time period as specified by the Committee. Once an employee becomes a participant in an Offering Period by filing a subscription agreement, such employee shall automatically participate in the Offering Period commencing immediately following the last day of the prior Offering Period unless the employee withdraws or is deemed to withdraw from this Plan or terminates further participation in the Offering Period as set forth in Section 13 below. Such participant is not required to file any additional subscription agreement in order to continue participation in this Plan.

9. Grant of Option on Enrollment.

Enrollment by an eligible employee in this Plan with respect to an Offering Period shall constitute the grant (as of the Offering Date) by the Company to such employee of an option to purchase on the Purchase Date up to that number of Shares determined by a fraction, the numerator of which is the amount accumulated in such employee's payroll deduction account during such Purchase Period and the denominator of which is eighty-five percent (85%) (unless such percentage is changed pursuant to Section 10) of the fair market value of a Share on the Purchase Date (but in no event less than the par value of a Share), provided, however, that the number of Shares subject to any option granted pursuant to this Plan shall not exceed the lesser of (x) the maximum number of shares set by the Committee pursuant to Section 12(c) below with respect to the applicable Purchase Date, or (y) the maximum number of shares which may be purchased pursuant to Section 12(b) below with respect to the applicable Purchase Date. The fair market value of a Share shall be determined as provided in Section 10 below. Notwithstanding the foregoing, in the event of a change in generally accepted accounting principles which would adversely affect the accounting treatment applicable to any current Offering Period, the Committee may make such changes to the number of Shares purchased at the end of Purchase Period or the purchase price paid as are allowable under generally accepted

accounting principles and as it deems necessary in the sole discretion of the Committee to avoid or minimize adverse accounting consequences.

10. Purchase Price.

The purchase price per Share at which a Share shall be sold in any Offering Period shall be eighty-five percent (85%) of the fair market value of the Shares on the Purchase Date; provided that the Committee may change the purchase price to be anywhere from eighty-five percent (85%) to one hundred percent (100%) of the fair market value of a Share on the Offering Date or the Purchase Date.

For purposes of this Plan, “fair market value” of a Share shall be determined as follows:

(a) **Listed Stock.** If Shares are traded on any established stock exchange or quoted on a national market system, fair market value shall be the closing sales price as quoted on that stock exchange or system for the day before the Value Date as reported in The Wall Street Journal or a similar publication. If no sales are reported as having occurred on the day before the Value Date, fair market value shall be that closing sales price for the last preceding trading day on which sales of Shares are reported as having occurred. If no sales are reported as having occurred during the five trading days before the Value Date, fair market value shall be the closing bid for the Shares on the day before the Value Date. If the Shares of the Company are listed on multiple exchanges or systems, fair market value shall be based on sales or bid prices on the primary exchange or system on which Shares of the Company are traded or quoted.

(b) **Stock Quoted by Securities Dealer.** If Shares are regularly quoted by a recognized securities dealer but selling prices are not reported on any established stock exchange or quoted on a national market system, fair market value shall be the mean between the high bid and low asked prices on the day before the Value Date. If no prices are quoted for the day before the Value Date, fair market value shall be the mean between the high bid and low asked prices on the last preceding trading day on which any bid and asked prices were quoted.

(c) **No Established Market.** If Shares are not traded on any established stock exchange or quoted on a national market system and are not quoted by a recognized securities dealer, the Committee (following guidelines established by the Board) will determine the fair market value of the Shares in good faith.

(d) **Class A Preferred Stock.** If shares of the Company’s Common Stock are traded on any established stock exchange or quoted on a national market system, the fair market value of shares of the Company’s Class A Preferred Stock shall be equal to the fair market value of the Company’s Common Stock, as of the relevant valuation date, for all purposes under this Plan.

11. Payment of Purchase Price; Changes in Payroll Deductions; Issuance of Shares.

(a) The purchase price of the shares is accumulated by regular payroll deductions made during each Offering Period. The deductions are made as a percentage of the participant's compensation in one percent (1%) increments, not less than one percent (1%), nor greater than ten percent (10%), or such lower limit set by the Committee. Compensation shall mean, in the case of employees subject to tax in the United States, all W-2 cash compensation, including, but not limited to, base salary, wages, bonuses, incentive compensation, commissions, overtime, shift premiums, plus draws against commissions, provided, however that compensation shall not include any long term disability or workers' compensation payments, car allowances, relocation payments, expense reimbursements or payment of dividends on non-vested stock or payments representing dividends on stock units or stock rights and further provided, however, that for purposes of determining a participant's compensation, any election by such participant to reduce his or her regular cash remuneration under Sections 125 or 401(k) of the Code shall be treated as if the participant did not make such election. In the case of employees not subject to tax in the United States, the Committee shall establish a comparable definition of compensation. Payroll deductions shall commence on the first payday of the Offering Period and shall continue to the end of the Offering Period unless sooner altered or terminated as provided in this Plan. If payroll deductions are not permitted in a jurisdiction, participants in that jurisdiction may contribute via check or pursuant to another method approved by the Committee.

(b) A participant may increase or decrease the rate of payroll deductions during an Offering Period by filing with the Company a new authorization for payroll deductions, in which case the new rate shall become effective for the next payroll period commencing after the Company's receipt and processing of the authorization and shall continue for the remainder of the Offering Period unless changed as described below. Such change in the rate of payroll deductions may be made at any time during an Offering Period. The Committee shall have the authority to impose restrictions on the number of increases or decreases a participant may make within an Offering Period as set forth in this Subsection (b) or in Section 11(c) below.

(c) A participant may reduce his or her payroll deduction percentage to zero (0) during an Offering Period by filing with the Company a request for cessation of payroll deductions. Such reduction shall be effective beginning with the next payroll period after the Company's receipt of the request and no further payroll deductions shall be made for the duration of the Offering Period unless the rate of payroll deduction is subsequently increased. Payroll deductions credited to the participant's account prior to the effective date of the request shall be used to purchase Shares in accordance with Subsection (e) below. A participant may subsequently increase his or her payroll deductions during the Offering Period as long as he or she has not withdrawn participation in the Offering Period as set forth in Section 13 below.

(d) All payroll deductions made for a participant are credited to his or her account under this Plan and are deposited with the general funds of the Company. No interest accrues on the payroll deductions, unless required by local law. All payroll deductions received or held by the Company may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions, unless required by local law.

(e) On each Purchase Date, for so long as this Plan remains in effect, and provided that the participant has not submitted a signed and completed withdrawal form before that date, which notifies the Company that the participant wishes to withdraw from that Offering Period under this Plan and have all payroll deductions accumulated in the account maintained on behalf of the participant, as of that date returned to the participant, the Company shall apply the funds then in the participant's account to the purchase of whole and fractional Shares reserved under the option granted to such participant with respect to the Offering Period to the extent that such option is exercisable on the Purchase Date. The purchase price per share shall be as specified in Section 10 of this Plan. In the event that this Plan has been oversubscribed, all funds not used to purchase shares on the Purchase Date shall be returned to the participant, without interest. No Share shall be purchased on a Purchase Date on behalf of any employee whose participation in this Plan has terminated prior to such Purchase Date.

(f) As soon as practicable after the Purchase Date, the Company shall issue shares for the participant's benefit representing the shares purchased upon exercise of his or her option.

(g) During a participant's lifetime, his or her option to purchase shares hereunder is exercisable only by him or her. The participant shall have no interest or voting rights in shares covered by his or her option until such option has been exercised and shares have been issued to the participant.

12. Limitations on Shares to be Purchased.

(a) No participant shall be entitled to purchase stock under this Plan at a rate which, when aggregated with his or her rights to purchase stock under all other employee stock purchase plans of the Company or any Subsidiary, exceeds \$25,000 in fair market value, determined as of the Offering Date (or such other limit as may be imposed by the Code) for each calendar year in which the employee participates in this Plan. The Company shall have the authority to take all necessary action, including but not limited to, suspending the payroll deductions of any participant, in order to ensure compliance with this Section.

(b) No participant shall be entitled to purchase more than the Maximum Share Amount on any single Purchase Date. Prior to the commencement of any Offering Period or prior to such time period as specified by the Committee, the Committee may, in its sole discretion, set a Maximum Share Amount. The Maximum Share Amount shall be 625 shares. If

a new Maximum Share Amount is set, then all participants must be notified of such Maximum Share Amount prior to the commencement of the next Offering Period. The Maximum Share Amount shall continue to apply with respect to all succeeding Purchase Dates and Offering Periods unless revised by the Committee as set forth above.

(c) If the number of shares to be purchased on a Purchase Date by all employees participating in this Plan exceeds the number of shares then available for issuance under this Plan, then the Company shall make a pro rata allocation of the remaining shares in as uniform a manner as shall be reasonably practicable and as the Committee shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares to be purchased under a participant's option to each participant affected.

(d) Any payroll deductions accumulated in a participant's account which are not used to purchase stock due to the limitations in this Section 12 shall be returned to the participant as soon as practicable after the end of the applicable Purchase Period, without interest unless required by local law.

13. Withdrawal.

(a) Each participant may withdraw from an Offering Period under this Plan by signing and delivering to the Company a written notice to that effect on a form provided for such purpose. Such withdrawal may be elected at any time prior to the end of an Offering Period, or such other time period as specified by the Committee.

(b) Upon withdrawal from this Plan, the accumulated payroll deductions shall be returned to the withdrawn participant, without interest, and his or her interest in this Plan shall terminate. In the event a participant voluntarily elects to withdraw from this Plan, he or she may not resume his or her participation in this Plan during the same Offering Period, but he or she may participate in any Offering Period under this Plan which commences on a date subsequent to such withdrawal by filing a new authorization for payroll deductions in the same manner as set forth in Section 8 above for initial participation in this Plan.

(c) At such times, if any, when there are multiple Purchase Periods within an Offering Period and the purchase price can be based on the fair market value at the beginning of the Offering Period, if the fair market value on the first day of the current Offering Period in which a participant is enrolled is higher than the fair market value on the first day of any subsequent Offering Period, the Company shall automatically enroll such participant in the subsequent Offering Period. Any funds accumulated in a participant's account prior to the first day of such subsequent Offering Period shall be applied to the purchase of shares on the Purchase Date immediately prior to the first day of such subsequent Offering Period, if any.

14. Termination of Employment.

Termination of a participant's employment for any reason, including retirement, death or the failure of a participant to remain an eligible employee of the Company or of a Participating Subsidiary, shall immediately terminate his or her participation in this Plan. In such event, the payroll deductions credited to the participant's account shall be returned to him or her or, in the case of his or her death, to his or her legal representative, without interest. For purposes of this Section 14, an employee shall not be deemed to have terminated employment or failed to remain in the continuous employ of the Company or of a Participating Subsidiary in the case of sick leave, military leave, or any other leave of absence approved by the Board, provided, however that such leave is for a period of not more than ninety (90) days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

15. Return of Payroll Deductions.

In the event a participant's interest in this Plan is terminated by withdrawal, termination of employment or otherwise, or in the event this Plan is terminated by the Board, the Company shall deliver to the participant all payroll deductions credited to such participant's account. No interest shall accrue on the payroll deductions of a participant in this Plan, unless required by local law.

16. Capital Changes.

Subject to any required action by the stockholders of the Company, the Reserves, as well as the price per Share covered by each option under this Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding Shares resulting from a stock split or the payment of a stock dividend (but only on the Shares), any other increase or decrease in the number of issued and outstanding Shares effected without receipt of any consideration by the Company or other change in the corporate structure or capitalization affecting the Company's present Shares, provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Committee, whose determination shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an option.

In the event of the proposed dissolution or liquidation of the Company, the Offering Period shall terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Committee. The Committee may, in the exercise of its sole discretion in such instances, declare that this Plan shall terminate as of a date fixed by the Committee and

give each participant the right to purchase shares under this Plan prior to such termination. In the event of (i) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the options under this Plan are assumed, converted or replaced by the successor corporation, which assumption shall be binding on all participants), (ii) a merger in which the Company is the surviving corporation but after which the stockholders of the Company immediately prior to such merger (other than any stockholder that merges, or which owns or controls another corporation that merges, with the Company in such merger) cease to own their shares or other equity interest in the Company, (iii) the sale of all or substantially all of the assets of the Company, or (iv) the acquisition, sale, or transfer of more than fifty percent (50%) of the outstanding shares of the Company by tender offer or similar transaction, the Plan shall continue with regard to Offering Periods that commenced prior to the closing of the proposed transaction and shares shall be purchased based on the fair market value of the surviving corporation's stock on each Purchase Date, unless otherwise provided by the Committee.

The Committee may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per Share covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of its outstanding Shares, or in the event of the Company being consolidated with or merged into any other corporation.

17. Nonassignability.

Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under this Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Sections 25 or 26 below) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be void and without effect.

18. Reports.

Individual accounts shall be maintained for each participant in this Plan. Each participant shall receive, as soon as practicable after the end of each Purchase Period, a report of his or her account setting forth the total payroll deductions accumulated, the number of shares purchased, the per share price thereof and the remaining cash balance, if any, carried forward to the next Purchase Period or Offering Period, as the case may be.

19. Notice of Disposition.

Each participant shall notify the Company in writing if the participant disposes of any of the shares purchased in any Offering Period pursuant to this Plan if such disposition occurs within the Notice Period. The Company may, at any time during the Notice Period, place a legend or legends on any certificate representing shares acquired pursuant to this Plan requesting the Company's transfer agent to notify the Company of any transfer of the shares. The obligation of the participant to provide such notice shall continue notwithstanding the placement of any such legend on the certificates.

20. No Rights to Continued Employment.

An employee's employment with the Company or a Subsidiary is not for any specified term and may be terminated by such employee or by the Company or a Subsidiary at any time, for any reason, with or without cause. Nothing in this Plan shall confer upon any employee any right to continue in the employ of, or affiliation with, the Company or a Subsidiary nor constitute any promise or commitment by the Company or a Subsidiary regarding future positions, future work assignments, future compensation or any other term or condition of employment or affiliation.

21. Equal Rights and Privileges.

All eligible employees shall have equal rights and privileges with respect to this Plan so that this Plan qualifies as an "employee stock purchase plan" within the meaning of Section 423 or any successor provision of the Code and the related regulations (the "**Section 423 Plan**"), except for differences that may be mandated by local law and that are consistent with Code Section 423(b)(5); provided, however, that participants participating in the Non-423 Plan Component by means of rules, procedures or sub-plans adopted pursuant to Section 22 need not have the same rights and privileges as participants participating in the Section 423 Plan.

22. Additional Provisions to Comply with Local Law.

The Committee may from time to time establish one or more sub-plans under the Plan for purposes of satisfying applicable laws of state and local domestic United States and non-United States jurisdictions. The Committee shall establish such sub-plans by adopting supplements to this Plan containing such additional terms and conditions not otherwise inconsistent with the Plan as the Committee shall deem necessary or desirable. To the extent inconsistent with the requirements of Code Section 423, such sub-plans and/or supplements shall be considered part of the Non-423 Plan Component, and the options granted thereunder shall not be considered to comply with Code Section 423. All supplements adopted by the Committee shall be deemed to be part of the Plan and the Company shall not be required to provide copies of any supplement to participants in any jurisdiction that is not the subject of such supplement.

23. Notices.

All notices or other communications by a participant to the Company under or in connection with this Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

24. Term; Stockholder Approval.

After this Plan is adopted by the Board, this Plan shall become effective on the date on which the First Offering Period commences, subject to the effectiveness of the merger of SAIC Merger Sub, Inc. with and into Leidos, Inc. (formerly known as Science Applications International Corporation). This Plan shall be approved by the stockholders of the Company, in any manner permitted by applicable corporate law, within twelve (12) months before or after the date this Plan is adopted by the Board. No purchase of shares pursuant to this Plan shall occur prior to such stockholder approval. This Plan shall continue until the earlier to occur of (a) termination of this Plan by the Board (which termination may be effected by the Board at any time), (b) issuance of all of the Shares available for issuance under this Plan, or (c) ten (10) years from the approval of this Plan by the stockholders.

25. Death of a Non-United States Participant.

In the event a non-United States participant dies with accumulated payroll deductions having been accumulated to purchase shares at the next Purchase Date, such amounts shall be paid to the estate of the participant.

26. Designation of Beneficiary.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under this Plan in the event of such participant's death subsequent to the end of an Purchase Period but prior to delivery to him of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under this Plan in the event of such participant's death prior to a Purchase Date.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under this Plan who is living at the time of such participant's death, the Company shall deliver such shares or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares or cash to the spouse or to

any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

27. Conditions Upon Issuance of Shares; Limitation on Sale of Shares.

Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange or automated quotation system upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

28. Applicable Law.

The Plan shall be governed by the substantive laws (excluding the conflict of laws rules) of the State of Delaware.

29. Amendment or Termination.

The Board may at any time amend or terminate this Plan, except that any such termination cannot affect options previously granted under this Plan, nor may any amendment make any change in an option previously granted which would adversely affect the right of any participant, nor may any amendment be made without approval of the stockholders of the Company obtained in accordance with Section 24 above within twelve (12) months of the adoption of such amendment (or earlier if required by Section 24) if such amendment would:

- (a) increase the number of shares that may be issued under this Plan; or
- (b) change the designation of the employees (or class of employees) eligible for participation in this Plan.

Notwithstanding the foregoing, the Board may make such amendments to the Plan as the Board determines to be advisable, including changes with respect to current Offering Periods or Purchase Periods, if the continuation of the Plan or any Offering Period would result in financial accounting treatment for the Plan that is different from the financial accounting treatment in effect on the date this Plan is adopted by the Board.

**LEIDOS, INC. 401(k)
EXCESS DEFERRAL PLAN**

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ARTICLE I

TITLE AND DEFINITIONS

1.1. Title.

This Plan shall be known as the “Leidos, Inc. 401(k) Excess Deferral Plan.”

1.2. Definitions.

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

“Account” or “Accounts” shall mean a Participant’s Deferral Account and Matching Account. The Committee may establish such additional accounts or subaccounts as it deems necessary for the proper administration of the Plan. Accounts are established under the Plan for recordkeeping purposes only, and do not contain or represent actual assets.

“Annual 401(k) Matching Amount” shall mean the amount of the Company’s matching contribution credited to a Participant’s account in the 401(k) Plan for a Plan Year.

“Beneficiary” or “Beneficiaries” shall mean the person or persons, including a trustee, personal representative or other fiduciary, who have been designated by the Participant to receive the benefits specified hereunder in the event of the Participant’s death. The Participant shall make such designation on a form provided by the Committee or on such terms and conditions as the Committee may prescribe for a Beneficiary designation. No such Beneficiary designation shall become effective until it is filed with the Committee. Such Beneficiary designation shall thereafter remain in effect with respect to this Plan until a new Beneficiary designation is filed with the Committee pursuant to the terms hereof. A Participant may from time to time change his or her designated Beneficiary or Beneficiaries without the consent of such Beneficiary or Beneficiaries by filing a new designation in writing with the Committee. If the designated Beneficiary does not survive the Participant, or if there is no valid Beneficiary designation, amounts payable under the Plan shall be paid to the Participant’s spouse, or if there is no surviving spouse, then to the duly appointed and currently acting personal representative of the Participant’s estate. If there is no personal representative of the Participant’s estate duly appointed and acting in that capacity within sixty (60) days after the Participant’s death, then all payments due under the Plan shall be payable to the person or persons who can verify by

affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder pursuant to the laws of intestate succession or other statutory provisions in effect at the Participant's death in the state in which the Participant resided. In the event any amount is payable under this Plan to a minor, payment shall not be made to the minor, but instead shall be paid (i) to that person's living parent(s) to act as custodian, (ii) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (iii) if no parent of that person is then living, to a custodian selected by the Committee to hold the funds for the minor under the Uniform Transfers of Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within sixty (60) days after the date the amount becomes payable, payment shall be deposited or made with the court having jurisdiction over the estate of the minor.

“Board of Directors” or “Board” shall mean the Board of Directors of Leidos, Inc., or its parent corporation.

“Change in Control” of the Company shall mean the following for purposes of this Plan and shall be deemed to occur if any “person,” (as defined in Section 3(a)(9) of the Exchange Act), other than the Company, any subsidiary or any employee benefit plan or trust maintained by the Company or subsidiary becoming the beneficial owners (as defined in Rule 13d-3 under the Exchange Act), directly to indirectly, of more than thirty-five percent (35%) of the common stock of the Company outstanding at such time, without the prior approval of the Board. For

purposes of the foregoing, a subsidiary is any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations, other than the last corporation in such chain, owns at least fifty percent (50%) of the total voting power in one of the other corporations in such chain. The above definition of Change in Control shall be applied in accordance with Code Section 409A.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Committee” shall mean the committee composed of such members as shall be appointed from time to time by the Board to administer the Plan.

“Company” shall mean Leidos, Inc. (or its parent corporation). In addition, unless the context indicates otherwise, as used in this Plan the term Company shall also mean and include any direct or indirect subsidiary of the Company which has been approved by the Board for participation in this Plan by its employees. Upon and after a Change in Control, Company shall include any successor to Leidos, Inc. or its parent corporation or a substantial portion of their assets.

“Deferral Account” shall mean the bookkeeping account maintained by the Company on behalf of a Participant who elects to defer his or her Salary in cash under this Plan pursuant to Section 3.1.

“Eligible Employee” shall mean a highly compensated employee of the Company who has been selected by the Board to participate in this Plan. The Board shall limit Eligible Employee status to a select group of management or highly compensated employees, as set forth

in Sections 201, 301 and 401 of ERISA. The Board may make its determination of Eligible Employees by establishing eligibility criteria such as title or compensation level.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended from time to time.

“401(k) Plan” means the Leidos, Inc. Retirement Plan as it may be amended from time to time.

“Investment Funds” shall mean the deemed investments established by the Committee under Section 4.3 for the purpose of determining the investment gains and losses to be credited to Accounts.

“Matching Account” shall mean the bookkeeping account maintained by the Company on behalf of each Participant pursuant to Section 4.2 to reflect the Participant’s interest in the Plan attributable to the Company’s matching credits.

“Participant” shall mean any Eligible Employee who elects to defer a portion of his or her Salary in accordance with Section 3.1 and who satisfies the participation requirements of Article II.

“Plan” shall mean the Leidos, Inc. 401(k) Excess Deferral Plan set forth herein, as it may be amended from time to time.

This Plan constitutes an unfunded plan maintained primarily for

the purpose of providing deferred compensation for a select group of management or highly compensated employees, as set forth in Sections 201, 301 and 401 of ERISA.

“Plan Year” shall mean each twelve (12) consecutive month period beginning on January 1.

“Salary” shall mean the amount of compensation paid as salary by the Company during a calendar year by reason of services performed by a Participant reflected as “wages, tips, other compensation” on the Participant’s Form(s) W-2 for such year;

(i) plus elective deferrals under Code Section 402(g)(3), catch-up contributions under Code Section 414(v), and amounts contributed under Code Sections 125 and 132(f) by the Company at the Participant’s election that are not included in the Participant’s gross income (but only to the extent such deferrals and contributions were made by reducing salary otherwise payable to the Participant); plus

(ii) Any compensation paid as salary which, but for Code Section 3401(a)(8)(A) (dealing with the Code Section 911 exclusion and income subject to foreign withholding) would be required to be reflected as “wages, tips, other compensation” on the Participant’s Form(s) W-2; less

(iii) Any compensation paid by reason of services performed during any period in which an employee is not a Participant; overtime pay (which shall be deemed to include base pay and premium pay for time worked in excess of a normal day or week); bonuses; commissions; and amounts reflecting reimbursed expenses or fringe benefits (including any amount relating to the grant or exercise of stock options,

disposition of shares through exercise of options, payment of dividends on non-vested stock, payments representing dividends or dividend equivalents on stock units or stock rights, and any distributions from a plan of deferred compensation) which have been included as “wages, tips, compensation” on the Participant’s Form(s) W-2.

“Separation from Service” means, the death, retirement or termination of the Eligible Employee’s employment with the Company, whether voluntarily or involuntarily. This definition of Separation from Service shall be interpreted and construed in a manner intended to comply with Code Section 409A and Treasury Regulation Section 1.409A-1(h).

“Trust” shall mean a grantor trust established and funded by the Company for the purpose of satisfying some or all of the Company’s obligations under the Plan.

“Trustee” shall mean the trustee of the Trust.

ARTICLE II

PARTICIPATION

2.1. Participation.

Elective deferrals under this Plan are voluntary. Only Eligible Employees may participate in this Plan. An Eligible Employee shall become a Participant in this Plan by electing to defer a portion of his or her Salary in accordance with Article III. Notwithstanding anything else contained herein to the contrary, an Eligible Employee shall be permitted to defer a portion of his or her Salary to this Plan during a particular Plan Year only after the Eligible Employee is prohibited from making any additional elective deferrals to the 401(k) Plan during such Plan

Year because the elective deferrals (a) would exceed the amount specified in Code Section 402(g), (b) would cause the 401(k) Plan to fail to satisfy the limitation of Code Section 401(k)(3), or would increase the margin by which the 401(k) Plan fails to satisfy the limitation of Code Section 401(k)(3), or (c) would otherwise exceed the maximum elective deferrals permitted under the terms of the 401(k) Plan.

An Eligible Employee who is eligible to make catch-up contributions (as described in Code Section 414(v)) under the 401(k) Plan shall be permitted to defer compensation under this Plan for a Plan Year only if the Eligible Employee satisfies the requirements of this Article II and has made all such catch-up contributions under the 401(k) Plan for such Plan Year.

ARTICLE III

DEFERRAL ELECTIONS

3.1. Deferral Elections.

(a) Salary Deferral Elections. The Committee shall notify each Eligible Employee of his or her eligibility to participate in the Plan. An Eligible Employee's elections to participate may be made by electronic means in accordance with rules and procedures established by the Committee.

(b) No Bonus Deferrals. Notwithstanding any other provision herein, no Eligible Employee shall be permitted to defer any bonus under this Plan.

(c) Timing of Deferral Election. To participate through the deferral of Salary for any Plan Year, an Eligible Employee must file an election in accordance with procedures established by the Committee no later than the date in the preceding Plan Year determined by the Committee. Such date shall precede the first day of the Plan Year during which the deferral election shall be effective for the deferral of Salary.

(d) Newly Hired Employee. An Eligible Employee whose employment with the Company commences during a Plan Year shall not be permitted to participate until the first day of the following Plan Year.

(e) Method of Deferral. Each deferral election shall specify the portion of the Eligible Employee's Salary that he or she elects to defer. An election to defer Salary for a Plan Year shall apply to all Salary earned during each pay period that ends during such Plan Year.

(f) Amount of Deferrals. The amount of Salary that an Eligible Employee may elect to defer is any percentage (in one percent (1%) increments) up to twenty percent (20%); provided, however, that no election shall be effective to reduce the Salary payable to an Eligible Employee for a calendar year to an amount which is less than the amount that the Company is required to withhold from such Eligible Employee's Salary for such calendar year for purposes of federal, state and local (if any) income tax, employment tax (including without limitation Federal Insurance Contributions Act (FICA) tax), and other tax withholdings. Deferral of the percentage of Salary elected by the Eligible Employee shall commence with the pay period following the pay period in which the Eligible Employee's elective deferrals under the 401(k) Plan for the Plan Year reach the limit on elective deferrals under Code Section 402(g) (increased, if applicable, by the limit on catch-up contributions under Code Section 414(v)). Notwithstanding the foregoing, the Committee may determine that deferrals for the 2011 Plan Year shall not commence before the pay period in 2011 determined by the Committee. Such determination, if any, shall be irrevocably made and documented in writing no later than December 31, 2010, and such writing shall be considered part of this Plan document.

(g) Duration of Deferral Election. Any deferral election made under paragraphs (c) or (d) shall remain in effect and, except as provided in Subsection 3.1(h), be irrevocable, notwithstanding any change in the Participant's Salary, for the entire Plan Year for which it is effective. A new deferral election must be made for each subsequent Plan Year prior to the commencement of such subsequent Plan Year.

(h) Emergency Cessation of Deferrals. Notwithstanding anything else contained herein to the contrary, a Participant may discontinue his or her Salary deferrals under

the Plan at any time if the Committee determines that the Participant has an Unforeseeable Emergency as defined in Section 6.3(b), or a hardship distribution from the 401(k) Plan pursuant to Treasury Regulation 1.401(k)-1(d)(3). Such discontinuance of deferrals will remain in effect for the remainder of the current Plan Year.

3.2. Coordination with 401(k) Plan Election.

Participants shall make separate elections of the percentage deferrals under this Plan and the 401(k) Plan.

ARTICLE IV

ACCOUNTS

4.1. Deferral Account.

The Committee shall establish and maintain a Deferral Account for each Participant under the Plan. Notwithstanding anything else contained herein to the contrary, the Committee and the administrator of the 401(k) Plan shall have full power and authority to determine whether amounts of the Participant's Salary that the Participant elected to be deferred to the 401(k) Plan for a Plan Year will instead be deferred under this Plan or not deferred under either this Plan or the 401(k) Plan.

Subject to the requirements of Article II, as soon as administratively practical after submission of each pay period report, the Plan's recordkeeper shall credit the Participant's Deferral Account with an amount equal to the portion of Salary deferred by the Participant during the pay period in accordance with the Participant's election under Sections 3.1 and 3.2;

that is, the portion of the Participant's Salary that the Participant has elected to be deferred and has been determined by the Committee to be deferred under his or her Deferral Account.

4.2. Matching Account.

The Committee shall establish and maintain a Matching Account for each Participant who receives a matching credit under the Plan. Subject to the requirements of Article II, as soon as administratively practical after submission of the final pay period report for each Plan Year, for any Participant who continues to be an employee of the Company on the last business day of the Plan Year, the Plan's recordkeeper shall credit a Participant's Matching Account with an amount, if any, equal to the difference between his or her actual Annual 401(k) Matching Amount and the amount the Annual 401(k) Matching Amount would have been had Participant not deferred his or her Salary under this Plan for the Plan Year.

4.3. Investment of Accounts.

(a) Separate Investment Funds shall be established under this Plan. The Committee may, in its discretion, terminate any Investment Fund. The Committee shall determine the number of Investment Funds, and the Committee or its delegate shall determine the investments to be made under the Investment Funds.

(b) Pursuant to rules established by the Committee, each Participant shall have the right and obligation to designate in which of the Investment Funds his or her Accounts will be deemed to be invested for purposes of determining the investment gain (or loss) to be credited to his or her Accounts. Pursuant to rules established by the Committee, a Participant may change the designation made under this Section 4.3 and/or transfer an amount deemed to be invested in one Investment Fund to another Investment Fund by filing an election with the

Committee, on a form and in a manner prescribed by the Committee, prior to any deadline that may be established by the Committee. If a Participant does not make an election with respect to the investment of his or her Account, the Participant shall be deemed to have elected a default Investment Fund determined by the Committee. The Committee may establish other rules, regulations and procedures regarding the Investment Funds as it deems appropriate in its sole discretion.

(c) Investment Funds are designated only for the purpose of determining the investment gains and losses to be credited on Participants' Accounts. Neither the Company nor the Trust is required to make actual investments corresponding to such Investment Funds.

ARTICLE V

VESTING

5.1. Vesting.

- (a) **Deferral Account.** A Participant's Deferral Account shall be one hundred percent (100%) vested at all times.
- (b) **Matching Account.** The Participant's Matching Account shall vest as follows:

<u>Years of Service</u>	<u>Vested Interest</u>
Less than one year	0%
One year but less than two years	20%
Two years but less than three years	40%
Three years but less than four years	60%
Four years but less than five years	80%
Five years or more	100%

A "Year of Service" is any calendar year in which a Participant completes at least eight hundred fifty (850) hours of service for the Company and continues to be an employee of the Company on the last business day of the Plan Year, including service in years prior to the establishment of this Plan.

Notwithstanding the above schedule, a Participant's Matching Account shall become one hundred percent (100%) vested if, during a Participant's period of employment with the Company (including periods while on an approved leave of absence, or, in the case of the Participant's death while performing 'qualified military service' as defined in Code Section 414(u)), there is a Change in Control, the Participant dies, is Disabled (as determined under the 401(k) Plan), reaches age 59 ½ or is judicially declared to be incompetent. Any amount not vested upon a Participant's Separation from Service is immediately forfeited.

ARTICLE VI

DISTRIBUTIONS

6.1. Distribution of Accounts.

(a) Time of Distribution. Distribution of a Participant's Accounts under the Plan shall be made (or if installments are paid under § 6.1(b)(ii), shall commence to be made) within ninety (90) days following his or her Separation from Service or as soon as administratively feasible thereafter. Notwithstanding the foregoing, if any stock of the Company is publicly traded on an established securities market, the distribution to any Participant who is a "specified employee" under Code Section 409A(a)(1)(B) (i) shall not be made (or commence to be made in the case of installment payments) before the earlier of (i) the date which is six (6) months after such Participant's Separation from Service or (ii) the date of the Participant's death.

For any twelve (12) month period commencing April 1 and ending March 31, an Eligible Employee is a “specified employee” if the Eligible Employee was a “key employee” at any time during the calendar year ending before such April 1. A key employee is defined in Code Section 416(i) without regard to Code Section 416(i)(5).

(b) Manner of Distribution. The amount to be paid to the Participant shall be the entire vested amount credited to the Participant’s Accounts.

(i) Amounts shall be paid in cash in a lump sum and valued as of the date the amount of the distribution is determined.

(ii) Notwithstanding Section 6.1(b)(i) above, if elected by the Participant prior to his or her participation in the Plan, the Participant shall receive his or her payment in the form of annual installments, over a period not to exceed ten (10) years. If a Participant dies during the payout period, any amounts remaining in the Participant’s Accounts shall be paid in a lump sum as soon as administratively practical to the Participant’s Beneficiary.

(iii) Except as set forth in this Section, a Participant’s election of form of distribution shall be irrevocable. Each of the forms of distribution set forth in Sections 6.1(b)(i) and (ii) shall be considered a single payment for purposes of Code Section 409A. Accordingly, Participants shall be allowed to make a new form of distribution election, provided that the following requirements are satisfied:

(a) The election does not take effect until at least twelve (12) months after the date the election is made, and the election must be made at least twelve (12) months prior to the date the first payment would be made to the Participant absent the election;

(b) The commencement date of the first payment to the Participant shall be five (5) years following the date the payment would have commenced absent the change in the Participant's election; and

(c) No Participant may make more than one (1) new form of distribution election.

Any attempt to change a payout election that does not satisfy these requirements shall be void.

6.2. Inability to Locate Participant.

In the event that the Committee is unable to locate a Participant or Beneficiary within two (2) years following the date the Participant was to commence receiving payment or delivery pursuant to Section 6.1 the entire amount allocated to the Participant's Accounts shall be forfeited. Furthermore, if any benefit payment (by check or other form of payment) to a Participant or Beneficiary remains uncashed or unclaimed for two (2) years following its delivery to the last known address of the Participant or Beneficiary, the amount of such benefit payment shall be forfeited. Any forfeited amount shall immediately become the property of the Company. If, after such forfeiture, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated without interest or earnings, from the date of the forfeiture. The distribution of such benefits shall thereafter be made in the manner determined by the Committee.

6.3. Unforeseeable Emergencies.

(a) General. A Participant (or former Participant or Beneficiary) may request a distribution from the vested portion of his or her Account for an Unforeseeable Emergency without penalty. Such distribution for an Unforeseeable Emergency shall be subject to approval by the Committee and may be made only to the extent reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution). A distribution for an Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved (1) through reimbursement or compensation by insurance or otherwise, (2) by liquidation of the Participant's (or Beneficiary's) assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or (3) by cessation of deferrals under this Plan. The Committee may require that the Participant (or Beneficiary) provide a written representation that any such distribution satisfies the requirements set forth in this Section 6.3(a).

(b) Definition of Unforeseeable Emergency. An "Unforeseeable Emergency" with respect to a Participant shall mean a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary or the Participant's dependent (as defined in Code Section 152, without regard to Code Section 152(b)(1), (b)(2) and (d)(1)(B)), loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that will constitute an Unforeseeable Emergency will depend upon the facts of each case and in all events must constitute an "unforeseeable emergency" within the meaning of Code Section 409A. The purchase of a home

and the payment of college tuition would typically not be considered to be Unforeseeable Emergencies.

(c) Administrative Provisions for Withdrawals. Distributions under this Section 6.3 shall first be made from the Deferral Account and after it is exhausted, from the vested portion of the Matching Account. Such distributions will be made as soon as administratively practical following the Participant's submission of a completed withdrawal form.

6.4. Distributions on Death.

In the event of the death of a Participant, the Participant's Accounts shall be paid to the Participant's Beneficiary in a lump sum as soon as administratively practical following the Participant's death.

6.5. Change in Control.

Upon a Change in Control at the Company, all Accounts shall be distributed as soon as administratively practical after the Change in Control. Following a Change in Control, no amendment or termination of the Plan shall adversely affect any benefits earned by Participants prior to the amendment or termination.

6.6. Incapacity.

If the Committee shall find that any person to whom any payment is payable under this Plan is unable to care for his or her affairs because of illness or accident, a payment due (unless a prior claim therefore shall have been made by a duly appointed guardian or other legal representative) may be paid to the spouse, a child, a parent, or a brother or sister, or to any

custodian, conservator or other fiduciary responsible for the management and control of such person's financial affairs in such manner and proportions as the Committee may determine. Any such payment shall, to the extent thereof, discharge of the liabilities of the Company to the Participant or Beneficiary under this Plan.

6.7. Construction.

For purposes of this Article VI, a payment shall be considered to have been made "as soon as administratively practical after" a particular date only if it is made within ninety (90) days after that date.

ARTICLE VII

CLAIMS PROCEDURE AND ARBITRATION

7.1. Claims Procedure and Arbitration.

(a) The Committee shall establish procedures for action upon claims initially made and the communication of a decision to the claimant promptly and, in any event, not later than sixty (60) days after the date of the claim; the claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a decision is not furnished to the claimant within such sixty (60) day period. Every claim for benefits which is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (1) the specific reason or reasons for the denial, (2) specific reference to any provisions of this Plan on which denial is based, (3) description of any additional material or information necessary for the claimant to perfect his claim with an explanation of why such material or information is necessary, and (4) an explanation of the procedure for further reviewing the denial of the claim under the Plan. The Committee shall establish a procedure for

review of claim denials, such review to be undertaken by the Committee. The review given after denial of any claim shall be a full and fair review with the claimant or his duly authorized representative having one hundred eighty (180) days after receipt of denial of his claim to request such review, having the right to review all pertinent documents and the right to submit issues and comments in writing. The Committee shall establish a procedure for issuance of a decision by the Committee not later than sixty (60) days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than one hundred twenty (120) days after receipt of the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of this Plan on which the decision is based.

(b) Any person disputing a decision of the Committee shall submit such dispute to binding arbitration pursuant to the rules of the American Arbitration Association, to be held in Fairfax County, Commonwealth of Virginia. In any arbitration with respect to a decision or action of the Committee taken before a Change in Control, the losing party in such arbitration proceedings shall bear the costs of arbitration, and each party shall bear its own attorneys' fees. In any arbitration with respect to a decision or action of the Committee taken after a Change in Control, the Company shall bear the costs of arbitration (other than attorneys' fees), and the arbitrator may make an award of attorneys' fees; any such award shall be made according to the then-prevailing standards for judicial awards of attorneys' fees applicable to civil actions brought under the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE VIII
ADMINISTRATION

8.1. Committee.

The Committee shall be appointed by, and serve at the pleasure of, the Board of Directors.

8.2. Committee Action.

The Committee shall act at meetings by affirmative vote of a majority of the members of the Committee. Any action permitted to be taken at a meeting may be taken without a meeting if, prior to such action, a written consent to the action is signed by all members of the Committee and such written consent is filed with the minutes of the proceedings of the Committee. A member of the Committee shall not vote or act upon any matter which relates solely to himself or herself as a Participant. The chairman of the Committee (the "Chairman") or any other member or members of the Committee designated by the Chairman may execute any certificate or other written direction on behalf of the Committee.

8.3. Powers and Duties of the Committee.

Subject to Section 8.4, the Committee, on behalf of the Participants and their Beneficiaries, shall enforce this Plan in accordance with its terms, shall be charged with the general administration of this Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

(a) Prior to a Change in Control, to construe and interpret the terms and provisions of the Plan; provided that upon and after a Change in Control, the Committee's

interpretation or construction (and any previous interpretation or construction of the Committee) shall be reviewed on a de novo basis;

(b) To compute and certify to the amount and kind of benefits payable or deliverable to Participants and their

Beneficiaries;

(c) To maintain all records that may be necessary for the administration of this Plan;

(d) To provide for the disclosure of all information and the filing or provision of all reports and statements to

Participants, Beneficiaries or governmental agencies as shall be required by law;

(e) To make and publish such rules for the regulation of this Plan and procedures for the administration of this Plan

as are not inconsistent with the terms hereof;

(f) To appoint a plan administrator or any other agent, and to delegate to them such powers and duties in

connection with the administration of this Plan as the Committee may from time to time prescribe; and

(g) To direct the Trustee concerning the performance of various duties and responsibilities under the Trust.

8.4. Interpretation of Plan.

Prior to the occurrence of a Change in Control, the Committee shall have full discretion to construe and interpret the terms and provisions of this Plan, which interpretation or construction shall be final and binding on all parties, including but not limited to the Company

and any Participant or Beneficiary. The Committee shall administer such terms and provisions in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to this Plan. Notwithstanding the foregoing, after the occurrence of a Change in Control, no deference shall be given to the Committee's construction or interpretation (or the Committee's prior interpretation or construction) of the Plan and any such construction or interpretation shall be reviewed under a de novo standard of review.

In making any determination or in taking or not taking any action under this Plan, the Committee, or the Board, as the case may be, may obtain and may rely upon the advice of experts, including professional advisors to the Company. No Director, officer or agent of the Company shall be liable for any such action or determination taken or made or omitted in good faith.

8.5. Plan Construction.

It is the intent of the Company that a Participant's deferrals of Salary and matching contributions under the Plan shall not be considered conditioned on the Participant's participation in the 401(k) Plan in accordance with Treasury Regulation Section 1.401(k)- 1(e)(6)(iv), and this Plan shall be interpreted consistent with such intent.

8.6. Information.

To enable the Committee to perform its functions, the Company shall, upon request of the Committee, supply full and timely information to the Committee on all matters relating to the Salary of all Participants, their death, or other cause of termination, and such other pertinent facts as the Committee may require.

8.7. Compensation, Expenses and Indemnity.

(a) The Committee is authorized at the expense of the Company to employ such legal counsel and administrative services as it may deem advisable to assist in the performance of its duties hereunder. Expenses and fees in connection with the administration of this Plan shall be paid by the Company.

(b) To the extent permitted by applicable state law, the Company shall indemnify and save harmless the Committee and each member thereof, the Board of Directors and any delegate of the Committee who is an employee of the Company against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to this Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any bylaw, agreement or otherwise, as such indemnities are permitted under state law.

ARTICLE IX

MISCELLANEOUS

9.1. Unsecured General Creditor.

Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust (other than a grantor trust within the meaning of Code Section 671, et. seq.), or held in any way as collateral security for the fulfilling of the

obligations of the Company under this Plan. The Company's obligation under this Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors.

9.2. No Employment Contract.

Nothing contained in this Plan (or in any other documents related to this Plan) shall confer upon any Eligible Employee or other Participant any right to continue in the employ or other service of the Company or constitute any contract or agreement of employment or other service, nor shall interfere in any way with the right of the Company to change such person's compensation or other benefits or to terminate the employment of such person, with or without cause.

9.3. Restriction Against Assignment

The Company shall pay all amounts payable hereunder only to the person or persons designated by this Plan and not to any other person or corporation. No part of a Participant's Accounts shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Accounts be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any distribution or payment from this Plan, voluntarily or involuntarily, the Committee, in its discretion, may cancel such distribution or payment (or any

part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Committee shall direct.

9.4. Withholding.

The Company shall satisfy any state or federal income or other tax withholding obligation arising upon distribution of a Participant's Accounts. The Participant shall pay or provide for payment in cash of the amount of any taxes which the Company may be required to withhold with respect to the benefits hereunder. Without limiting the Company's authority to satisfy the withholding obligation from other sources, the Company may satisfy any withholding requirements with respect to the Plan by withholding wages, salary or bonus amounts otherwise payable to Participants.

9.5. Amendment, Modification, Suspension or Termination.

The Committee may amend, modify or suspend this Plan in whole or in part, except that (i) no amendment, modification or suspension shall have any retroactive effect to reduce any amounts allocated to Participants' Accounts, and (ii) Section 4.3 may not be amended, modified or suspended so as to, with respect to any amounts credited to the Accounts as of the date of such amendment, reduce the amount of investment gains to be credited to Participants' Accounts in accordance with Section 4.3. The Committee may terminate and liquidate this Plan and distribute all vested benefits hereunder in accordance with the requirements of Treasury Regulation 1.409A-3(j)(4)(ix)(A), (B) or (C) promulgated under Code Section 409A (or any similar successor provision), which regulation generally provides that a deferred compensation arrangement such as this Plan may be terminated within twelve (12) months following a dissolution or change in control of the Company or may be terminated if the Company also

terminates all other similar deferred compensation arrangements and distributes all benefits under this Plan not less than twelve (12) months and not more than twenty-four (24) months following such termination. The Committee may, in its discretion, accelerate the vesting of any or all Participants' Accounts under this Plan in connection with any such Plan termination and liquidation.

9.6. Governing Law.

Except to the extent preempted by ERISA or other applicable federal law, this Plan shall be construed, governed and administered in accordance with the laws of the State of Delaware without regard to principles of conflict of laws.

9.7. Receipt or Release.

Any payment to a Participant or the Participant's Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Committee and the Company. The Committee may require such Participant or Beneficiary, as a condition precedent to such payment or delivery, to execute a receipt and release to such effect.

9.8. Headings etc. Not Part of Agreement.

Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

9.9. Code Section 409A.

To the extent that this Plan is subject to Code Section 409A, this Plan shall be construed and interpreted to the maximum extent reasonably possible to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A. If any portion of a Participant's Account

balance under this Plan is required to be included in income by the Participant prior to receipt due to a failure of this Plan to comply with the requirements of Code Section 409A and related Treasury Regulations, the Committee may determine that such Participant shall receive a distribution from this Plan in an amount equal to the lesser of (i) the portion of his or her Account balance required to be included in income as a result of the failure of this Plan to comply with the requirements of Code Section 409A and related Treasury Regulations, or (ii) the Participant's unpaid vested Account balance.

This Leidos, Inc. 401(k) Excess Deferral Plan is hereby amended and restated by Leidos, Inc., effective September 27, 2013.

FORM OF
LEIDOS HOLDINGS, INC.
2006 EQUITY INCENTIVE PLAN
NONSTATUTORY STOCK OPTION AGREEMENT

BY ACCEPTING THE OPTION DESCRIBED IN THIS AGREEMENT, YOU VOLUNTARILY AGREE TO ALL OF THE TERMS AND CONDITIONS SET FORTH IN THIS AGREEMENT AND IN THE PLAN.

Leidos Holdings, Inc., a Delaware corporation (the “**Company**”), hereby grants an option (the “**Option**”) to purchase shares of its Common Stock, \$0.0001 par value per share, (“**Stock**”), to the participant named in the Grant Summary (as defined below) (“**Optionee**”). Certain specific details of the award of this Option, including Option Shares, Option Price and Grant Date, may be found in the Grant Summary and are hereby incorporated by reference into this Agreement. The terms and conditions of the Option are set forth in this Agreement and in the Company’s 2006 Equity Incentive Plan, as amended (the “**Plan**”).

1. **DEFINITIONS.** The following terms shall have the meanings as defined below. Capitalized terms used herein and not defined shall have the meanings attributed to them in the Plan.

“**Administrator**” shall have the meaning as defined in the Plan.

“**Affiliate**” shall mean a “parent” or “subsidiary” (as each is defined in Section 424 of the Code) of the Company and any other entity that the Board or Committee designates as an “Affiliate” for purposes of this Plan.

“**Cause**” shall have the meaning as defined in the Plan.

“**Committee**” shall have the meaning as defined in the Plan.

“**Executive Officer**” shall mean an officer of the Company designated as such for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

“**Expiration Date**” shall have the meaning as defined in Section 3 below.

“**Fair Market Value**” shall have the meaning as defined in the Plan.

“**Grant Date**” shall mean the date of the award of this Option as set forth in the Grant Summary.

“**Grant Summary**” shall mean the summary of this award as reflected 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).

“**Option Price**” shall mean the exercise price per Option Share applicable to this Option set forth in the Grant Summary.

“**Option Shares**” shall mean the number of shares of Stock issuable upon exercise of the Option as set forth in the Grant Summary.

“**Permanent Disability**” shall mean the status of disability determined conclusively by the Committee based upon certification of disability by the Social Security Administration or upon such other proof as the Committee may require, effective upon receipt of such certification or other proof by the Committee.

“**Special Retirement**” shall mean: (i) retirement by the Optionee after reaching age 59½ with at least ten (10) years of service with the Company or an Affiliate; or (ii) retirement by the Optionee after reaching age 59½ and Optionee’s age plus years of service with the Company or an Affiliate equals at least 70; or (iii) if Optionee is an Executive Officer at the time of retirement, retirement after reaching the applicable mandatory retirement age by the Optionee, regardless of years of service with the Company or (iv) if the Optionee is a director of the Company, retirement by the Optionee either (A) after reaching the applicable mandatory retirement age at retirement or (B) at the end of a term of office if Optionee is not nominated for a successive term of office on account of the fact that Optionee would have reached the applicable mandatory retirement age during such successive term of office, regardless of years of service with the Company. For Special Retirement purposes, years of service shall mean the period of service determined conclusively by the Committee.

2. **GRANT OF OPTION; NUMBER OF SHARES; OPTION PRICE.** The Company hereby grants to Optionee an Option to purchase all or any part of the Option Shares at the Option Price.

3. **TERM OF OPTION.** This Option shall terminate upon the earlier to occur of: (i) seven (7) years from the Grant Date (the “**Expiration Date**”); or (ii) the expiration of the applicable period following the occurrence of any of the events specified in Section 5 hereof. The Company shall have no obligation to provide Optionee with notice of termination or expiration of this Option.

4. **EXERCISE OF OPTION.**

4.1 **General Schedule of Vesting and Exercisability.** Subject to the terms of the Plan and this Agreement, this Option shall vest and become exercisable in accordance with the following schedule:

- a) The Option may not be exercised in whole or in part at any time prior to the first- year anniversary of the Grant Date.
- b) The Option may be exercised as to ___% of the Option Shares after the first-year anniversary of the Grant Date.
- c) The Option may be exercised as to an additional ___% of the Option Shares after the second-year anniversary of the Grant Date.
- d) The Option may be exercised as to an additional ___% of the Option Shares after the third-year anniversary of the Grant Date.
- e) The Option may be exercised as to the remaining ___% of the Option Shares after the fourth-year anniversary of the Grant Date.

If the application of the foregoing vesting schedule results in a fraction of an Option Share becoming exercisable, such fractional share shall be deemed not to be exercisable. However, the rights to exercise the Option, as specified in the preceding schedule, shall be cumulative so that ___% of the Option Shares shall be exercisable after the first-year anniversary of the Grant Date; ___% of the Option Shares shall be exercisable after the second-year anniversary of the Grant Date; ___% of the Option Shares shall be exercisable after the third-year anniversary of the Grant Date; and 100% of the Option Shares shall be exercisable after the fourth-year anniversary of the Grant Date. Optionee may purchase all, or from time to time, any part of the maximum number of Option Shares which are then exercisable. Except as set forth in Section 4.4 below, this Option shall be exercisable only by Optionee.

4.2 General Terms of Exercise. Subject to the terms of the Plan and this Agreement, the Option 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 Common Stock of the Company acceptable to the Committee valued at their Fair Market Value as of the date of exercise.

4.3 Treatment of Special Retirement.

- a) If Optionee is an Executive Officer and has met the provisions of subsection (iii) of the definition of the term “Special Retirement” in Section 1 above, or if Optionee is a director of the Company and has met the provisions of subsection (iv) of the definition of the term “Special Retirement” in Section 1 above, the right to exercise this Option shall continue to vest and be exercisable in accordance with the schedule set forth in Section 4.1 above.
- b) If Optionee has met the provisions of subsection (i) or (ii) of the definition of the term “Special Retirement” in Section 1 above, the right to exercise this Option

shall continue to vest and be exercisable in accordance with the schedule set forth in Section 4.1 above, but only if Optionee has held this Option at least twelve (12) months prior to the date of such Special Retirement.

4.4 **Treatment of Death or Permanent Disability.** Notwithstanding anything to the contrary herein, if Optionee is an employee, director or consultant of the Company or an Affiliate and ceases to be affiliated with the Company or any Affiliate as a result of Optionee's death or Permanent Disability, or if Optionee's death or Permanent Disability occurs following a Special Retirement, any unvested portion of this Option shall accelerate and become fully exercisable. Following Optionee's death, this Option may be exercised only by the executor or administrator of the Optionee's estate or, if there is none, the person entitled to exercise the Option under Optionee's will or the laws of descent and distribution. Following Optionee's termination of affiliation as a result of Optionee's Permanent Disability, if a guardian or conservator has been appointed to act for Optionee and been granted this authority as part of that appointment, that guardian or conservator may exercise this Option on behalf of Optionee.

4.5 **Treatment of Leave of Absence.** If Optionee is an employee of the Company or an Affiliate and is on a leave of absence pursuant to the terms of the Company's Administrative Policy No. SH-1 "Working Hours and Absences" or similar policy maintained by an Affiliate, as such policies may be revised from time to time, Optionee shall not, during the period of such absence be deemed, by virtue of such absence alone, to have terminated Optionee's employment. Optionee shall continue to vest in this Option during any approved medical or military leave of absence. Medical leave shall include family or medical leaves, workers' compensation leave, or pregnancy disability leave. For all other leaves of absence, this Option will vest only during active employment and shall not vest during a leave of absence, unless required under local law. However, if Optionee returns to active employment with the Company or an Affiliate following such a leave, this Option will be construed to vest as if there had been no break in active employment. During any leave of absence, Optionee shall have the right to exercise the vested portion of this Option provided that such exercise occurs prior to the Expiration Date.

5. **TERMINATION OF OPTION; EVENTS IMPACTING ABILITY TO EXERCISE OPTION.**

5.1 **Termination of Affiliation.** If Optionee is an employee, director or consultant of the Company or an Affiliate and ceases to be affiliated with the Company or an Affiliate for any reason other than death, Special Retirement, Permanent Disability or Cause, Optionee may exercise this Option within the ninety (90) day period following such cessation of affiliation, but only to the extent that this Option was exercisable at the date of such cessation of affiliation and Optionee's rights to exercise the Option have not been suspended as of the date of such cessation of affiliation. This Option shall terminate on the earlier to occur of the expiration of such ninety (90) day period or the Expiration Date.

5.2 **Termination for Cause.** If Optionee is an employee, director or consultant of the Company or an Affiliate and is terminated for Cause as determined by the Administrator of the Plan, this Option and all of Optionee's rights with respect thereto shall immediately terminate on the date of such termination.

5.3 **Termination for Breach of Obligation.** Notwithstanding the right of Optionee to continued vesting upon Special Retirement under Section 4.3 above, the Company shall have the right to terminate the unvested portion of this Option at any time if Optionee violates the terms of his or her inventions, copyright and confidentiality agreement with the Company or an Affiliate or breaches his or her other contractual or legal obligations to the Company or an Affiliate, including the non-solicitation obligations set forth in Section 12 of this Agreement (“**Breach of Obligation**”). If the Company terminates the unvested portion of this Option during Special Retirement as a result of Optionee’s Breach of Obligation, Optionee may exercise this Option within the earlier of the ninety (90) day period following such termination or the Expiration Date, but only to the extent that this Option was exercisable at the date of such termination.

5.4 **Termination of Unexercised Options.** If any portion of the Option is not exercised by the earlier of: (i) the end of the applicable period specified in Sections 5.1, 5.2 or 5.3 or (ii) the Expiration Date, any such unexercised portion and all of Optionee’s rights with respect thereto shall terminate.

6. **TAX WITHHOLDING.** If the Company or any Affiliate is required to withhold any federal, state, local or other taxes upon the exercise of this Option, Optionee shall remit an amount sufficient to satisfy any applicable tax withholding requirement in a form of payment satisfactory to the Administrator or the Committee, which may include by cashier’s check, money order or wire transfer or by the Company’s withholding Stock issued upon exercise of this Option to pay the required withholding. If the Company withholds Stock, the Fair Market Value of the Stock withheld, as determined as of the date of withholding, shall not exceed the minimum rates required by law.

7. **RESTRICTIONS UNDER SECURITIES LAW.** All shares of Stock covered by this Agreement are subject to any restrictions which may be imposed under applicable state and federal securities laws and are subject to obtaining all necessary consents which may be required by, or any condition which may be imposed in accordance with, applicable state and federal securities laws or regulations.

8. **INCORPORATION OF PLAN.** The Option granted hereby is granted pursuant to the Plan, all the terms and conditions of which are hereby made a part hereof and are incorporated herein by reference. In the event of any inconsistency between the terms and conditions contained herein and those set forth in the Plan, the terms and conditions of the Plan shall prevail.

9. **RECOUPMENT OF AWARDS.** The Human Resources and Compensation Committee of the Company’s Board of Directors adopted a recoupment policy on June 18, 2009 (the “**Policy**”), that may require members of senior management to return incentive compensation if there is a material restatement of the financial results upon which the compensation was originally based. The Policy also provides for recovery of incentive compensation from any employee involved in fraud or intentional misconduct, whether or not it results in a restatement of the Company’s financial results. Optionee acknowledges and agrees that the Policy applies to

the Option and that any payments or issuances of Stock with respect to the Option are subject to recoupment pursuant to the Policy. This Agreement shall be deemed to include the restrictions imposed by the Policy.

10. EMPLOYMENT AT WILL.

10.1 If Optionee is an employee or consultant of the Company or an Affiliate, such employment or affiliation is not for any specified term and may be terminated by employee or by the Company or an Affiliate at any time, for any reason, with or without cause and with or without notice. Nothing in this Agreement (including, but not limited to, the right to exercise this Option pursuant to the schedule set forth in Section 4 herein), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall (i) confer upon Optionee any right to continue in the employ of, or affiliation with, the Company or an Affiliate, (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation, (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan or (iv) deprive the Company of the right to terminate Optionee at will and without regard to any future vesting opportunity that Optionee may have.

10.2 Optionee acknowledges and agrees that the right to exercise this Option pursuant to the schedule set forth in Section 4 is earned only by continuing as an employee or consultant at the will of the Company or as a director (not through the act of being hired, being granted this Option or any other Option, award or benefit or acquiring shares hereunder) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a "reorganization"). Optionee acknowledges and agrees that such a reorganization could result in the termination of Optionee's relationship as an employee or consultant to the Company or an Affiliate, or the termination of Affiliate status of Optionee's employer and the loss of benefits available to Optionee under this Agreement, including but not limited to, the termination of the right to exercise the Options under this Agreement.

11. **COPIES OF PLAN AND OTHER MATERIALS.** Optionee acknowledges that Optionee has received copies of the Plan and the Plan prospectus from the Company and agrees to receive stockholder information, including copies of any annual report, proxy statement and periodic report, electronically from the Company. Optionee acknowledges that copies of the Plan, Plan prospectus, Plan information and stockholder information are also available upon written or telephonic request to the Company. Optionee acknowledges that copies of the Company's policies referenced in this Agreement, including the Policy, are available on the Company's intranet, and are also available upon written or telephonic request to the Company.

12. NON-SOLICITATION.

12.1 **Solicitation of Employees.** Optionee agrees that, both while employed by the Company or an Affiliate and for one year afterward, Optionee will not solicit or attempt to solicit any employee of the Company or an Affiliate to leave his or her employment or to violate the

terms of any agreement or understanding that employee may have with the Company or an Affiliate. The foregoing obligations apply to both the Optionee's direct and indirect actions, and apply to actions intended to benefit Optionee or any other person, business or entity.

12.2 **Solicitation of Customers.** Optionee agrees that, for one year after termination of employment with the Company or an Affiliate, Optionee will not participate in any solicitation of any customer or prospective customer of the Company or an Affiliate concerning any business that:

- a) involves the same programs or projects for that customer in which Optionee was personally and substantially involved during the 12 months prior to termination of employment; or
- b) has been, at any time during the 12 months prior to termination of employment, the subject of any bid, offer or proposal activity by the Company or an Affiliate in respect of that customer or prospective customer, or any negotiations or discussions about the possible performance of services by the Company or an Affiliate to that customer or potential customer, in which Optionee was personally and substantially involved.

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 an Affiliate provides (or may reasonably provide) goods or services.

12.3 **Remedies.** Optionee acknowledges and agrees that a breach of any of the promises or agreements contained in this Section 12 will result in immediate, irreparable and continuing damage to the Company for which there is no adequate remedy at law, and the Company or an Affiliate will be entitled to injunctive relief, a decree for specific performance, and other relief as may be proper, including money damages.

13. **MISCELLANEOUS.** This Agreement contains the entire agreement between the parties with respect to its subject matter, provided, however, that if Optionee and the Company are parties to an existing written agreement addressing the subject matter of Section 12, such agreement shall control with respect to such subject matter until the termination thereof, at which time Section 12 shall control. This Agreement shall be binding upon and shall inure to the benefit of the respective parties, the successors and assigns of the Company, and the heirs, legatees, and personal representatives of Optionee. The parties hereby agree that should any portion of this Agreement be judicially held to be invalid, unenforceable, or void, such portion shall be construed by limiting and reducing it, so as to be enforceable to the maximum extent compatible with the applicable law as is then in effect.

14. **ACKNOWLEDGMENT.** Optionee acknowledges that the Option constitutes full and adequate consideration for Optionee's obligations under this Agreement, accepting the Option constitutes an unequivocal acceptance of this Agreement and any attempted modifications or

deletions will have no force or effect upon the Company's right to enforce the terms and conditions stated herein.

15. **GOVERNING LAW.** This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Delaware without reference to such state's principles of conflict of laws.

By accepting the Option, you agree to all of the terms and conditions set forth above and in the Plan.

FORM OF
LEIDOS HOLDINGS, INC.
2006 EQUITY INCENTIVE PLAN
NONSTATUTORY STOCK OPTION AGREEMENT
NON-EMPLOYEE DIRECTORS

BY ACCEPTING THE OPTION DESCRIBED IN THIS AGREEMENT, YOU VOLUNTARILY AGREE TO ALL OF THE TERMS AND CONDITIONS SET FORTH IN THIS AGREEMENT AND IN THE PLAN.

Leidos Holdings, Inc., a Delaware corporation (the “**Company**”), hereby grants an option (the “**Option**”) to purchase shares of its Common Stock, \$0.0001 par value per share, (“**Stock**”), to the participant named in the Grant Summary (as defined below) (“**Optionee**”). Optionee is a non-employee director of the Company. Certain specific details of the award of this Option, including Option Shares, Option Price and Grant Date, may be found in the Grant Summary and are hereby incorporated by reference into this Agreement. The terms and conditions of the Option are set forth in this Agreement and in the Company’s 2006 Equity Incentive Plan, as amended (the “**Plan**”).

1. **DEFINITIONS.** The following terms shall have the meanings as defined below. Capitalized terms used herein and not defined shall have the meanings attributed to them in the Plan.

“**Administrator**” shall have the meaning as defined in the Plan.

“**Affiliate**” shall mean a “parent” or “subsidiary” (as each is defined in Section 424 of the Code) of the Company and any other entity that the Board or Committee designates as an “Affiliate” for purposes of this Plan.

“**Cause**” shall have the meaning as defined in the Plan.

“**Committee**” shall have the meaning as defined in the Plan.

“**Expiration Date**” shall have the meaning as defined in Section 3 below.

“**Fair Market Value**” shall have the meaning as defined in the Plan.

“**Grant Date**” shall mean the date of the award of this Option as set forth in the Grant Summary.

“**Grant Summary**” shall mean the summary of this award as reflected 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).

“**Option Price**” shall mean the exercise price per Option Share applicable to this Option set forth in the Grant Summary.

“**Option Shares**” shall mean the number of shares of Stock issuable upon exercise of the Option as set forth in the Grant Summary.

“**Permanent Disability**” shall mean the status of disability determined conclusively by the Committee based upon certification of disability by the Social Security Administration or upon such other proof as the Committee may require, effective upon receipt of such certification or other proof by the Committee.

“**Special Retirement**” shall mean retirement by an Optionee who is a director of the Company either (A) after reaching the applicable mandatory retirement age at retirement or (B) at the end of a term of office if Optionee is not nominated for a successive term of office on account of the fact that Optionee would have reached the applicable mandatory retirement age during such successive term of office, regardless of years of service with the Company.

“**Vesting Date**” shall have the meaning as defined in Section 4.1 below.

2. **GRANT OF OPTION; NUMBER OF SHARES; OPTION PRICE.** The Company hereby grants to Optionee an Option to purchase all or any part of the Option Shares at the Option Price.

3. **TERM OF OPTION.** This Option shall terminate upon the earlier to occur of: (i) seven (7) years from the Grant Date (the “**Expiration Date**”); or (ii) the expiration of the applicable period following the occurrence of any of the events specified in Section 5 hereof. The Company shall have no obligation to provide Optionee with notice of termination or expiration of this Option.

4. **EXERCISE OF OPTION.**

4.1 **General Schedule of Vesting and Exercisability.** Subject to the terms of the Plan and this Agreement, this Option shall vest and become exercisable in accordance with the following schedule:

- a) The Option may be exercised as to 100% of the Option Shares on or after the earlier of: (i) the first-year anniversary of the Grant Date or (ii) the date the annual meeting of stockholders of the Company following the Grant Date is concluded (the “**Vesting Date**”).

b) The Option may not be exercised in whole or in part at any time prior to the Vesting Date.

Optionee may purchase all, or from time to time, any part of the maximum number of Option Shares which are then exercisable. Except as set forth in Section 4.4 below, this Option shall be exercisable only by Optionee.

4.2 **General Terms of Exercise.** Subject to the terms of the Plan and this Agreement, the Option 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 Common Stock of the Company acceptable to the Committee valued at their Fair Market Value as of the date of exercise.

4.3 **Treatment of Special Retirement.** If Optionee has met the provisions of the definition of the term "Special Retirement" in Section 1 above, the right to exercise this Option shall continue to vest and be exercisable in accordance with the schedule set forth in Section 4.1 above.

4.4 **Treatment of Death or Permanent Disability.** Notwithstanding anything to the contrary herein, if Optionee ceases to be affiliated with the Company or any Affiliate as a result of Optionee's death or Permanent Disability, or if Optionee's death or Permanent Disability occurs following a Special Retirement, any unvested portion of this Option shall accelerate and become fully exercisable. Following Optionee's death, this Option may be exercised only by the executor or administrator of the Optionee's estate or, if there is none, the person entitled to exercise the Option under Optionee's will or the laws of descent and distribution. Following Optionee's termination of affiliation as a result of Optionee's Permanent Disability, if a guardian or conservator has been appointed to act for Optionee and been granted this authority as part of that appointment, that guardian or conservator may exercise this Option on behalf of Optionee.

5. **TERMINATION OF OPTION; EVENTS IMPACTING ABILITY TO EXERCISE OPTION.**

5.1 **Termination of Affiliation.** If Optionee ceases to be affiliated with the Company or an Affiliate for any reason other than death, Special Retirement, Permanent Disability or Cause, Optionee may exercise this Option within the ninety (90) day period following such cessation of affiliation, but only to the extent that this Option was exercisable at the date of such cessation of affiliation and Optionee's rights to exercise the Option have not been suspended as of the date of such cessation of affiliation. This Option shall terminate on the earlier to occur of the expiration of such ninety (90) day period or the Expiration Date.

5.2 **Removal for Cause.** If Optionee is a director of the Company or an Affiliate and is removed for Cause as determined by the Administrator of the Plan, this Option and all of Optionee's rights with respect thereto shall immediately terminate on the date of such removal.

5.3 **Termination for Breach of Obligation.** Notwithstanding the right of Optionee to continued vesting upon Special Retirement under Section 4.3 above, the Company shall have the right to terminate this Option prior to the Vesting Date if Optionee breaches his or her contractual or legal obligations to the Company or an Affiliate (“**Breach of Obligation**”).

5.4 **Termination of Unexercised Options.** If any portion of the Option is not exercised by the earlier of: (i) the end of the applicable period specified in Sections 5.1 or 5.2 or (ii) the Expiration Date, any such unexercised portion and all of Optionee’s rights with respect thereto shall terminate.

6. **TAX WITHHOLDING.** If the Company or any Affiliate is required to withhold any federal, state, local or other taxes upon the exercise of this Option, Optionee shall remit an amount sufficient to satisfy any applicable tax withholding requirement in a form of payment satisfactory to the Administrator or the Committee, which may include by cashier’s check, money order or wire transfer or by the Company’s withholding Stock issued upon exercise of this Option to pay the required withholding. If the Company withholds Stock, the Fair Market Value of the Stock withheld, as determined as of the date of withholding, shall not exceed the minimum rates required by law.

7. **RESTRICTIONS UNDER SECURITIES LAW.** All shares of Stock covered by this Agreement are subject to any restrictions which may be imposed under applicable state and federal securities laws and are subject to obtaining all necessary consents which may be required by, or any condition which may be imposed in accordance with, applicable state and federal securities laws or regulations.

8. **INCORPORATION OF PLAN.** The Option granted hereby is granted pursuant to the Plan, all the terms and conditions of which are hereby made a part hereof and are incorporated herein by reference. In the event of any inconsistency between the terms and conditions contained herein and those set forth in the Plan, the terms and conditions of the Plan shall prevail.

9. **NO CONTINUED RIGHTS.**

9.1 Nothing in this Agreement (including, but not limited to, the right to exercise this Option pursuant to the schedule set forth in Section 4 herein), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall (i) confer upon Optionee any right to continue in the affiliation with the Company or an Affiliate, (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation, or (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan.

9.2 Optionee acknowledges and agrees that the right to exercise this Option pursuant to the schedule set forth in Section 4 is earned only by continuing as a director of the Company

(not through the act of being hired, being granted this Option or any other Option, award or benefit or acquiring shares hereunder) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a “reorganization”). Optionee acknowledges and agrees that such a reorganization could result in the termination of Optionee’s relationship as a director of the Company or an Affiliate, and the loss of benefits available to Optionee under this Agreement, including but not limited to, the termination of the right to exercise the Options under this Agreement.

10. **COPIES OF PLAN MATERIALS.** Optionee acknowledges that Optionee has received copies of the Plan and the Plan prospectus from the Company and agrees to receive stockholder information, including copies of any annual report, proxy statement and periodic report, electronically from the Company. Optionee acknowledges that copies of the Plan, Plan prospectus, Plan information and stockholder information are also available upon written or telephonic request to the Company.

11. **MISCELLANEOUS.** This Agreement contains the entire agreement between the parties with respect to its subject matter. This Agreement shall be binding upon and shall inure to the benefit of the respective parties, the successors and assigns of the Company, and the heirs, legatees, and personal representatives of Optionee.

12. **ACKNOWLEDGMENT.** Optionee acknowledges that accepting the Option constitutes an unequivocal acceptance of this Agreement and any attempted modifications or deletions will have no force or effect upon the Company’s right to enforce the terms and conditions stated herein.

13. **GOVERNING LAW.** This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Delaware without reference to such state’s principles of conflict of laws.

By accepting the Option, you agree to all of the terms and conditions set forth above and in the Plan.

FORM OF
LEIDOS HOLDINGS, INC.
2006 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

BY ACCEPTING THIS AWARD, YOU VOLUNTARILY AGREE TO ALL OF THE TERMS AND CONDITIONS SET FORTH IN THIS AGREEMENT AND IN THE PLAN.

Leidos Holdings, Inc., a Delaware corporation (the “**Company**”), hereby grants to the participant named in the Grant Summary (as defined below) (“**Recipient**”), who is affiliated with the Company or an Affiliate as an employee, director or consultant, restricted stock units (“**RSUs**”) representing the right to receive one share of its Common Stock, \$0.0001 par value per share (“**Common Stock**”) for each RSU. Certain specific details of this award, including the number of RSUs and the Grant Date, may be found in the Grant Summary and are hereby incorporated by reference into this Agreement. The terms and conditions of the grant of RSUs (this “**Award**”) are set forth in this Agreement and in the Company’s 2006 Equity Incentive Plan, as amended (the “**Plan**”).

1. **DEFINITIONS.** The following terms shall have the meanings as defined below. Capitalized terms used herein and not defined shall have the meanings attributed to them in the Plan.

“**Affiliate**” shall mean a “parent” or “subsidiary” (as each is defined in Section 424 of the Code) of the Company and any other entity that the Board or Committee designates as an “Affiliate” for purposes of this Plan.

“**Committee**” shall have the meaning as defined in the Plan.

“**Executive Officer**” shall mean an officer of the Company designated as such for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

“**Grant Date**” shall mean the date of the award of the RSUs as set forth in the Grant Summary.

“**Grant Summary**” shall mean the summary of this award as reflected 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).

“**Permanent Disability**” shall mean the status of disability determined conclusively by the Committee based upon certification of disability by the Social Security Administration or, to the extent compliant with Section 409A, upon such other proof as the Committee may require, effective upon receipt of such certification or other proof by the Committee.

“**Special Retirement**” shall mean: (i) retirement by the Recipient after reaching age 59½ with at least ten (10) years of service with the Company or an Affiliate; or (ii) retirement by the Recipient after reaching age 59½ and Recipient’s age plus years of service with the Company or an Affiliate equals at least 70; or (iii) if Recipient is an Executive Officer at the time of retirement, retirement after reaching the applicable mandatory retirement age, regardless of years of service with the Company or (iv) if the Recipient is a director of the Company, retirement either (A) after reaching the applicable mandatory retirement age at retirement or (B) at the end of a term of office if Recipient is not nominated for a successive term of office on account of the fact that Recipient would have reached the applicable mandatory retirement age during such successive term of office, regardless of years of service with the Company. For Special Retirement purposes, years of service shall mean the period of service determined conclusively by the Committee.

2. RIGHTS OF THE RECIPIENT WITH RESPECT TO THE RSUs.

a) **No Stockholder Rights.** The RSUs granted pursuant to this Award do not and shall not entitle Recipient to any rights of a stockholder. The rights of Recipient with respect to the RSUs shall remain forfeitable at all times prior to the date on which such rights become vested, and the restrictions with respect to the RSUs lapse, in accordance with Section 3, 4 or 5.

b) **Additional RSUs as Dividend Equivalents.** If the Company pays any cash dividends on its Common Stock, the Company shall credit to Recipient, on each dividend payment date, a number of additional RSUs (“Dividend Equivalents”) equal in value to the cash dividends that would have been paid on the shares of Common Stock underlying the unvested RSUs covered by this Agreement assuming that: (i) such underlying shares had been outstanding as of the record date for such dividends declared on or after the Grant Date and prior to the issuance date of the underlying shares; and (ii) the amount of the Dividend Equivalents had been reinvested in additional shares of Common Stock as of the payment date of such dividends. The number of additional RSUs representing Dividend Equivalents shall be determined by (a) multiplying the dollar amount of the cash dividends paid per share of Common Stock by the number of RSUs subject to this Award that remain unvested as of the applicable dividend payment date (including additional RSUs attributable to prior Dividend Equivalents) and (b) dividing such amount by the Fair Market Value (as defined in the Plan) of a share of Common Stock on the dividend payment date. Dividend Equivalents so credited shall be subject to the same terms and conditions as the RSUs to which such Dividend Equivalents relate, shall be distributed in shares of Common Stock when, and if, and to the extent that the RSUs to which they related are vested and settled as provided below, but shall be forfeited in the event that the RSUs with respect to which such Dividend Equivalents were credited are forfeited. For the avoidance of doubt, no Dividend Equivalents shall be credited or distributed with respect to any RSUs that have vested and for which the underlying shares have been issued prior to the applicable dividend payment date.

c) **Conversion of RSUs; Issuance of Common Stock.** No shares of Common Stock shall be issued to Recipient prior to the date on which the RSUs vest in accordance with Section 3, 4 or 5. On the date that any RSUs vest pursuant to Section 3, 4 or 5 (or as promptly as administratively practicable thereafter), the Company shall cause to be issued in book-entry form, registered in Recipient’s name or in the name of Recipient’s legal representatives, beneficiaries or heirs, as the

case may be, the underlying shares in payment of such vested whole RSUs (including additional RSUs credited as Dividend Equivalents), unless such payment is deferred in accordance with the terms and conditions of the Company's non-qualified compensation deferral plans.

3. VESTING SCHEDULE; RSUs SUBJECT TO FORFEITURE.

a) Subject to the terms and conditions of this Award, the RSUs shall vest in accordance with the following vesting schedule:

If the application of the foregoing vesting schedule results in a fraction of a RSU being vested, such fractional RSU shall be deemed not to be vested and shall continue to be subject to forfeiture, as described below. Notwithstanding the foregoing, additional RSUs credited to Recipient as Dividend Equivalents shall vest on the same vesting schedule as the RSUs to which such Dividend Equivalents relate. Recipient shall not sell, transfer, assign, hypothecate, pledge, grant a security interest in, or in any other way alienate, any of the RSUs, or any interest or right therein.

b) Except in the event of death, Permanent Disability or Special Retirement or as set forth below, any unvested RSUs automatically shall be immediately and irrevocably forfeited without compensation on the date that Recipient's affiliation with the Company or any Affiliate as an employee, director or consultant terminates, or if Recipient is an employee or director of an Affiliate and such entity ceases to be an Affiliate, whether by Committee action or otherwise, on the date such entity ceases to be an Affiliate.

4. **ACCELERATION OF VESTING UPON DEATH OR PERMANENT DISABILITY.** If Recipient is an employee, director or consultant of the Company or an Affiliate and ceases to be affiliated with the Company or any Affiliate as a result of Recipient's death or Permanent Disability, or if Recipient's death or Permanent Disability occurs following a Special Retirement, all of the RSUs shall become fully vested.

5. CONTINUATION OF VESTING UPON SPECIAL RETIREMENT.

a) If Recipient is an Executive Officer and Recipient's affiliation with the Company or any Affiliate terminates as a result of Recipient's Special Retirement in accordance with the provisions of subsection (iii) of the definition of the term "Special Retirement" in Section 1 above, or if Recipient is a director of the Company and Recipient's affiliation with the Company or any Affiliate terminates as a result of Recipient's Special Retirement in accordance with the provisions of subsection (iv) of the definition of the term "Special Retirement" in Section 1 above, any unvested RSUs shall continue to vest in accordance with the vesting schedule set forth in Section 3 above.

b) If, after the first anniversary of the Grant Date, Recipient's affiliation with the Company or an Affiliate terminates as a result of Recipient's Special Retirement in accordance with the provisions of subsection (i) or (ii) of the definition of the term "Special Retirement" in Section

1 above, the remaining unvested RSUs shall continue to vest in accordance with the vesting schedule set forth in Section 3 above.

c) Notwithstanding the foregoing clauses (a) and (b), all unvested RSUs shall be immediately and irrevocably forfeited in the event that Recipient violates the terms of his or her inventions, copyright and confidentiality agreement with the Company or an Affiliate or breaches his or her other contractual or legal obligations to the Company or an Affiliate, including the non-solicitation obligations set forth in Section 13 of this Agreement.

d) If Recipient is eligible for Special Retirement at the time of a Fundamental Transaction or is continuing to vest following Special Retirement under the foregoing clause (a) or (b), any unvested RSUs shall be treated as provided in the Plan, but the resulting consideration shall only be paid on the date the RSUs would have vested if a Fundamental Transaction had not occurred, unless the RSUs are terminated in a manner compliant with Section 409A.

6. TAX MATTERS

a) **Tax Withholding.** If the Company or an Affiliate is required to withhold any federal, state, local or other taxes upon the vesting or any acceleration of vesting of the RSUs, or any issuance of Common Stock or otherwise under this Agreement, the Company shall withhold a sufficient number of shares of Common Stock issuable upon settlement of the RSUs at the then current Fair Market Value (as defined in the Plan) to meet the withholding obligation based on the minimum rates required by law; provided, however, that the Company may, in its sole discretion, sell a sufficient number of shares of Common Stock on behalf of Recipient to satisfy such obligations, accept payment to satisfy such obligations in the form of cash or delivery to the Company of shares of Company stock already owned by Recipient, withhold amounts from Recipient's compensation, or any combination of the foregoing or other actions as may be necessary or appropriate to satisfy any such tax withholding obligations.

b) **Section 409A.**

(i) This Award is intended to qualify for the short-term deferral exception to Section 409A of the Code ("**Section 409A**") described in the regulations promulgated under Section 409A to the maximum extent possible. To the extent Section 409A is applicable to this Award, this Award is intended to comply with Section 409A and to be interpreted and construed consistent with such intent.

(ii) With respect to any Recipient who is eligible for Special Retirement, this Award is intended to be paid on fixed payment dates under Sections 3 and 5 of this Agreement and such payments may not be accelerated except as set forth in Section 5(b) hereof or otherwise to the extent permitted under Section 409A.

(iii) Without limiting the generality of the foregoing, if Recipient is a "specified employee" within the meaning of Section 409A, as determined under the Company's established methodology for determining specified employees, on the date of Recipient's termination of service at a time when this Award pursuant its terms would be settled, then to the extent required in order to comply with Section 409A, shares of Common Stock that

would be issued under this Award (or any other amount due hereunder) at such termination of service shall not be issued before the earlier of (x) the date that is six months following the Recipient's termination of employment and (y) the date of the Recipient's death.

(iii) For purposes of this Agreement, the terms "terminate," "terminated" and "termination" mean a termination of the Recipient's employment that constitutes a "separation from service" within the meaning of the default rules of Section 409A.

7. **RIGHTS, RESTRICTIONS AND LIMITATIONS.** All shares of Common Stock issued to Recipient pursuant to this Agreement are subject to the rights, restrictions and limitations set forth in the Company's Restated Certificate of Incorporation. Recipient shall not have the rights of a stockholder until Shares, if any, are issued on or following the applicable vesting date.

8. **RESTRICTIONS UNDER SECURITIES LAW.** The issuance of RSUs and the shares of Common Stock covered by this Agreement are subject to any restrictions which may be imposed under applicable state and federal securities laws and are subject to obtaining all necessary consents which may be required by, or any condition which may be imposed in accordance with, applicable state and federal securities laws or regulations.

9. **EMPLOYMENT AT WILL.**

a) If Recipient is an employee or consultant of the Company or an Affiliate, such employment or affiliation is not for any specified term and may be terminated by employee or by the Company or an Affiliate at any time, for any reason, with or without cause and with or without notice. Nothing in this Agreement (including, but not limited to, the vesting of the RSUs pursuant to the schedule set forth in Section 3 herein), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon Recipient any right to continue in the employ of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan; or (iv) deprive the Company of the right to terminate Recipient at will and without regard to any future vesting opportunity that Recipient may have.

b) Recipient acknowledges and agrees that the right to continue vesting in the RSUs pursuant to the schedule set forth in Section 3 is earned only by continuing as an employee or consultant at the will of the Company or as a director (not through the act of being hired, being granted RSUs or any other award or benefit) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a "reorganization"). Recipient acknowledges and agrees that such a reorganization could result in the termination of Recipient's relationship as an employee or consultant to the Company or an Affiliate, or the termination of Affiliate status of Recipient's employer and the loss of benefits available to Recipient under this Agreement, including but not limited to, the termination of the right to continue vesting the RSUs under this Agreement.

10. **INCORPORATION OF PLAN.** The RSUs granted hereby are granted pursuant to the Plan, all the terms and conditions of which are hereby made a part hereof and are incorporated herein by reference. In the event of any inconsistency between the terms and conditions contained herein and those set forth in the Plan, the terms and conditions of the Plan shall prevail.

11. **RECOUPMENT OF AWARDS.** The Human Resources and Compensation Committee of the Company's Board of Directors adopted a recoupment policy on June 18, 2009 (the "**Policy**"), that may require members of senior management to return incentive compensation if there is a material restatement of the financial results upon which the compensation was originally based. The Policy also provides for recovery of incentive compensation from any employee involved in fraud or intentional misconduct, whether or not it results in a restatement of the Company's financial results. Recipient acknowledges and agrees that the Policy applies to RSUs and that any payments or issuances of Common Stock with respect to RSUs are subject to recoupment pursuant to the Policy, including any amendments to the Policy and any recoupment obligations imposed by applicable law or regulation. This Agreement shall be deemed to include the restrictions imposed by the Policy.

12. **COPIES OF PLAN AND OTHER MATERIALS.** Recipient acknowledges that Recipient has received copies of the Plan and the Plan prospectus from the Company and agrees to receive stockholder information, including copies of any annual report, proxy statement and periodic report, electronically from the Company. Recipient acknowledges that copies of the Plan, Plan prospectus, Plan information and stockholder information are also available upon written or telephonic request to the Company. Recipient acknowledges that a copy of the Policy referenced in Section 11 is available on the Company's intranet, and is also available upon written or telephonic request to the Company.

13. **NON-SOLICITATION.**

a) **Solicitation of Employees.** Recipient agrees that, both while employed by the Company or an Affiliate and for one year afterward, Recipient will not solicit or attempt to solicit any employee of the Company or an Affiliate to leave his or her employment or to violate the terms of any agreement or understanding that employee may have with the Company or an Affiliate. The foregoing obligations apply to both the Recipient's direct and indirect actions, and apply to actions intended to benefit Recipient or any other person, business or entity.

b) **Solicitation of Customers.** Recipient agrees that, for one year after termination of employment with the Company or an Affiliate, Recipient will not participate in any solicitation of any customer or prospective customer of the Company or an Affiliate concerning any business that:

(i) involves the same programs or projects for that customer in which Recipient was personally and substantially involved during the 12 months prior to termination of employment; or

(ii) has been, at any time during the 12 months prior to termination of employment, the subject of any bid, offer or proposal activity by the Company or an Affiliate in respect of that customer or prospective customer, or any negotiations or discussions about

the possible performance of services by the Company or an Affiliate to that customer or potential customer, in which Recipient was personally and substantially involved.

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 an Affiliate provides (or may reasonably provide) goods or services.

c) **Remedies.** Recipient acknowledges and agrees that a breach of any of the promises or agreements contained in this Section 13 will result in immediate, irreparable and continuing damage to the Company for which there is no adequate remedy at law, and the Company or an Affiliate will be entitled to injunctive relief, a decree for specific performance, and other relief as may be proper, including money damages.

14. **MISCELLANEOUS.** This Agreement contains the entire agreement of the parties with respect to its subject matter, provided, however, that if Recipient and the Company are parties to an existing written agreement addressing the subject matter of Section 13, such agreement shall control with respect to such subject matter until the termination thereof, at which time Section 13 shall control. This Agreement shall be binding upon and shall inure to the benefit of the respective parties, the successors and assigns of the Company, and the heirs, legatees and personal representatives of Recipient. The parties hereby agree that should any portion of this Agreement be judicially held to be invalid, unenforceable, or void, such portion shall be construed by limiting and reducing it, so as to be enforceable to the maximum extent compatible with the applicable law as is then in effect.

15. **GOVERNING LAW.** This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Delaware without reference to such state's principles of conflict of laws.

16. **NOTICE OF RESTRICTION.** The parties agree that any book entry representing the RSUs granted hereunder may contain a legend, or notation as the case may be, indicating that such RSUs are subject to the restrictions of this Agreement.

17. **ACKNOWLEDGMENT.** Recipient acknowledges that the RSUs constitute full and adequate consideration for Recipient's obligations under this Agreement, the acceptance of the RSUs constitutes an unequivocal acceptance of this Agreement and any attempted modification or deletion will have no force or effect on the Company's right to enforce the terms and conditions stated herein.

By accepting the RSUs, you agree to all of the terms and conditions set forth above and in the Plan.

FORM OF
LEIDOS HOLDINGS, INC.
2006 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT
(Non-Employee Directors)

BY ACCEPTING THIS AWARD, YOU VOLUNTARILY AGREE TO ALL OF THE TERMS AND CONDITIONS SET FORTH IN THIS AGREEMENT AND IN THE PLAN.

Leidos Holdings, Inc., a Delaware corporation (the “**Company**”), hereby grants to the participant named in the Grant Summary (as defined below) (“**Recipient**”), who is affiliated with the Company or an Affiliate as a non-employee director, restricted stock units (“**RSUs**”) representing the right to receive one share of its Common Stock, \$0.0001 par value per share (“**Common Stock**”) for each RSU. Certain specific details of this award, including the number of RSUs and the Grant Date, may be found in the Grant Summary and are hereby incorporated by reference into this Agreement. The terms and conditions of the grant of RSUs (this “**Award**”) are set forth in this Agreement and in the Company’s 2006 Equity Incentive Plan, as amended (the “**Plan**”).

1. **DEFINITIONS.** The following terms shall have the meanings as defined below. Capitalized terms used herein and not defined shall have the meanings attributed to them in the Plan.

“**Affiliate**” shall mean a “parent” or “subsidiary” (as each is defined in Section 424 of the Code) of the Company and any other entity that the Board or Committee designates as an “Affiliate” for purposes of this Plan.

“**Committee**” shall have the meaning as defined in the Plan.

“**Grant Date**” shall mean the date of the award of the RSUs as set forth in the Grant Summary.

“**Grant Summary**” shall mean the summary of this award as reflected 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).

“**Permanent Disability**” shall mean the status of disability determined conclusively by the Committee based upon certification of disability by the Social Security Administration or, to the extent compliant with Section 409A, upon such other proof as the Committee may require, effective upon receipt of such certification or other proof by the Committee.

“**Special Retirement**” shall mean retirement by a Recipient who is a director of the Company, either (A) after reaching the applicable mandatory retirement age at retirement or (B) at

the end of a term of office if Recipient is not nominated for a successive term of office on account of the fact that Recipient would have reached the applicable mandatory retirement age during such successive term of office, regardless of years of service with the Company.

2. **RIGHTS OF THE RECIPIENT WITH RESPECT TO THE RSUs.**

a) **No Stockholder Rights.** The RSUs granted pursuant to this Award do not and shall not entitle Recipient to any rights of a stockholder. The rights of Recipient with respect to the RSUs shall remain forfeitable at all times prior to the date on which such rights become vested, and the restrictions with respect to the RSUs lapse, in accordance with Section 3, 4 or 5.

b) **Additional RSUs as Dividend Equivalents.** If the Company pays any cash dividends on its Common Stock, the Company shall credit to Recipient, on each dividend payment date, a number of additional RSUs (“Dividend Equivalents”) equal in value to the cash dividends that would have been paid on the shares of Common Stock underlying the unvested RSUs covered by this Agreement assuming that: (i) such underlying shares had been outstanding as of the record date for such dividends declared on or after the Grant Date and prior to the issuance date of the underlying shares; and (ii) the amount of the Dividend Equivalents had been reinvested in additional shares of Common Stock as of the payment date of such dividends. The number of additional RSUs representing Dividend Equivalents shall be determined by (a) multiplying the dollar amount of the cash dividends paid per share of Common Stock by the number of RSUs subject to this Award that remain unvested as of the applicable dividend payment date (including additional RSUs attributable to prior Dividend Equivalents) and (b) dividing such amount by the Fair Market Value (as defined in the Plan) of a share of Common Stock on the dividend payment date. Dividend Equivalents so credited shall be subject to the same terms and conditions as the RSUs to which such Dividend Equivalents relate, shall be distributed in shares of Common Stock when, and if, and to the extent that the RSUs to which they related are vested and settled as provided below, but shall be forfeited in the event that the RSUs with respect to which such Dividend Equivalents were credited are forfeited. For the avoidance of doubt, no Dividend Equivalents shall be credited or distributed with respect to any RSUs that have vested and for which the underlying shares have been issued prior to the applicable dividend payment date.

c) **Conversion of RSUs; Issuance of Common Stock.** No shares of Common Stock shall be issued to Recipient prior to the date on which the RSUs vest in accordance with Section 3, 4 or 5. On the date that any RSUs vest pursuant to Section 3, 4 or 5 (or as promptly as administratively practicable thereafter), the Company shall cause to be issued in book-entry form, registered in Recipient’s name or in the name of Recipient’s legal representatives, beneficiaries or heirs, as the case may be, the underlying shares in payment of such vested whole RSUs (including additional RSUs credited as Dividend Equivalents), unless such payment is deferred in accordance with the terms and conditions of the Company’s non-qualified compensation deferral plans.

3. **VESTING SCHEDULE; RSUs SUBJECT TO FORFEITURE.**

a) Subject to the terms and conditions of this Award, 100% the RSUs, including any additional RSUs credited to Recipient as Dividend Equivalents, shall vest on the earlier of (i) the

first-year anniversary of the Grant Date, or (ii) the date the annual meeting of stockholders of the Company following the Grant Date is concluded.

Recipient shall not sell, transfer, assign, hypothecate, pledge, grant a security interest in, or in any other way alienate, any of the RSUs, or any interest or right therein.

b) Except in the event of death, Permanent Disability or Special Retirement or as set forth below, any unvested RSUs automatically shall be immediately and irrevocably forfeited without compensation on the date that Recipient's affiliation with the Company or any Affiliate as a director terminates, or if Recipient is a director of an Affiliate and such entity ceases to be an Affiliate, whether by Committee action or otherwise, on the date such entity ceases to be an Affiliate.

4. **ACCELERATION OF VESTING UPON DEATH OR PERMANENT DISABILITY.** If Recipient ceases to be affiliated with the Company or any Affiliate as a result of Recipient's death or Permanent Disability, or if Recipient's death or Permanent Disability occurs following a Special Retirement, all of the RSUs shall become fully vested.

5. **CONTINUATION OF VESTING UPON SPECIAL RETIREMENT.**

a) If Recipient's affiliation with the Company or any Affiliate terminates as a result of Recipient's Special Retirement, any unvested RSUs shall continue to vest in accordance with the vesting schedule set forth in Section 3 above.

b) Notwithstanding the foregoing clauses (a) and (b), all unvested RSUs shall be immediately and irrevocably forfeited in the event that Recipient breaches his or her contractual or legal obligations to the Company or an Affiliate.

6. **TAX MATTERS**

a) **Tax Withholding.** If the Company or an Affiliate is required to withhold any federal, state, local or other taxes upon the vesting or any acceleration of vesting of the RSUs, or any issuance of Common Stock or otherwise under this Agreement, the Company shall withhold a sufficient number of shares of Common Stock issuable upon settlement of the RSUs at the then current Fair Market Value (as defined in the Plan) to meet the withholding obligation based on the minimum rates required by law; provided, however, that the Company may, in its sole discretion, sell a sufficient number of shares of Common Stock on behalf of Recipient to satisfy such obligations, accept payment to satisfy such obligations in the form of cash or delivery to the Company of shares of Company stock already owned by Recipient, withhold amounts from Recipient's compensation, or any combination of the foregoing or other actions as may be necessary or appropriate to satisfy any such tax withholding obligations.

b) **Section 409A.**

(i) This Award is intended to qualify for the short-term deferral exception to Section 409A of the Code ("**Section 409A**") described in the regulations promulgated under Section 409A to the maximum extent possible. To the extent Section 409A is applicable to

this Award, this Award is intended to comply with Section 409A and to be interpreted and construed consistent with such intent.

(ii) With respect to any Recipient who is eligible for Special Retirement, this Award is intended to be paid on fixed payment dates under Sections 3 and 5 of this Agreement and such payments may not be accelerated except to the extent permitted under Section 409A.

7. **RIGHTS, RESTRICTIONS AND LIMITATIONS.** All shares of Common Stock issued to Recipient pursuant to this Agreement are subject to the rights, restrictions and limitations set forth in the Company's Restated Certificate of Incorporation. Recipient shall not have the rights of a stockholder until Shares, if any, are issued on or following the applicable vesting date.

8. **RESTRICTIONS UNDER SECURITIES LAW.** The issuance of RSUs and the shares of Common Stock covered by this Agreement are subject to any restrictions which may be imposed under applicable state and federal securities laws and are subject to obtaining all necessary consents which may be required by, or any condition which may be imposed in accordance with, applicable state and federal securities laws or regulations.

9. **NO CONTINUED RIGHTS.**

a) Nothing in this Agreement (including, but not limited to, the vesting of the RSUs pursuant to the schedule set forth in Section 3 herein), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon Recipient any right to continue in affiliation with the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; or (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan.

b) Recipient acknowledges and agrees that the right to continue vesting in the RSUs pursuant to the schedule set forth in Section 3 is earned only by continuing as a director of the Company (not through being granted RSUs or any other award or benefit) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a "reorganization"). Recipient acknowledges and agrees that such a reorganization could result in the termination of Recipient's relationship as a director of the Company or an Affiliate and the loss of benefits available to Recipient under this Agreement, including but not limited to, the termination of the right to continue vesting the RSUs under this Agreement.

10. **INCORPORATION OF PLAN.** The RSUs granted hereby are granted pursuant to the Plan, all the terms and conditions of which are hereby made a part hereof and are incorporated herein by reference. In the event of any inconsistency between the terms and conditions contained herein and those set forth in the Plan, the terms and conditions of the Plan shall prevail.

11. **COPIES OF PLAN MATERIALS.** Recipient acknowledges that Recipient has received copies of the Plan and the Plan prospectus from the Company and agrees to receive stockholder

information, including copies of any annual report, proxy statement and periodic report, electronically from the Company. Recipient acknowledges that copies of the Plan, Plan prospectus, Plan information and stockholder information are also available upon written or telephonic request to the Company.

12. **MISCELLANEOUS.** This Agreement contains the entire agreement of the parties with respect to its subject matter. This Agreement shall be binding upon and shall inure to the benefit of the respective parties, the successors and assigns of the Company, and the heirs, legatees and personal representatives of Recipient.

13. **GOVERNING LAW.** This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Delaware without reference to such state's principles of conflict of laws.

14. **NOTICE OF RESTRICTION.** The parties agree that any book entry representing the RSUs granted hereunder may contain a legend, or notation as the case may be, indicating that such RSUs are subject to the restrictions of this Agreement.

15. **ACKNOWLEDGMENT.** Recipient acknowledges that the acceptance of the RSUs constitutes an unequivocal acceptance of this Agreement and any attempted modification or deletion will have no force or effect on the Company's right to enforce the terms and conditions stated herein.

By accepting the RSUs, you agree to all of the terms and conditions set forth above and in the Plan.

FORM OF
LEIDOS HOLDINGS, INC.
2006 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT
(Management)

BY ACCEPTING THIS AWARD, YOU VOLUNTARILY AGREE TO ALL OF THE TERMS AND CONDITIONS SET FORTH IN THIS AGREEMENT AND IN THE PLAN.

Leidos Holdings, Inc., a Delaware corporation (the “**Company**”), hereby grants to the participant named in the Grant Summary (as defined below) (“**Recipient**”), who is affiliated with the Company or an Affiliate as an employee, director or consultant, restricted stock units (“**RSUs**”) representing the right to receive one share of its Common Stock, \$0.0001 par value per share (“**Common Stock**”) for each RSU. Certain specific details of this award, including the number of RSUs and the Grant Date, may be found in the Grant Summary and are hereby incorporated by reference into this Agreement. **The RSUs shall be forfeited if certain performance conditions set forth below are not met.** The terms and conditions of the grant of RSUs (this “**Award**”) are set forth in this Agreement and in the Company’s 2006 Equity Incentive Plan, as amended (the “**Plan**”).

1. **DEFINITIONS.** The following terms shall have the meanings as defined below. Capitalized terms used herein and not defined shall have the meanings attributed to them in the Plan.

“**Affiliate**” shall mean a “parent” or “subsidiary” (as each is defined in Section 424 of the Code) of the Company and any other entity that the Board or Committee designates as an “Affiliate” for purposes of this Plan.

“**Award Letter**” shall mean the award notice delivered to Recipient concurrently with this Agreement and which is hereby made a part hereof and incorporated by reference into this Agreement.

“**Committee**” shall have the meaning as defined in the Plan.

“**Determination Date**” means the date on which the Committee certifies whether and to what extent the Performance Goals have been achieved.

“**Executive Officer**” shall mean an officer of the Company designated as such for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

“**Grant Date**” shall mean the date of the award of the RSUs as set forth in the Grant Summary.

“**Grant Summary**” shall mean the summary of this award as reflected 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).

“**Performance Goals**” means the goals set forth in the Award Letter that will determine whether, and to what extent, the RSUs shall be earned.

“**Permanent Disability**” shall mean the status of disability determined conclusively by the Committee based upon certification of disability by the Social Security Administration or, to the extent compliant with Section 409A, upon such other proof as the Committee may require, effective upon receipt of such certification or other proof by the Committee.

“**Special Retirement**” shall mean: (i) retirement by the Recipient after reaching age 59½ with at least ten (10) years of service with the Company or an Affiliate; or (ii) retirement by the Recipient after reaching age 59½ and Recipient’s age plus years of service with the Company or an Affiliate equals at least 70; or (iii) if Recipient is an Executive Officer at the time of retirement, retirement after reaching the applicable mandatory retirement age, regardless of years of service with the Company or (iv) if the Recipient is a director of the Company, retirement either (A) after reaching the applicable mandatory retirement age at retirement or (B) at the end of a term of office if Recipient is not nominated for a successive term of office on account of the fact that Recipient would have reached the applicable mandatory retirement age during such successive term of office, regardless of years of service with the Company. For Special Retirement purposes, years of service shall mean the period of service determined conclusively by the Committee.

2. **RIGHTS OF THE RECIPIENT WITH RESPECT TO THE RSUs.**

a) **No Stockholder Rights.** The RSUs granted pursuant to this Award do not and shall not entitle Recipient to any rights of a stockholder. The rights of Recipient with respect to the RSUs shall remain forfeitable at all times prior to the date on which such rights become vested, and the restrictions with respect to the RSUs lapse, in accordance with Section 3, 4 or 5.

b) **Additional RSUs as Dividend Equivalents.** If the Company pays any cash dividends on its Common Stock, the Company shall credit to Recipient, on each dividend payment date, a number of additional RSUs (“Dividend Equivalents”) equal in value to the cash dividends that would have been paid on the shares of Common Stock underlying the unvested RSUs covered by this Agreement assuming that: (i) such underlying shares had been outstanding as of the record date for such dividends declared on or after the Grant Date and prior to the issuance date of the underlying shares; and (ii) the amount of the Dividend Equivalents had been reinvested in additional shares of Common Stock as of the payment date of such dividends. The number of additional RSUs representing Dividend Equivalents shall be determined by (a) multiplying the dollar amount of the cash dividends paid per share of Common Stock by the number of RSUs subject to this Award that remain unvested as of the applicable dividend payment date (including additional RSUs attributable to prior Dividend Equivalents) and (b) dividing such amount by the Fair Market Value (as defined in the Plan) of a share of Common Stock on the dividend payment date. Dividend Equivalents so credited shall be subject to the same terms and conditions as the RSUs to which such Dividend

Equivalents relate, shall be distributed in shares of Common Stock when, and if, and to the extent that the RSUs to which they related are vested and settled as provided below, but shall be forfeited in the event that the RSUs with respect to which such Dividend Equivalents were credited are forfeited (including RSUs that are forfeited due to failure to meet the Performance Goals). For the avoidance of doubt, no Dividend Equivalents shall be credited or distributed with respect to any RSUs that have vested and for which the underlying shares have been issued prior to the applicable dividend payment date.

c) **Conversion of RSUs; Issuance of Common Stock.** No shares of Common Stock shall be issued to Recipient prior to the date on which the RSUs vest in accordance with Section 3, 4 or 5. On the date that any RSUs vest pursuant to Section 3, 4 or 5 (or as promptly as administratively practicable thereafter), the Company shall cause to be issued in book-entry form, registered in Recipient's name or in the name of Recipient's legal representatives, beneficiaries or heirs, as the case may be, the underlying shares in payment of such vested whole RSUs (including additional RSUs credited as Dividend Equivalents), unless such payment is deferred in accordance with the terms and conditions of the Company's non-qualified compensation deferral plans.

3. VESTING SCHEDULE; RSUs SUBJECT TO FORFEITURE.

a) If the Performance Goals are met, 100% of the RSUs shall be earned and eligible for vesting in accordance with clause (b) below. If the Performance Goals are not met, the RSUs shall be forfeited as of the Determination Date, and no RSUs hereunder shall become vested.

b) Subject to the terms and conditions of this Award, to the extent the RSUs are earned under clause (a) above, the RSUs shall vest in accordance with the following vesting schedule:

If the application of the foregoing vesting schedule results in a fraction of a RSU being vested, such fractional RSU shall be deemed not to be vested and shall continue to be subject to forfeiture, as described below. Notwithstanding the foregoing, additional RSUs credited to Recipient as Dividend Equivalents shall vest on the same vesting schedule as the RSUs to which such Dividend Equivalents relate. Recipient shall not sell, transfer, assign, hypothecate, pledge, grant a security interest in, or in any other way alienate, any of the RSUs, or any interest or right therein.

c) Except in the event of death, Permanent Disability or Special Retirement or as set forth below, any unvested RSUs automatically shall be immediately and irrevocably forfeited without compensation on the date that Recipient's affiliation with the Company or any Affiliate as an employee, director or consultant terminates, or if Recipient is an employee or director of an Affiliate and such entity ceases to be an Affiliate, whether by Committee action or otherwise, on the date such entity ceases to be an Affiliate.

4. **ACCELERATION OF VESTING UPON DEATH OR PERMANENT DISABILITY.** If Recipient is an employee, director or consultant of the Company or an Affiliate and ceases to be affiliated with the Company or any Affiliate as a result of Recipient's death or Permanent Disability,

or if Recipient's death or Permanent Disability occurs following a Special Retirement, all of the RSUs shall become fully vested whether or not earned under Section 3(a).

5. CONTINUATION OF VESTING UPON SPECIAL RETIREMENT.

a) If Recipient is an Executive Officer and Recipient's affiliation with the Company or any Affiliate terminates as a result of Recipient's Special Retirement in accordance with the provisions of subsection (iii) of the definition of the term "Special Retirement" in Section 1 above, or if Recipient is a director of the Company and Recipient's affiliation with the Company or any Affiliate terminates as a result of Recipient's Special Retirement in accordance with the provisions of subsection (iv) of the definition of the term "Special Retirement" in Section 1 above, any unvested RSUs shall continue to vest in accordance with the vesting schedule set forth in Section 3 above to the extent the RSUs are earned under Section 3(a).

b) If, after the first anniversary of the Grant Date, Recipient's affiliation with the Company or an Affiliate terminates as a result of Recipient's Special Retirement in accordance with the provisions of subsection (i) or (ii) of the definition of the term "Special Retirement" in Section 1 above, the remaining unvested RSUs shall continue to vest in accordance with the vesting schedule set forth in Section 3 above, to the extent the RSUs are earned under Section 3(a). With respect to the first vesting event under Section 3(b)(1), shares shall be issued, if earned under Section 3(a), no later than ninety (90) days following the first anniversary of the Grant Date.

c) Notwithstanding the foregoing clauses (a) and (b), all unvested RSUs shall be immediately and irrevocably forfeited in the event that Recipient violates the terms of his or her inventions, copyright and confidentiality agreement with the Company or an Affiliate or breaches his or her other contractual or legal obligations to the Company or an Affiliate, including the non-solicitation obligations set forth in Section 13 of this Agreement.

d) If Recipient is eligible for Special Retirement at the time of a Fundamental Transaction or is continuing to vest following Special Retirement under the foregoing clause (a) or (b), any unvested RSUs shall be treated as provided in the Plan, but the resulting consideration shall only be paid on the date the RSUs would have vested if a Fundamental Transaction had not occurred, unless the RSUs are terminated in a manner compliant with Section 409A.

6. TAX MATTERS

a) **Tax Withholding.** If the Company or an Affiliate is required to withhold any federal, state, local or other taxes upon the vesting or any acceleration of vesting of the RSUs, or any issuance of Common Stock or otherwise under this Agreement, the Company shall withhold a sufficient number of shares of Common Stock issuable upon settlement of the RSUs at the then current Fair Market Value (as defined in the Plan) to meet the withholding obligation based on the minimum rates required by law; provided, however, that the Company may, in its sole discretion, sell a sufficient number of shares of Common Stock on behalf of Recipient to satisfy such obligations, accept payment to satisfy such obligations in the form of cash or delivery to the Company of shares of Company stock already owned by Recipient, withhold amounts from Recipient's compensation,

or any combination of the foregoing or other actions as may be necessary or appropriate to satisfy any such tax withholding obligations.

b) **Section 409A.**

(i) This Award is intended to qualify for the short-term deferral exception to Section 409A of the Code (“**Section 409A**”) described in the regulations promulgated under Section 409A to the maximum extent possible. To the extent Section 409A is applicable to this Award, this Award is intended to comply with Section 409A and to be interpreted and construed consistent with such intent.

(ii) With respect to any Recipient who is eligible for Special Retirement, this Award is intended to be paid on fixed payment dates under Sections 3 and 5 of this Agreement and such payments may not be accelerated except as set forth in Section 5(b) hereof or otherwise to the extent permitted under Section 409A.

(iii) Without limiting the generality of the foregoing, if Recipient is a “specified employee” within the meaning of Section 409A, as determined under the Company’s established methodology for determining specified employees, on the date of Recipient’s termination of service at a time when this Award pursuant its terms would be settled, then to the extent required in order to comply with Section 409A, shares of Common Stock that would be issued under this Award (or any other amount due hereunder) at such termination of service shall not be issued before the earlier of (x) the date that is six months following the Recipient’s termination of employment and (y) the date of the Recipient’s death.

(iii) For purposes of this Agreement, the terms “terminate,” “terminated” and “termination” mean a termination of the Recipient’s employment that constitutes a “separation from service” within the meaning of the default rules of Section 409A.

7. **RIGHTS, RESTRICTIONS AND LIMITATIONS.** All shares of Common Stock issued to Recipient pursuant to this Agreement are subject to the rights, restrictions and limitations set forth in the Company’s Restated Certificate of Incorporation. Recipient shall not have the rights of a stockholder until Shares, if any, are issued on or following the applicable vesting date.

8. **RESTRICTIONS UNDER SECURITIES LAW.** The issuance of RSUs and the shares of Common Stock covered by this Agreement are subject to any restrictions which may be imposed under applicable state and federal securities laws and are subject to obtaining all necessary consents which may be required by, or any condition which may be imposed in accordance with, applicable state and federal securities laws or regulations.

9. **EMPLOYMENT AT WILL.**

a) If Recipient is an employee or consultant of the Company or an Affiliate, such employment or affiliation is not for any specified term and may be terminated by employee or by the Company or an Affiliate at any time, for any reason, with or without cause and with or without notice. Nothing in this Agreement (including, but not limited to, the vesting of the RSUs pursuant to the schedule set forth in Section 3 herein), the Plan or any covenant of good faith and fair dealing

that may be found implicit in this Agreement or the Plan shall: (i) confer upon Recipient any right to continue in the employ of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan; or (iv) deprive the Company of the right to terminate Recipient at will and without regard to any future vesting opportunity that Recipient may have.

b) Recipient acknowledges and agrees that the right to continue vesting in the RSUs pursuant to the schedule set forth in Section 3 is earned only by continuing as an employee or consultant at the will of the Company or as a director (not through the act of being hired, being granted RSUs or any other award or benefit) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a “reorganization”). Recipient acknowledges and agrees that such a reorganization could result in the termination of Recipient’s relationship as an employee or consultant to the Company or an Affiliate, or the termination of Affiliate status of Recipient’s employer and the loss of benefits available to Recipient under this Agreement, including but not limited to, the termination of the right to continue vesting the RSUs under this Agreement.

10. **INCORPORATION OF PLAN.** The RSUs granted hereby are granted pursuant to the Plan, all the terms and conditions of which are hereby made a part hereof and are incorporated herein by reference. In the event of any inconsistency between the terms and conditions contained herein and those set forth in the Plan, the terms and conditions of the Plan shall prevail.

11. **RECOUPMENT OF AWARDS.** The Human Resources and Compensation Committee of the Company’s Board of Directors adopted a recoupment policy on June 18, 2009 (the “**Policy**”), that may require members of senior management to return incentive compensation if there is a material restatement of the financial results upon which the compensation was originally based. The Policy also provides for recovery of incentive compensation from any employee involved in fraud or intentional misconduct, whether or not it results in a restatement of the Company’s financial results. Recipient acknowledges and agrees that the Policy applies to RSUs and that any payments or issuances of Common Stock with respect to RSUs are subject to recoupment pursuant to the Policy, including any amendments to the Policy and any recoupment obligations imposed by applicable law or regulation. This Agreement shall be deemed to include the restrictions imposed by the Policy.

12. **COPIES OF PLAN AND OTHER MATERIALS.** Recipient acknowledges that Recipient has received copies of the Plan and the Plan prospectus from the Company and agrees to receive stockholder information, including copies of any annual report, proxy statement and periodic report, electronically from the Company. Recipient acknowledges that copies of the Plan, Plan prospectus, Plan information and stockholder information are also available upon written or telephonic request to the Company. Recipient acknowledges that a copy of the Policy referenced in Section 11 is available on the Company’s intranet, and is also available upon written or telephonic request to the Company.

13. **NON-SOLICITATION.**

a) **Solicitation of Employees.** Recipient agrees that, both while employed by the Company or an Affiliate and for one year afterward, Recipient will not solicit or attempt to solicit any employee of the Company or an Affiliate to leave his or her employment or to violate the terms of any agreement or understanding that employee may have with the Company or an Affiliate. The foregoing obligations apply to both the Recipient's direct and indirect actions, and apply to actions intended to benefit Recipient or any other person, business or entity.

b) **Solicitation of Customers.** Recipient agrees that, for one year after termination of employment with the Company or an Affiliate, Recipient will not participate in any solicitation of any customer or prospective customer of the Company or an Affiliate concerning any business that:

(i) involves the same programs or projects for that customer in which Recipient was personally and substantially involved during the 12 months prior to termination of employment; or

(ii) has been, at any time during the 12 months prior to termination of employment, the subject of any bid, offer or proposal activity by the Company or an Affiliate in respect of that customer or prospective customer, or any negotiations or discussions about the possible performance of services by the Company or an Affiliate to that customer or potential customer, in which Recipient was personally and substantially involved.

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 an Affiliate provides (or may reasonably provide) goods or services.

c) **Remedies.** Recipient acknowledges and agrees that a breach of any of the promises or agreements contained in this Section 13 will result in immediate, irreparable and continuing damage to the Company for which there is no adequate remedy at law, and the Company or an Affiliate will be entitled to injunctive relief, a decree for specific performance, and other relief as may be proper, including money damages.

14. **MISCELLANEOUS.** This Agreement contains the entire agreement of the parties with respect to its subject matter, provided, however, that if Recipient and the Company are parties to an existing written agreement addressing the subject matter of Section 13, such agreement shall control with respect to such subject matter until the termination thereof, at which time Section 13 shall control. This Agreement shall be binding upon and shall inure to the benefit of the respective parties, the successors and assigns of the Company, and the heirs, legatees and personal representatives of Recipient. The parties hereby agree that should any portion of this Agreement be judicially held to be invalid, unenforceable, or void, such portion shall be construed by limiting and reducing it, so as to be enforceable to the maximum extent compatible with the applicable law as is then in effect.

15. **GOVERNING LAW.** This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Delaware without reference to such state's principles of conflict of laws.

16. **NOTICE OF RESTRICTION.** The parties agree that any book entry representing the RSUs granted hereunder may contain a legend, or notation as the case may be, indicating that such RSUs are subject to the restrictions of this Agreement.

17. **ACKNOWLEDGMENT.** Recipient acknowledges that the RSUs constitute full and adequate consideration for Recipient's obligations under this Agreement, the acceptance of the RSUs constitutes an unequivocal acceptance of this Agreement and any attempted modification or deletion will have no force or effect on the Company's right to enforce the terms and conditions stated herein.

By accepting the RSUs, you agree to all of the terms and conditions set forth above and in the Plan.

**FORM OF
SEVERANCE PROTECTION AGREEMENT**

This SEVERANCE PROTECTION AGREEMENT is effective as of _____ by and between Leidos Holdings, Inc., a Delaware corporation (the “Company”), and _____ (the “Executive”).

PURPOSE

The Board of Directors of the Company (the “Board”) recognizes that the possibility of a Change in Control (as hereinafter defined) of the Company exists and that the threat or occurrence of a Change in Control may result in the distraction of its key management personnel because of the uncertainties inherent in such a situation.

The Board has determined that it is essential and in the best interests of the Company and its stockholders to retain the services of the Executive in the event of the threat or occurrence of a Change in Control and to ensure the Executive’s continued dedication and efforts in such event without undue concern for the Executive’s personal financial and employment security.

In order to induce the Executive to remain in the employ of the Company, particularly in the event of the threat or occurrence of a Change in Control, the Company desires to enter into this Agreement to provide the Executive with certain benefits in the event the Executive’s employment is terminated as a result of, or in connection with, a Change in Control.

NOW, THEREFORE, in consideration of the respective agreements of the parties contained herein, it is agreed as follows:

SECTION 1. Definitions.

For purposes of this Agreement, the following terms have the meanings set forth below:

“Accrued Compensation” means an amount which includes all amounts earned or accrued by the Executive through and including the Termination Date but not paid to the Executive on or prior to such date, including (a) all base salary, (b) reimbursement for all reasonable and necessary expenses incurred by the Executive on behalf of the Company during the period ending on the Termination Date, (c) all vacation pay and (d) all bonuses and incentive compensation (other than the Pro Rata Bonus).

“Base Salary Amount” means the greater of the Executive’s annual base salary (a) at the rate in effect on the Termination Date and (b) at the highest rate in effect at any time during the 180-day period prior to a Change in Control, and will include all amounts of the Executive’s base salary that are deferred under any qualified or non-qualified employee benefit plan of the Company or any other agreement or arrangement.

“Beneficial Owner” has the meaning as used in Rule 13d-3 promulgated under the Securities Exchange Act. The terms “Beneficially Owned” and “Beneficial Ownership” each have a correlative meaning.

“Board” means the Board of Directors of the Company.

“Bonus Amount” means the annual target bonus established and payable to the Executive pursuant to any annual bonus or incentive plan maintained by the Company in respect of the fiscal year ending during the fiscal year in which the Termination Date occurs (or actual annual bonus paid or payable in respect of the most recently completed fiscal year if the Termination Date occurs prior to the establishment of an annual target bonus for the fiscal year in which the Termination Date occurs). Bonus Amount includes only the short-term incentive portion of the annual bonus and does not include restricted stock awards, options or other long-term incentive compensation awarded to the Executive.

“Cause” for the termination of the Executive’s employment with the Company will be deemed to exist if (a) the Executive has been convicted for committing an act of fraud, embezzlement, theft or other act constituting a felony (other than traffic related offenses or as a result of vicarious liability), (b) the Executive willfully engages in illegal conduct or gross misconduct that is significantly injurious to the Company; however, no act or failure to act, on the Executive’s part shall be considered “willful” unless done or omitted to be done, by the Executive not in good faith and without reasonable belief that his or her action or omission was in the best interest of the Company or (c) failure to perform his or her duties in a reasonably satisfactory manner after the receipt of a notice from the Company 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” of the Company means, and shall be deemed to have occurred upon, any of the following events:

(a) The acquisition by any Person of Beneficial Ownership of twenty-five percent (25%) or more of the outstanding voting power; provided, however, that the following acquisitions shall not constitute a Change in Control for purposes of this subparagraph (a): (A) any acquisition directly from the Company; (B) any acquisition by the Company or any of its Subsidiaries; (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its Subsidiaries; or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subparagraph (c) below; or

(b) Individuals who at the beginning of any two year period constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual who becomes a director of the Company during such two year period and whose election, or whose nomination for election by the Company’s stockholders, to the Board was either (i) approved by a vote of at least a majority of the directors then comprising the Incumbent Board or (ii) recommended by a nominating committee comprised entirely of directors who are then Incumbent Board members shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Securities Exchange Act), other actual or threatened solicitation of proxies or consents or an actual or threatened tender offer; or

(c) Consummation of a reorganization, merger, or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), in each case unless following such Business Combination, (i) all or substantially all of the Persons who were the Beneficial Owners, respectively, of the outstanding shares and outstanding voting securities immediately prior to such Business Combination own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company, as the case may be, of the entity resulting from the Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the outstanding voting securities (provided, however, that for purposes of this clause (i) any shares of common stock or voting securities of such resulting entity received by such Beneficial Owners in such Business Combination other than as the result of such Beneficial Owners’ ownership of outstanding shares or outstanding voting securities immediately prior to such Business Combination shall not be considered to be owned by such Beneficial Owners for the purposes of calculating their percentage of ownership of the outstanding common stock and voting power of the resulting entity); (ii) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from the Business Combination) beneficially owns, directly or indirectly, twenty-five percent (25%) or more of the combined voting power of the then outstanding voting securities of such entity resulting from the Business Combination unless such Person owned twenty-five percent (25%) or more of the outstanding shares or outstanding voting securities immediately prior to the Business Combination; and (iii) at least a majority of the members of the Board of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or the action of the Board, providing for such Business Combination; or

(d) Approval by the Company’s stockholders of a complete liquidation or dissolution of the Company.

For purposes of clause (c), any Person who acquires outstanding voting securities of the entity resulting from the Business Combination by virtue of ownership, prior to such Business Combination, of outstanding voting securities of both the Company and the entity or entities with which the Company is combined shall be treated as two Persons after the Business Combination, who shall be treated as owning outstanding voting securities of the entity resulting from the Business Combination by virtue of ownership, prior to such Business Combination of, respectively, outstanding voting securities of the Company, and of the entity or entities with which the Company is combined.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Company**” means Leidos Holdings, Inc., a Delaware corporation, provided that in recognition of the fact that the Executive may be employed by Leidos, Inc., a Delaware corporation and wholly-owned subsidiary of the Company (“Leidos”), or by another direct or indirect Subsidiary of Leidos, Inc., the term “Company” when referring to the employment relationship and the

compensation or benefits related thereto shall include the employer of Executive as the context requires.

“Continuation Period” has the meaning set forth in Section 3.1(b)(iii).

“Disability” means the status of disability determined conclusively by the Company based upon certification of disability by the Social Security Administration or upon such other proof as the Company may reasonably require, effective upon receipt of such certification or other proof by the Company.

“Full Release” means a written release, timely executed so that it is fully effective as of the date of payment pursuant to Section 3.1(c), in a form satisfactory to the Company (and similar to the Agreement set forth in Exhibit A) pursuant to which the Executive fully and completely releases the Company from all claims that the Executive may have against the Company (other than any claims that may or have arisen under this Agreement).

“Good Reason” means the occurrence of any of the events or conditions described in clauses (a) through (g) hereof, without the Executive’s prior written consent:

(a)(i) any material adverse change in the Executive’s authority, duties or responsibilities (including reporting responsibilities) from the Executive’s authority, duties or responsibilities as in effect at any time within 180 days preceding the date of the Change in Control or at any time thereafter, or (ii) in the case of an Executive who is an executive officer of the Company a significant portion of whose responsibilities relate to the Company’s status as a public company, the failure of such Executive to continue to serve as an executive officer of a public company, in each case except in connection with the termination of the Executive’s employment for Disability, Cause, as a result of the Executive’s death or by the Executive other than for Good Reason;

(b) a material reduction in Executive’s base salary or any failure to pay the Executive any cash compensation to which the Executive is entitled within 15 days after the date when due;

(c) the imposition of a requirement that the Executive be based (i) at any place outside a 50-mile radius from the Executive’s principal place of employment immediately prior to the Change in Control or (ii) at any location other than the Company’s corporate headquarters or, if applicable, the headquarters of the business unit by which he or she was employed immediately prior to the Change in Control, except, in each case, for reasonably required travel on Company business which is not materially greater in frequency or duration than prior to the Change in Control;

(d) any material breach by the Company of any provision of this Agreement;

(e) any purported termination of the Executive’s employment for Cause by the Company which does not comply with the terms of this Agreement; or

(f) the failure of the Company to obtain, as contemplated in Section 7, an agreement, reasonably satisfactory to the Executive, from any Successor to assume and agree to perform this Agreement.

Notwithstanding anything to the contrary in this Agreement, no termination will be deemed to be for Good Reason hereunder unless (i) the Executive provides written notice to the Company identifying the applicable event or condition within 90 days of the occurrence of the event or the initial existence of the condition, and (ii) the Company fails to remedy the event or condition within a period of 30 days following such notice.

“Notice of Termination” means a written notice from the Company or the Executive of the termination of the Executive’s employment which indicates the specific termination provision in this Agreement relied upon and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated.

“Person” has the meaning as defined in Section 3(a)(9) of the Securities Exchange Act and used in Section 13(d) or 14(d) of the Securities Exchange Act, and will include any “group” as such term is used in such sections.

“Pro Rata Bonus” means an amount equal to the Bonus Amount multiplied by a fraction, the numerator of which is the number of days elapsed in the then fiscal year through and including the Termination Date and the denominator of which is 365.

“Securities Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Subsidiary” means any corporation with respect to which another specified corporation has the power under ordinary circumstances to vote or direct the voting of sufficient securities to elect a majority of the directors.

“Successor” means a corporation or other entity acquiring all or substantially all the assets and business of the Company, whether by operation of law, by assignment or otherwise.

“Termination Date” means (a) in the case of the Executive’s death, the Executive’s date of death, (b) in the case of the termination of the Executive’s employment with the Company by the Executive for Good Reason, the date the Company’s 30-day cure period expires, and (c) in all other cases, the date specified in the Notice of Termination; provided that if the Executive’s employment is terminated by the Company for Cause or due to Disability, the date specified in the Notice of Termination will be at least 30 days after the date the Notice of Termination is given to the Executive. Notwithstanding anything to the contrary herein, to the extent necessary to comply with Code Section 409A, an Executive’s employment shall not be considered to have terminated unless the executive has experienced a “separation from service,” as defined in Code Section 409A and the regulations thereunder.

SECTION 2. Term of Agreement.

The term of this Agreement (the “Term”) will commence on the date of this Agreement, and will continue in effect until December 31, _____; provided that on December 31, _____ and each anniversary of such date thereafter, the Term shall automatically be extended for one additional year unless, not later than October 1 of such year, the Company or the Executive shall have given

notice not to extend the Term; and further provided that in the event a Change in Control occurs during the Term, the Term will be extended to the date 24 months after the date of the occurrence of such Change in Control.

Notwithstanding the foregoing and subject to Section 3.2, the Term shall be deemed to have immediately expired without any further action and this Agreement will immediately terminate and be of no further effect if any of the following events occurs prior to a Change in Control:

- (a) the Executive's employment with the Company is terminated (whether by the Company or the Executive) for any reason;
- (b) the Executive's employment is not terminated but there is a reduction in his or her status, position or responsibilities (including reporting responsibilities) from that which applied to Executive on the date of this Agreement; or
- (c) the Executive reaches the mandatory retirement age applicable to the Company's executive officers under any stated policy of the Company, as may be adopted and revised from time to time by the Board.

SECTION 3. *Termination of Employment.*

3.1 If, during the Term, the Executive's employment with the Company is terminated within 24 months following a Change in Control, the Executive will be entitled to the following compensation and benefits:

(a) If the Executive's employment with the Company is terminated (i) by the Company for Cause or Disability, (ii) by reason of the Executive's death or (iii) by the Executive other than for Good Reason, the Company will pay to the Executive the Accrued Compensation and, if such termination is by the Company for Disability or by reason of the Executive's death, a Pro Rata Bonus.

(b) If the Executive's employment with the Company is terminated (whether by the Company or the Executive) for any reason other than as specified in Section 3.1(a), the Executive will be entitled to the following:

- (i) the Company will pay the Executive all Accrued Compensation and a Pro Rata Bonus;
- (ii) subject to the Executive providing the Company with a Full Release, the Company will pay the Executive as severance pay, and in lieu of any further compensation for periods subsequent to the Termination Date, in a single payment an amount in cash equal to two and one-half (2½) times the sum of (A) the Base Salary Amount and (B) the Bonus Amount;
- (iii) subject to the Executive providing the Company with a Full Release and complying with his or her obligations under Section 6, the Company will, for a period of 30 months (the "Continuation Period"), at its expense provide to the Executive and the Executive's dependents and beneficiaries the same or equivalent life insurance, disability, medical, dental, and

hospitalization benefits (the “Continuation Period Benefits”) provided to other similarly situated executives who continue in the employ of the Company during the Continuation Period (“similarly situated executives”). The obligations of the Company to provide the Executive and the Executive’s dependents and beneficiaries with the Continuation Period Benefits shall not restrict or limit the Company’s right to terminate or modify the benefits made available by the Company to its similarly situated executives or other employees and following any such termination or modification, the Continuation Period Benefits that Executive (and the Executive’s dependents and beneficiaries) shall be entitled to receive shall be so terminated or modified. The Company’s obligation hereunder with respect to the foregoing benefits will be limited to the extent that the Executive becomes eligible to obtain any such benefits pursuant to a subsequent employer’s benefit plans, in which case the Company may reduce the coverage of any benefits it is required to provide the Executive hereunder as long as the coverages and benefits of the combined benefit plans are no less favorable to the Executive than the coverages and benefits required to be provided hereunder. This Section 3.1(b)(iii) will not be interpreted so as to limit any benefits to which the Executive or the Executive’s dependents or beneficiaries may be entitled under any of the Company’s employee benefit plans, programs or practices following the Executive’s termination of employment;

(iv) the Company shall provide the Executive with outplacement services suitable to the Executive’s position for a period of 12 months or, if earlier, until the first acceptance by the Executive of an offer of employment; and

(v) such other acceleration of vesting and other benefits provided in other Company plans or agreements regarding options to purchase Company stock, restricted stock, deferral of stock or other equity compensation awards granted to or otherwise applicable to Executive.

The benefits set forth in subsections (iii) and (iv), above, shall be subject to the following conditions and restrictions: (1) the payment or provision of a benefit in any particular year shall not (except as may be provided in the medical, dental and hospitalization plans in which the Executive participates) affect the benefits to be provided in any other year, (2) to the extent the Executive is entitled to reimbursement of any expenses, the reimbursement shall be made no later than the Executive’s taxable year following the taxable year in which the expense was incurred, and (3) no right to reimbursement or in-kind benefits may be subject to liquidation or exchange for any other benefit.

(c) The amounts provided for in Section 3.1(a) and Sections 3.1(b)(i) and (ii) will be paid in a single lump sum cash payment by the Company to the Executive within fifteen days after the Termination Date.

(d) The Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and no such payment will be offset or reduced by the amount of any compensation or benefits provided to the Executive in any subsequent employment, except as specifically provided in Section 3.1(b)(iii) and 3.1(b)(iv).

3.2 Notwithstanding anything in this Agreement to the contrary, if, within the 30 days immediately preceding a Change in Control, (i) the Executive’s employment is terminated (whether

by the Company or the Executive) for any reason other than as specified in Section 3.1(a), or (ii) (A) there is a material adverse change in the Executive's status, position or responsibilities (including reporting responsibilities) from that which applied to Executive on the date of this Agreement, and (B) the Executive's employment with the Company is subsequently terminated within 24 months following a Change in Control (whether by the Company or the Executive) for any reason other than as specified in Section 3.1(a), the Executive shall be entitled to receive the benefits provided in Section 3.1(b), provided that the amounts provided for in Sections 3.1(b)(i) and (ii) will be paid in a single lump sum cash payment by the Company to the Executive within fifteen days after the later of the Termination Date or the Change in Control.

3.3 Except as otherwise noted herein, the compensation to be paid to the Executive pursuant to Sections 3.1(a), 3.1(b)(i) and 3.1(b)(ii) of this Agreement (whether by reason of Section 3.1(c) or Section 3.2) will be in lieu of any similar severance or termination compensation (i.e., compensation based directly on the Executive's annual salary or annual salary and bonus) to which the Executive may be entitled under any other Company severance or termination agreement, plan, program, policy, practice or arrangement. With respect to any other compensation and benefit to be paid or provided to the Executive pursuant to this Section 3, the Executive will have the right to receive such compensation or benefit as herein provided or, if determined by the Executive to be more advantageous to the Executive, similar compensation or benefits to which the Executive may be entitled under any other Company severance or termination agreement, plan, program, policy, practice or arrangement. The Executive's entitlement to any compensation or benefits of a type not provided in this Agreement will be determined in accordance with the Company's employee benefit plans and other applicable programs, policies and practices as in effect from time to time.

SECTION 4. *Notice of Termination.* Following a Change in Control, any purported termination of the Executive's employment by the Company will be communicated by a Notice of Termination to the Executive. For purposes of this Agreement, no such purported termination will be effective without such Notice of Termination.

SECTION 5. *Excise Tax Adjustments.*

5.1 In the event Executive becomes entitled to receive the benefits provided pursuant to Sections 3.1(b) or 3.2 herein, and the Company determines that such benefits (the "Total Payments") will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, or any similar tax that may hereafter be imposed, the Company shall compute the "Net After-Tax Amount," and the "Reduced Amount," and shall adjust the Total Payments as described below. The Net After-Tax Amount shall mean the present value of all amounts payable to the Executive hereunder, net of all federal income, excise and employment taxes imposed on the Executive by reason of such payments. The Reduced Amount shall mean the largest aggregate amount of the Total Payments that if paid to the Executive would result in the Executive receiving a Net After-Tax Amount that is equal to or greater than the Net After-Tax Amount that the Executive would have received if the Total Payments had been made. If the Company determines that there is a Reduced Amount, the Total Payments will be reduced to the Reduced Amount. Such reduction to the Total Payments shall be made by first reducing or eliminating any cash severance benefits, then by reducing or eliminating any accelerated vesting of stock options, then by reducing or eliminating

any accelerated vesting of other equity awards, then by reducing or eliminating any other remaining Total Payments, in each case in reverse order beginning with the payments which are to be paid the farthest in time from the date of the transaction triggering the Excise Tax.

5.2 For purposes of determining whether the Total Payments will be subject to the Excise Tax and the amounts of such Excise Tax and for purposes of determining the Reduced Amount and the Net After-Tax Amount:

(a) Any other payments or benefits received or to be received by the Executive in connection with a Change in Control of the Company or the Executive's termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement, or agreement with the Company, or with any individual, entity, or group of individuals or entities (individually and collectively referred to in this subsection (a) as "Persons") whose actions result in a change in control of the Company or any Person affiliated with the Company or such Persons) shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax, unless in the opinion of a tax advisor selected by the Company and reasonably acceptable to the Executive ("Tax Counsel"), such other payments or benefits (in whole or in part) should be treated by the courts as representing reasonable compensation for services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code), or otherwise not subject to the Excise Tax;

(b) The amount of the Total Payments that shall be treated as subject to the Excise Tax shall be equal to the lesser of (i) the total amount of the Total Payments; or (ii) the amount of excess parachute payments within the meaning of Section 280G(b)(1) of the Code (after applying clause (a) above);

(c) In the event that the Executive disputes any calculation or determination made by the Company, the matter shall be determined by Tax Counsel, the fees and expenses of which shall be borne solely by the Company; and

(d) The Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Change in Control of the Company occurs, and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on the effective date of the Change in Control of the Company, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes, taking into account the reduction in itemized deduction under Section 68 of the Code.

SECTION 6. *Covenants of the Executive.* During the Continuation Period following any Change in Control pursuant to which the Executive receives the benefits pursuant to Section 3.1(b)(iii), the Executive covenants and agrees as follows:

(a) the Executive agrees to comply with his or her obligations under the Inventions, Copyright and Confidentiality Agreement that he or she entered into with the Company; and

(b) the Executive acknowledges that the Executive has knowledge of confidential and proprietary information concerning the current salary, benefits, skills, and capabilities of Company employees and that it would be improper for the Executive to use such Company proprietary information in any manner adverse to the Company's interests. The Executive agrees that he or she will not recruit or solicit for employment, directly or indirectly, any employee of the Company during the Continuation Period.

SECTION 7. *Successors; Binding Agreement.*

This Agreement will be binding upon and will inure to the benefit of the Company and its Successors, and the Company will require any Successors to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Neither this Agreement nor any right or interest hereunder will be assignable or transferable by the Executive or by the Executive's beneficiaries or legal representatives, except by will or by the laws of descent and distribution. This Agreement will inure to the benefit of and be enforceable by the Executive's legal representatives.

SECTION 8. *Fees and Expenses.*

The Company will pay as they become due all legal fees and related expenses (including the costs of experts) incurred by the Executive, in good faith, in (a) contesting or disputing, any such termination of employment and (b) seeking to obtain or enforce any right or benefit provided by this Agreement or by any other plan or arrangement maintained by the Company under which the Executive is or may be entitled to receive benefits. If the dispute is resolved by a final decision of an arbitrator pursuant to Section 15 in the favor of the Company, the Executive shall reimburse the Company for all such legal fees and related expenses (including costs of experts) paid by the Company on behalf of the Executive. To the extent necessary to comply with Code Section 409A, any reimbursements pursuant to this Section 8 shall be paid to the Executive on or before the last day of the Executive's taxable year following the taxable year in which the related expense was incurred. Such reimbursements are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that the Executive receives in one taxable year shall not affect the amount of such benefits or reimbursements that the Executive receives in any other taxable year.

SECTION 9. *Notice.*

For the purposes of this Agreement, notices and all other communications provided for in the Agreement (including the Notice of Termination) will be in writing and will be deemed to have been duly given (i) when personally delivered, (ii) upon acknowledgment of receipt when sent by e-mail or other electronic transmission (excluding acknowledgements generated automatically without an affirmative act by the recipient), or (iii) when sent by certified mail, return receipt requested, postage prepaid, addressed to the respective addresses last given by each party to the other, provided that all notices to the Company will be directed to the attention of the Board with a copy to the Secretary of the Company. All notices and communications will be deemed to have been received on the date of delivery thereof or on the third business day after the mailing thereof, except that notice of change of address will be effective only upon receipt.

SECTION 10. *Dispute Concerning Termination.*

If prior to the Date of Termination (as determined without regard to this Section 10), the party receiving the Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be extended until the earlier of (i) the date on which the Term ends or (ii) the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute given by the Executive only if such notice is given in good faith and the Executive pursues the resolution of such dispute with reasonable diligence.

SECTION 11. *Compensation During Dispute.*

If a purported termination occurs following a Change in Control and during the Term and the Date of Termination is extended in accordance with Section 10 hereof, the Company shall continue to pay the Executive the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was participating when the Notice of Termination was given, until the Date of Termination, as determined in accordance with Section 10 hereof. Amounts paid under this Section 11 are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement or otherwise.

SECTION 12. *Nonexclusivity of Rights.*

Nothing in this Agreement will prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company for which the Executive may qualify, nor will anything herein limit or reduce such rights as the Executive may have under any other agreements with the Company (except for any severance or termination agreement). Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company will be payable in accordance with such plan or program, except as specifically modified by this Agreement.

SECTION 13. *No Set-Off.*

The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder will not be affected by any circumstances, including any right of set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others.

SECTION 14. *Miscellaneous.*

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance

with, any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representation, oral or otherwise, express or implied, with respect to the subject matter hereof has been made by either party which is not expressly set forth in this Agreement.

SECTION 15. *Governing Law and Binding Arbitration.*

This Agreement will be governed by and construed and enforced in accordance with the laws of the State of Delaware without giving effect to the conflict of laws principles thereof. All disputes relating to this Agreement, including its enforceability, shall be resolved by final and binding arbitration before an arbitrator appointed by the Judicial Arbitration and Mediation Service (JAMS), in accordance with the rules and procedures of arbitration under the Company's Dispute Resolution Program, attached hereto as Exhibit B, with the arbitration to be held in Fairfax County, Virginia. Judgment upon the award may be entered in any court having jurisdiction thereof.

SECTION 16. *Severability.*

The provisions of this Agreement will be deemed severable and the invalidity or unenforceability of any provision will not affect the validity or enforceability of the other provisions hereof.

SECTION 17. *Entire Agreement.*

This Agreement constitutes the entire agreement between the parties hereto and supersedes all prior agreements, if any, understandings and arrangements, oral or written, between the parties hereto with respect to severance protection in connection with a Change in Control. To the extent that the Company and the Executive have previously entered into a Severance Protection Agreement dated prior to the date hereof in substantially similar form as this Agreement (the "Prior Agreement"), the parties acknowledge and agree that the term of the Prior Agreement shall expire effective 11:59 p.m. on December 31, _____, and the terms and provisions of this Agreement shall control effective 11:59 p.m. on December 31, _____.

SECTION 18. *Code Section 409A.*

It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) ("**Code Section 409A**") so as not to subject the Executive to payment of any interest or additional tax imposed under Code Section 409A. To the extent that any amount payable under this Agreement would trigger the additional tax, penalty or interest imposed by Code Section 409A, this Agreement shall be modified to avoid such additional tax, penalty or interest yet preserve (to the nearest extent reasonably possible) the intended benefit payable to the Executive. If the Executive is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the Termination Date, the Executive shall not be entitled to any payment or benefit pursuant to Section 3(b) until the earlier of (i) the date which is six months after the Termination Date, or (ii) the date of the Executive's death. The provisions of this Section 18 shall only apply

if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A. Any amounts otherwise payable to the Executive upon or in the six month period following the Executive's Termination Date that are not so paid by reason of this Section 18 shall be paid (without interest) as soon as practicable (and in all events within five days) after the date that is six months after the Executive's Termination Date (or, if earlier, as soon as practicable, and in all events within five days, after the date of the Executive's death).

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement effective as of the date first above written.

Leidos Holdings, Inc.

By:

Its:

[Executive's Name]

[Executive's Signature]

RELEASE OF ALL CLAIMS AND POTENTIAL CLAIMS

1. This Release of All Claims and Potential Claims (“Release”) is entered into by and between _____ (“_____”) and Leidos Holdings, Inc. (hereinafter the “Company”). _____ and the Company have previously entered into a Severance Protection Agreement dated _____ (“Severance Agreement”). In consideration of the promises made herein and the consideration due _____ under the Severance Agreement, this Release is entered into between the parties.

2. (a) The purposes of this Release is to settle completely and release the Company, its individual and/or collective officers, directors, stockholders, agents, parent companies, subsidiaries, affiliates, predecessors, successors, assigns, employees (including all former employees, officers, directors, stockholders and/or agents), attorneys, representatives and employee benefit programs (including the trustees, administrators, fiduciaries and insurers of such programs) (referred to collectively as “Releasees”) in a final and binding manner from every claim and potential claim for relief, cause of action and liability of any and every kind, nature and character whatsoever, known or unknown, that _____ has or may have against Releasees arising out of, relating to or resulting from any events occurring prior to the execution of this Release, including but not limited to any claims and potential claims for relief, causes of action and liabilities arising out of, relating to or resulting from the employment relationship between _____ and the Company and its subsidiaries, affiliates and predecessors, and/or the termination of that relationship including any and all claims and rights under the Age Discrimination in Employment Act, and any personal gain with respect to any claim arising under the qui tam provisions of the False Claims Act, 31 U.S.C. 3730, but excluding any rights or benefits to which _____ is entitled under the Severance Agreement.

(b) This is a compromise settlement of all such claims and potential claims, known or unknown, and therefore this Release does not constitute either an admission of liability on the part of _____ and the Company or an admission, directly or by implication, that _____ and/or the Company, its subsidiaries, affiliates or predecessors, have violated any law, rule, regulation, contractual right or any other duty or obligation. The parties hereto specifically deny that they have violated any law, rule, regulation, contractual right or any other duty or obligation.

(c) This Release is entered into freely and voluntarily by _____ and the Company solely to avoid further costs, risks and hazards of litigation and to settle all claims and potential claims and disputes, known or unknown, in a final and binding manner.

3. For and in consideration of the promises and covenants made by _____ to the Company and the Company to _____, contained herein, _____ and the Company have agreed and do agree as follows:

(a) _____ waives, releases and forever discharges Releasees from any claims and potential claims for relief, causes of action and liabilities, known or unknown, that [he/she] has

or may have against Releasees arising out of, relating to or resulting from any events occurring prior to the execution of this Release, including but not limited to any claims and potential claims for relief, causes of action and liabilities of any and every kind, nature and character whatsoever, known or unknown, arising out of, relating to or resulting from the employment relationship between _____ and the Company and its subsidiaries, affiliates and predecessors, and the termination of that relationship including any and all claims and rights under the Age Discrimination in Employment Act, and any personal gain with respect to any claim arising under the qui tam provisions of the False Claims Act, 31 U.S.C. 3730 but excluding any rights or benefits to which _____ is entitled under the Severance Agreement. In addition, this Release does not cover, and nothing in this Release shall be construed to cover, any claim that cannot be so released as a matter of applicable law.

(b) _____ agrees that [he/she] will not directly or indirectly institute any legal proceedings against Releasees before any court, administrative agency, arbitrator or any other tribunal or forum whatsoever by reason of any claims and potential claims for relief, causes of action and liabilities of any and every kind, nature and character whatsoever, known or unknown, arising out of, relating to or resulting from any events occurring prior to the execution of this Release, including but not limited to any claims and potential claims for relief, causes of action and liabilities arising out of, relating to or resulting from the employment relationship between _____ and the Company and its subsidiaries, affiliates and predecessors, and/or the termination of that relationship including any and all claims and rights under the Age Discrimination in Employment Act.

(c) _____ is presently unaware of any injuries that [he/she] may have suffered as a result of working at the Company or its subsidiaries, affiliates or predecessors, and has no present intention of filing a workers' compensation claim. Should any such claim arise in the future, _____ waives and releases any right to proceed against the Company or its subsidiaries, affiliates or predecessors, for such a claim. _____ also waives any right to bring any disability claim against the Company or its subsidiaries, affiliates or predecessors, or its or their carriers.

4. As a material part of the consideration for this Agreement, _____ and [his/her] agents and attorneys, agree to keep completely confidential and not disclose to any person or entity, except immediate family, attorney, accountant, or tax preparers, or in response to a court order or subpoena, the terms and/or conditions of this Release and/or any understandings, agreements, provisions and/or information contained herein or with regard to the employment relationship between _____ and the Company and its subsidiaries, affiliates and predecessors.

5. Any dispute, claim or controversy of any kind or nature, including but not limited to the issue of arbitrability, arising out of or relating to this Release, or the breach thereof, or any disputes which may arise in the future, shall be settled in a final and binding before an arbitrator appointed by the Judicial Arbitration and Mediation Service in accordance with the rules and procedures of arbitration under the Company's Dispute Resolution Program, attached hereto as Exhibit A. The prevailing party shall be entitled to recover all reasonable attorneys' fees, costs and necessary disbursements incurred in connection with the arbitration proceeding. Judgment upon the award may be entered in any court having jurisdiction thereof.

6. It is further understood and agreed that _____ has not relied upon any advice whatsoever from the Company and/or its attorneys individually and/or collectively as to the taxability, whether pursuant to Federal, State or local income tax statutes or regulations, or otherwise, of the consideration transferred hereunder and that [he/she] will be solely liable for all of [his/her] tax obligations. _____ understands and agrees that the Company or its subsidiaries, affiliates or predecessors, may be required by law to report all or a portion of the amounts paid to [him/her] and/or [his/her] attorney in connection with this Release to federal and state taxing authorities. _____ waives, releases, forever discharges and agrees to indemnify, defend and hold the Company harmless with respect to any actual or potential tax obligations imposed by law.

7. _____ acknowledges that [he/she] has read, understood and truthfully completed the Business Ethics and Conduct Disclosure Statement attached hereto as Exhibit B.

8. It is further understood and agreed that Releasees and/or their attorneys shall not be further liable either jointly and/or severally to _____ and/or [his/her] attorneys individually or collectively for costs and/or attorneys fees, including any provided for by statute, nor shall _____ and/or [his/her] attorneys be liable either jointly and/or severally to the Company and/or its attorneys individually and/or collectively for costs and/or attorneys' fees, including any provided for by statute.

9. _____ understands and agrees that if the facts with respect to which this Release are based are found hereafter to be other than or different from the facts now believed by [him/her] to be true, [he/she] expressly accepts and assumes the risk of such possible difference in facts and agrees that this Release shall be and remain effective notwithstanding such difference in facts.

10. _____ understands and agrees that there is a risk that the damage and/or injury suffered by _____ may become more serious than [he/she] now expects or anticipates. _____ expressly accepts and assumes this

risk, and agrees that this Release shall be and remains effective notwithstanding any such misunderstanding as to the seriousness of said injuries or damage.

11. _____ understands and agrees that if [he/she] hereafter commences any suit arising out of, based upon or relating to any of the claims and potential claims for relief, cause of action and liability of any and every kind, nature and character whatsoever, known or unknown, [he/she] has released herein, _____ agrees to pay Releasees, and each of them, in addition to any other damages caused to Releasees thereby, all attorneys' fees incurred by Releasees in defending or otherwise responding to said suit.

12. It is further understood and agreed that this Release shall be binding upon and will inure to the benefit of _____'s spouse, heirs, successors, assigns, agents, employees, representatives, executors and administrators and shall be binding upon and will inure to the benefit of the individual and/or collective successors and assigns of Releasees and their successors, assigns, agents and/or representatives.

13. This Release shall be construed in accordance with and governed for all purposes by the laws of the State of Virginia.

14. _____ agrees that [he/she] will not seek future employment with, nor need to be considered for any future openings with the Company, any division thereof, or any subsidiary or related corporation or entity.

15. _____ and Releasees waive all rights under Section 1542 of the California Civil Code, which section has been fully explained to them by their respective legal counsel and which they fully understand, and any other similar provision or the law of any other state or jurisdiction. Section 1542 provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in [his/her] favor at the time of executing the release, which if known by [him/her] must have materially affected [his/her] settlement with the debtor.

16. Notwithstanding anything in this Agreement to the contrary, _____ does not waive, release or discharge any rights to indemnification for actions occurring through [his/her] affiliation with the Company or its subsidiaries, affiliates or predecessors, whether those rights arise from statute, corporate charter documents or any other source nor does _____ waive, release or discharge any right _____ may have pursuant to any insurance policy or coverage provided or maintained by the Company or its subsidiaries, affiliates or predecessors.

17. If any part of this Agreement is found to be either invalid or unenforceable, the remaining portions of this Agreement will still be valid.

18. This Agreement is intended to release and discharge any claims of _____ under the Age Discrimination and Employment Act. To satisfy the requirements of the Older Workers' Benefit Protection Act, 29 U.S.C. section 626(f), the parties agree as follows:

- A. _____ acknowledges that [he/she] has read and understands the terms of this Agreement.
- B. _____ acknowledges that [he/she] has been advised in writing to consult with an attorney, if desired, concerning this Agreement and has received all advice [he/she] deems necessary concerning this Agreement.
- C. _____ acknowledges that [he/she] has been given twenty-one (21) days to consider whether or not to enter into this Agreement, has taken as much of this time as necessary to consider whether to enter into this Agreement, and has chosen to enter into this Agreement freely, knowingly and voluntarily.
- D. For a seven day period following the execution of this Agreement, _____ may revoke this Agreement by delivering a written revocation to at the Company. This Agreement shall not become effective and enforceable until the revocation period has expired.

19. _____ acknowledges that [he/she] has been encouraged to seek the advice of an attorney of [his/her] choice with regard to this Release. Having read the foregoing, having understood

and agreed to the terms of this Release, and having had the opportunity to and having been advised by independent legal counsel, the parties hereby voluntarily affix their signatures.

20. This Agreement is to be interpreted without regard to the draftsman. The terms and intent of the Agreement shall be interpreted and construed on the express assumption that all parties participated equally in its drafting.

21. This Release constitutes a single integrated contract expressing the entire agreement of the parties hereto. Except for the Severance Agreement, which defines certain obligations on the part of both parties, and this Release, there are no agreements, written or oral, express or implied, between the parties hereto, concerning the subject matter herein.

Dated: _____, 20__

[Signature]

[Print Name]

Leidos Holdings, Inc.

By: __

Name: __

Its: __

BUSINESS ETHICS AND CONDUCT

DISCLOSURE STATEMENT

Are you aware of any illegal or unethical practices or conduct anywhere within Leidos Holdings, Inc. or its subsidiaries, affiliates or predecessors (the "Company") (including, but not limited to, improper charging practices, or any violations of the Company's Code of Conduct)?

Yes

No

(Your answer to all questions on this form will not have any bearing on the fact or terms of your Release with the Company.)

If the answer to the preceding question is "yes," list here, in full and complete detail, all such practices or conduct. (Use additional pages if necessary.)

Have any threats or promises been made to you in connection with your answers to the questions on this form?

Yes

No

If "yes," please identify them in full and complete detail. Also, notify the Company's General Counsel at (571) 526-6300 immediately.

I declare under penalty of perjury, under the laws of the State of Virginia and of the United States, that the foregoing is true and correct.

Executed this ____ of _____, 20__, at _____.

[Signature]

THE USE OF THE FOLLOWING NOTATION IN THIS EXHIBIT INDICATES THAT A CONFIDENTIAL PORTION HAS BEEN OMITTED
 PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY
 WITH THE COMMISSION: [****]

December 12, 2013

To: Leidos Holdings, Inc.
 8301 Greensboro Drive
 McLean VA 22102
 Attn: Marc Crown
 Telephone: 703-676-6142
 E-Mail: Marc.h.crown@leidos.com

From: Bank of America, N.A.
 c/o Merrill Lynch, Pierce, Fenner & Smith Incorporated
 Bank of America Tower at One Bryant Park
 New York, NY 10036
 Attn: Peter Tucker
 Telephone: 646-855-6770
 Facsimile: 415-835-2514

Re: **Issuer Forward Repurchase Transaction**
(BofAML Reference Number: 138556361)

Ladies and Gentlemen:

The purpose of this communication (this “**Confirmation**”) is to confirm the terms and conditions of the Transaction entered into between Bank of America, N.A. (“**BofAML**”) and Leidos Holdings, Inc. (“**Counterparty**”) on the Trade Date specified below (the “**Transaction**”). The terms of the Transaction shall be set forth in this Confirmation. This Confirmation shall constitute a “Confirmation” as referred to in the ISDA Master Agreement specified below.

1. This Confirmation is subject to, and incorporates, the definitions and provisions of the 2006 ISDA Definitions (including the Annex thereto) (the “**2006 Definitions**”) and the definitions and provisions of the 2002 ISDA Equity Derivatives Definitions (the “**Equity Definitions**”), and together with the 2006 Definitions, the “**Definitions**”), in each case as published by the International Swaps and Derivatives Association, Inc. (“**ISDA**”). In the event of any inconsistency between the 2006 Definitions and the Equity Definitions, the Equity Definitions will govern.

This Confirmation evidences a complete and binding agreement between BofAML and Counterparty as to the terms of the Transaction to which this Confirmation relates. This Confirmation shall be subject to an agreement (the “**Agreement**”) in the form of the 2002 ISDA Master Agreement (the “**ISDA Form**”) as if BofAML and Counterparty had executed an agreement in such form (without any Schedule but with the elections set forth in this Confirmation). The Transaction shall be the only Transaction under the Agreement.

All provisions contained in, or incorporated by reference to, the Agreement will govern this Confirmation except as expressly modified herein. In the event of any inconsistency between this Confirmation and either the Definitions or the Agreement, this Confirmation shall govern. The Transaction is a Share Forward Transaction within the meaning set forth in the Equity Definitions.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

General Terms:

Trade Date:	December 13, 2013
Seller:	BofAML
Buyer:	Counterparty
Shares:	The common stock of Counterparty, par value USD 0.0001 per share (Ticker Symbol: "LDOS")
Prepayment:	Applicable
Prepayment Amount:	As provided in Annex B to this Confirmation.
Prepayment Date:	The first Exchange Business Day following the Trade Date
Exchange:	New York Stock Exchange
Related Exchange(s):	All Exchanges
Calculation Agent:	Bank of America, N.A. All calculations and determinations by the Calculation Agent shall be made in good faith and in a commercially reasonable manner. Following any determination or calculation by the Calculation Agent hereunder, upon a written request by Counterparty, the Calculation Agent shall promptly (but in any event within three Scheduled Trading Days) provide to Counterparty by e-mail to the e-mail address provided by Counterparty in such request a written explanation and report (in a commonly used file format for the storage and manipulation of financial data) displaying in reasonable detail the basis for such determination or calculation (including any quotations, market data or information from internal or external sources, and any assumptions, used in making such determination or calculation), it being understood that the Calculation Agent shall not be obligated to disclose any proprietary models or proprietary or confidential information used by it for such determination or calculation.

Valuation Terms:

Averaging Dates:	Each of the consecutive Exchange Business Days commencing on, and including, the Trade Date and ending on, and including, the Final Averaging Date.
Final Averaging Date:	The Scheduled Final Averaging Date; <i>provided</i> that BofAML shall have the right, in its absolute discretion, at any time to accelerate the Final Averaging Date, in whole or in part, to any date that is on or after the Scheduled Earliest Acceleration Date by written notice to Counterparty no later than 8:00 P.M., New York City time, on the Exchange Business Day immediately following the accelerated Final Averaging Date.

In the case of any acceleration of the Final Averaging Date in part (a "**Partial Acceleration**"), BofAML shall specify in its written notice to Counterparty accelerating the Final Averaging Date in part the corresponding percentage of the Prepayment Amount that is subject to valuation on the related Valuation Date, and Calculation Agent shall adjust the terms of the Transaction as it deems appropriate, in a commercially reasonable manner, in order to take into account the

occurrence of such Partial Acceleration (including cumulative adjustments to take into account all Partial Accelerations that occur during the term of the Transaction).

Scheduled Final Averaging Date:	As provided in Annex B to this Confirmation.
Scheduled Earliest Acceleration Date:	As provided in Annex B to this Confirmation.
Valuation Date:	The Final Averaging Date.
Averaging Date Disruption:	Modified Postponement, <i>provided</i> that notwithstanding anything to the contrary in the Equity Definitions, if a Market Disruption Event occurs on any Averaging Date, the Calculation Agent may, in a commercially reasonable manner if appropriate in light of market conditions, regulatory considerations or otherwise, take any or all of the following actions: (i) postpone the Scheduled Final Averaging Date in accordance with Modified Postponement and/or (ii) determine that such Averaging Date is a Disrupted Day only in part, in which case the Calculation Agent shall (x) determine the VWAP Price for such Disrupted Day based on Rule 10b-18 eligible transactions in the Shares on such Disrupted Day taking into account the nature and duration of such Market Disruption Event and (y) determine the Settlement Price based on an appropriately weighted average instead of the arithmetic average described under “Settlement Price” below. If a closure of the Exchange prior to its normal close of trading on any Exchange Business Day is scheduled following the date hereof, then such Exchange Business Day shall be deemed to be a Disrupted Day in full.
Market Disruption Events:	Section 6.3(a) of the Equity Definitions is hereby amended (A) by deleting the words “during the one hour period that ends at the relevant Valuation Time, Latest Exercise Time, Knock-in Valuation Time or Knock-out Valuation Time, as the case may be” in clause (ii) thereof, and (B) by replacing the words “or (iii) an Early Closure.” therein with “(iii) an Early Closure, or (iv) a Regulatory Disruption.” Section 6.3(d) of the Equity Definitions is hereby amended by deleting the remainder of the provision following the term “Scheduled Closing Time” in the fourth line thereof.
Regulatory Disruption:	Any event that BofAML, in its good faith and commercially reasonable discretion based on the advice of counsel, determines makes it appropriate with regard to any legal, regulatory or self-regulatory requirements or related policies and procedures generally applicable to transactions of this nature and related to compliance with applicable laws for BofAML to refrain from or decrease any market activity in connection with the Transaction. BofAML shall notify Counterparty as soon as reasonably practicable that a Regulatory Disruption has occurred and the Averaging Dates affected by it.
Settlement Terms:	
Initial Share Delivery:	On the Initial Share Delivery Date, BofAML shall deliver to Counterparty the Initial Shares.
Initial Share Delivery Date:	The first Exchange Business Day following the Trade Date.

Initial Shares:	As provided in Annex B to this Confirmation.
Settlement Date:	The date that falls one Settlement Cycle following the Valuation Date.
Settlement:	On the Settlement Date, BofAML shall deliver to Counterparty the Number of Shares to be Delivered, if a positive number. If the Number of Shares to be Delivered is a negative number, the Counterparty Settlement Provisions in Annex A shall apply.
Number of Shares to be Delivered:	A number of Shares equal to (a) the Prepayment Amount divided by (b) (i) the Settlement Price <i>minus</i> (ii) the Price Adjustment Amount; <i>provided</i> that the Number of Shares to be Delivered as so determined shall be reduced by the number of Initial Shares.
Settlement Price:	The arithmetic average of the VWAP Prices for all Averaging Dates.
VWAP Price:	For any Averaging Date, the Rule 10b-18 dollar volume weighted average price per Share for such day based on transactions on the Exchange executed during such day beginning at 9:35 A.M., New York City time, as reported on Bloomberg Page “LDOS.N <Equity> AQR SEC” (or any successor thereto) or, in the event such price is not so reported on such day for any reason or is manifestly incorrect, as reasonably determined in good faith by the Calculation Agent using a volume weighted method.
Price Adjustment Amount:	As provided in Annex B to this Confirmation.
Excess Dividend Amount:	For the avoidance of doubt, all references to the Excess Dividend Amount in Section 9.2(a)(iii) of the Equity Definitions shall be deleted.
Other Applicable Provisions:	To the extent either party is obligated to deliver Shares hereunder, the provisions of the last sentence of Section 9.2 and Sections 9.8, 9.9, 9.10, 9.11 (except that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities laws arising as a result of the fact that Counterparty is the Issuer of the Shares) and 9.12 of the Equity Definitions will be applicable as if “Physical Settlement” applied to the Transaction.

Dividends:

Dividend:	Any dividend or distribution on the Shares other than any dividend or distribution of the type described in Sections 11.2(e)(i), 11.2(e)(ii)(A) or 11.2(e)(ii)(B) of the Equity Definitions.
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Share Adjustments:

Method of Adjustment:	Calculation Agent Adjustment; <i>provided</i> that the declaration or payment of Dividends shall not be a Potential Adjustment Event.
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It shall constitute an additional Potential Adjustment Event if the Scheduled Final Averaging Date is postponed pursuant to “Averaging Date Disruption” above, in which case the Calculation Agent may, in its commercially reasonable discretion, adjust any relevant terms of the Transaction as the Calculation Agent determines appropriate to account for the economic effect on the Transaction of such postponement.

Extraordinary Events:

Consequences of Merger Events:

(a) Share-for-Share: Modified Calculation Agent Adjustment

(b) Share-for-Other: Cancellation and Payment

(c) Share-for-Combined: Cancellation and Payment

Tender Offer: Applicable

Consequences of Tender Offers:

(a) Share-for-Share: Modified Calculation Agent Adjustment

(b) Share-for-Other: Modified Calculation Agent Adjustment

(c) Share-for-Combined: Modified Calculation Agent Adjustment

Composition of Combined

Consideration: Not Applicable

Consequences of Announcement Events:

Modified Calculation Agent Adjustment as set forth in Section 12.3(d) of the Equity Definitions; *provided* that references to “Tender Offer” shall be replaced by references to “Announcement Event” and references to “Tender Offer Date” shall be replaced by references to “Announcement Date.” An Announcement Event shall be an “Extraordinary Event” for purposes of the Equity Definitions, to which Article 12 of the Equity Definitions is applicable.

Announcement Event: The occurrence of an Announcement Date in respect of a potential Acquisition Transaction (as defined in Section 9 below).

Announcement Date: The date of the first public announcement in relation to an Acquisition Transaction, or any publicly announced change or amendment to the announcement giving rise to an Announcement Date.

Provisions applicable to Merger Events and Tender Offers:

The consequences set forth opposite “Consequences of Merger Events” and “Consequences of Tender Offers” above shall apply regardless of whether a particular Merger Event or Tender Offer relates to an Announcement Date for which an adjustment has been made pursuant to Consequences of Announcement Events, without duplication of any such adjustment.

New Shares: In the definition of New Shares in Section 12.1(i) of the Equity Definitions, the text in clause (i) thereof shall be deleted in its entirety (including the word “and” following such clause (i)) and replaced with “publicly quoted, traded or listed on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors)”.

Nationalization, Insolvency or Delisting:

Cancellation and Payment (Calculation Agent Determination); *provided* that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Market or The NASDAQ

Global Select Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall thereafter be deemed to be the Exchange.

Additional Disruption Events:

Change in Law:	Applicable
Failure to Deliver:	Applicable
Insolvency Filing:	Applicable
Hedging Disruption:	Applicable
Loss of Stock Borrow:	Applicable
Maximum Stock Loan Rate:	As provided in Annex B to this Confirmation.
Increased Cost of Stock Borrow:	Applicable
Initial Stock Loan Rate:	As provided in Annex B to this Confirmation.
Hedging Party:	For all applicable Potential Adjustment Events and Extraordinary Events, BofAML
Determining Party:	For all Extraordinary Events, BofAML
Non-Reliance:	Applicable
Agreements and Acknowledgments Regarding Hedging Activities:	Applicable
Additional Acknowledgments:	Applicable

3. Account Details:

Account for payments to BofAML:

Bank of America
New York, NY
SWIFT: BOFAUS3N
Bank Routing: 026-009-593
Account Name: Bank of America
Account No.: 0012334-61892

4. Offices:

(a) The Office of Counterparty for the Transaction is: Counterparty is not a Multibranch Party

(b) The Office of BofAML for the Transaction is:

Bank of America, N.A.
c/o Merrill Lynch, Pierce, Fenner & Smith Incorporated
Bank of America Tower at One Bryant Park
New York, NY 10036

5. Notices: For purposes of this Confirmation:

(a) Address for notices or communications to Counterparty:

Leidos Holdings, Inc.
 8301 Greensboro Drive
 McLean VA 22102
 Attn: Marc Crown
 Telephone: 703-676-6142
 E-Mail: Marc.h.crown@leidos.com

(b) Address for notices or communications to BofAML:

Bank of America, N.A.
 c/o Merrill Lynch, Pierce, Fenner & Smith Incorporated
 Bank of America Tower at One Bryant Park
 New York, NY 10036
 Attn: Peter Tucker
 Telephone: 646-855-6770
 Facsimile: 415-835-2514

6. Additional Provisions Relating to Transactions in the Shares.

(a) Counterparty acknowledges and agrees that the Initial Shares delivered on the Initial Share Delivery Date may be sold short to Counterparty. Counterparty further acknowledges and agrees that BofAML may, during (i) the period from the date hereof to the Valuation Date and (ii) the period from and including the first Settlement Valuation Date to and including the last Settlement Valuation Date, if any (together, the “**Relevant Period**”), purchase Shares in connection with the Transaction, which Shares may be used to cover all or a portion of such short sale or may be delivered to Counterparty. Such purchases will be conducted independently of Counterparty. The timing of such purchases by BofAML, the number of Shares purchased by BofAML on any day, the price paid per Share pursuant to such purchases and the manner in which such purchases are made, including without limitation whether such purchases are made on any securities exchange or privately, shall be within the absolute discretion of BofAML. It is the intent of the parties that the Transaction comply with the requirements of Rule 10b5-1(c)(1)(i)(B) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and the parties agree that this Confirmation shall be interpreted to comply with the requirements of Rule 10b5-1(c), and Counterparty shall not take any action that results in the Transaction not so complying with such requirements. Without limiting the generality of the preceding sentence, Counterparty acknowledges and agrees that (A) Counterparty does not have, and shall not attempt to exercise, any influence over how, when or whether BofAML effects any purchases of Shares in connection with the Transaction, (B) during the period beginning on (but excluding) the date of this Confirmation and ending on (and including) the last day of the Relevant Period, neither Counterparty nor its officers or employees shall, directly or indirectly, communicate any information regarding Counterparty or the Shares to any employee of BofAML or its Affiliates responsible for trading the Shares in connection with the transactions contemplated hereby, (C) Counterparty is entering into the Transaction in good faith and not as part of a plan or scheme to evade compliance with federal securities laws including, without limitation, Rule 10b-5 promulgated under the Exchange Act and (D) Counterparty will not alter or deviate from this Confirmation or enter into or alter a corresponding hedging transaction with respect to the Shares. Counterparty also acknowledges and agrees that any amendment, modification, waiver or termination of this Confirmation must be effected in accordance with the requirements for the amendment or termination of a “plan” as defined in Rule 10b5-1(c) under the Exchange Act. Without limiting the generality of the foregoing, any such amendment, modification, waiver or termination shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5 under the Exchange Act, and no such amendment, modification or waiver shall be made at any time at which Counterparty or any officer or director of Counterparty is aware of any material nonpublic information regarding Counterparty or the Shares.

(b) Counterparty agrees that neither Counterparty nor any of its Affiliates or agents shall take any action that would cause Regulation M to be applicable to any purchases of Shares, or any security for which the Shares are a reference security (as defined in Regulation M), by Counterparty or any of its affiliated purchasers (as defined in Regulation M) during the Relevant Period.

(c) Counterparty shall, at least one day prior to the first day of the Relevant Period, notify BofAML of the total number of Shares purchased in Rule 10b-18 purchases of blocks pursuant to the once-a-week block exception contained in Rule 10b-18(b)(4) by or for Counterparty or any of its affiliated purchasers during each of the four calendar weeks preceding the first day of the Relevant Period and during the calendar week in which the first day of the Relevant Period occurs (“Rule 10b-18 purchase”, “blocks” and “affiliated purchaser” each being used as defined in Rule 10b-18).

(d) During the Relevant Period, Counterparty shall (i) notify BofAML prior to the opening of trading in the Shares on any day on which Counterparty makes, or expects to be made, any public announcement (as defined in Rule 165(f) under the Securities Act of 1933, as amended (the “**Securities Act**”) of any merger, acquisition, or similar transaction involving a recapitalization relating to Counterparty (other than any such transaction in which the consideration consists solely of cash and there is no valuation period), (ii) promptly notify BofAML following any such announcement that such announcement has been made, and (iii) promptly deliver to BofAML following the making of any such announcement a certificate indicating (A) Counterparty’s average daily Rule 10b-18 purchases (as defined in Rule 10b-18) during the three full calendar months preceding the date of the announcement of such transaction and (B) Counterparty’s block purchases (as defined in Rule 10b-18) effected pursuant to paragraph (b)(4) of Rule 10b-18 during the three full calendar months preceding the date of the announcement of such transaction. In addition, Counterparty shall promptly notify BofAML of the earlier to occur of the completion of such transaction and the completion of the vote by target shareholders. Counterparty acknowledges that any such public announcement may result in a Regulatory Disruption and may cause the Relevant Period to be suspended. Accordingly, Counterparty acknowledges that its actions in relation to any such announcement or transaction must comply with the standards set forth in Section 6(a) above.

(e) Without the prior written consent of BofAML, Counterparty shall not, and shall cause its Affiliates and affiliated purchasers (each as defined in Rule 10b-18) not to, directly or indirectly (including, without limitation, by means of a cash-settled or other derivative instrument) purchase, offer to purchase, place any bid or limit order that would effect a purchase of, or commence any tender offer relating to, any Shares (or an equivalent interest, including a unit of beneficial interest in a trust or limited partnership or a depository share) or any security convertible into or exchangeable for Shares during the Relevant Period, other than through BofAML or an Affiliate thereof; *provided* that (a) this Section 6(e) shall not limit Counterparty’s ability (or the ability of any Affiliate or affiliated purchaser of Counterparty), (i) pursuant to its employee incentive plans, to re-acquire Shares in connection with the related equity transactions; (ii) to withhold shares to cover exercise price and/or tax liabilities associated with such equity transactions; or (iii) to grant stock and options to “affiliated purchasers” (as defined in Rule 10b-18) or the ability of such affiliated purchasers to acquire such stock or options, in connection with Counterparty’s compensatory plans for directors, officers and employees or any agreements with respect to the compensation of directors, officers or employees of any entities that are acquisition targets of Issuer, so long as, in the case of clause (i), (ii) or (iii) of this sentence, any such re-acquisition, withholding, grant, acquisition or other purchase does not constitute a “Rule 10b-18 purchase” (as defined in Rule 10b-18) and (b) Counterparty or such “affiliate” or “affiliated purchaser” may purchase Shares in (x) unsolicited transactions or (y) privately negotiated (off-market) transactions that, in the case of clause (x) or clause (y), are not “Rule 10b-18 purchases” (as defined in Rule 10b-18), in each case without BofAML’s consent.

7. Representations, Warranties and Agreements.

(a) In addition to the representations, warranties and agreements in the Agreement and those contained elsewhere herein, Counterparty represents and warrants to and for the benefit of, and agrees with, BofAML as follows:

(i) As of the Trade Date, and as of the date of any election by Counterparty of the Share Termination Alternative under (and as defined in) Section 10(a) below, (A) none of Counterparty and its officers and directors is aware of any material nonpublic information regarding Counterparty or the Shares and (B) all reports and other documents filed by Counterparty with the Securities and Exchange Commission pursuant to the Exchange Act when considered as a whole (with the more recent such reports and documents deemed to amend

inconsistent statements contained in any earlier such reports and documents), do not contain any untrue statement of a material fact or any omission of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading.

(ii) Without limiting the generality of Section 13.1 of the Equity Definitions, Counterparty acknowledges that BofAML is not making any representations or warranties or taking any position or expressing any view with respect to the treatment of the Transaction under any accounting standards including ASC Topic 260, *Earnings Per Share*, ASC Topic 815, *Derivatives and Hedging*, or ASC Topic 480, *Distinguishing Liabilities from Equity* and ASC 815-40, *Derivatives and Hedging – Contracts in Entity’s Own Equity* (or any successor issue statements) or under FASB’s Liabilities & Equity Project.

(iii) Without limiting the generality of Section 3(a)(iii) of the Agreement, the Transaction will not violate Rule 13e-1 or Rule 13e-4 under the Exchange Act.

(iv) Prior to the Trade Date, Counterparty shall deliver to BofAML a resolution of Counterparty’s board of directors authorizing the Transaction and such other certificate or certificates as BofAML shall reasonably request. Counterparty has publicly disclosed its intention to institute a program for the acquisition of Shares.

(v) Counterparty is not entering into this Confirmation to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for Shares) or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for Shares) or otherwise in violation of the Exchange Act, and will not engage in any other securities or derivative transaction to such ends.

(vi) Counterparty is not, and after giving effect to the transactions contemplated hereby will not be, required to register as an “investment company” as such term is defined in the Investment Company Act of 1940, as amended.

(vii) On the Trade Date, the Prepayment Date, the Initial Share Delivery Date and the Settlement Date, Counterparty is not, or will not be, “insolvent” (as such term is defined under Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the “**Bankruptcy Code**”)) and Counterparty would be able to purchase the Shares hereunder in compliance with the corporate laws of the jurisdiction of its incorporation.

(viii) No state or local (including, to Counterparty’s knowledge, non-U.S. jurisdictions) law, rule, regulation or regulatory order applicable to the Shares would give rise to any reporting, consent, registration or other requirement (including without limitation a requirement to obtain prior approval from any person or entity) as a result of BofAML or its affiliates owning or holding (however defined) Shares.

(ix) Counterparty shall not declare or pay any Dividend (as defined above) to holders of record as of any date occurring prior to the Settlement Date or, if the provisions of Annex A apply, the Cash Settlement Payment Date, other than an ordinary cash dividend of USD 0.32 or less per Share to holders of record on January 15, 2014 (or any later date within the same quarterly fiscal period of Counterparty).

(x) Counterparty understands no obligations of BofAML to it hereunder will be entitled to the benefit of deposit insurance and that such obligations will not be guaranteed by any affiliate of BofAML or any governmental agency.

(b) Each of BofAML and Counterparty agrees and represents that it is an “eligible contract participant” as defined in Section 1a(18) of the U.S. Commodity Exchange Act, as amended.

(c) Counterparty acknowledges that the offer and sale of the Transaction to it is intended to be exempt from registration under the Securities Act, by virtue of Section 4(2) thereof. Accordingly, Counterparty represents and warrants to BofAML that (i) it has the financial ability to bear the economic risk of its investment in the Transaction and is able to

bear a total loss of its investment, (ii) it is an “accredited investor” as that term is defined in Regulation D as promulgated under the Securities Act, (iii) it is entering into the Transaction for its own account and without a view to the distribution or resale thereof, and (iv) the assignment, transfer or other disposition of the Transaction has not been and will not be registered under the Securities Act and is restricted under this Confirmation, the Securities Act and state securities laws.

(d) Counterparty agrees and acknowledges that BofAML is a “financial institution,” “swap participant” and “financial participant” within the meaning of Sections 101(22), 101(53C) and 101(22A) of the Bankruptcy Code. The parties hereto further agree and acknowledge that it is the intent of the parties that (A) this Confirmation is (i) a “securities contract,” as such term is defined in Section 741(7) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a “termination value,” “payment amount” or “other transfer obligation” within the meaning of Section 362 of the Bankruptcy Code and a “settlement payment,” within the meaning of Section 546 of the Bankruptcy Code and (ii) a “swap agreement,” as such term is defined in Section 101(53B) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a “termination value,” “payment amount” or “other transfer obligation” within the meaning of Section 362 of the Bankruptcy Code and a “transfer,” as such term is defined in Section 101(54) of the Bankruptcy Code and a “payment or other transfer of property” within the meaning of Sections 362 and 546 of the Bankruptcy Code, and (B) BofAML is entitled to the protections afforded by, among other sections, Sections 362(b)(6), 362(b)(17), 362(o), 546(e), 546(g), 548(d)(2), 555, 560 and 561 of the Bankruptcy Code.

(e) If BofAML purchases Shares in connection with the forward aspect of the Transaction prior to the Scheduled Earliest Acceleration Date, BofAML shall do so in a manner that would, if such purchases were made by Counterparty, be in accordance with the conditions set forth in Rule 10b-18 under the Exchange Act; *provided* that it is understood that BofAML may make purchases of Shares in connection with the price and market risk of the options embedded in the Transaction, and such purchases made to hedge BofAML’s equity option risk may be delivered to the Counterparty and that such purchases or deliveries would not be subject to the provisions of this Section 7(e).

8. Agreements and Acknowledgements Regarding Hedging.

Counterparty acknowledges and agrees that:

(a) During the Relevant Period, BofAML and its Affiliates may buy or sell Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to adjust its hedge position with respect to the Transaction;

(b) BofAML and its Affiliates also may be active in the market for Shares other than in connection with hedging activities in relation to the Transaction;

(c) BofAML shall make its own determination as to whether, when or in what manner any hedging or market activities in Counterparty’s securities shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Settlement Price and/or the VWAP Price; and

(d) Any market activities of BofAML and its Affiliates with respect to Shares may affect the market price and volatility of Shares, as well as the Settlement Price and/or the VWAP Price, each in a manner that may be adverse to Counterparty.

9. Special Provisions regarding Transaction Announcements.

(a) If a Transaction Announcement occurs on or prior to the Settlement Date, the Calculation Agent shall make such adjustment to the exercise, settlement, payment or any of the other terms of the Transaction (including without limitation, the Number of Shares to be Delivered and the Price Adjustment Amount) as the Calculation Agent determines appropriate to account for the economic effect of the Transaction Announcement (and, for the avoidance of doubt, in such event the Number of Shares to be Delivered may be reduced below zero pursuant to the proviso to such definition). If a Transaction Announcement occurs after the Trade Date but prior to the Scheduled Earliest Acceleration Date, the Scheduled Earliest Acceleration Date shall be adjusted to be the date of such Transaction Announcement.

(b) “**Transaction Announcement**” means (i) the announcement of an Acquisition Transaction, (ii) an announcement that Counterparty or any of its subsidiaries has entered into an agreement, a letter of intent or an understanding to enter into an Acquisition Transaction, (iii) the announcement of an intention to solicit or enter into, or to explore strategic alternatives or other similar undertaking that may include, an Acquisition Transaction, or (iv) any other announcement that in the reasonable judgment of the Calculation Agent may result in an Acquisition Transaction. For the avoidance of doubt, announcements as used in this definition of Transaction Announcement refer to any public announcement whether made by the Issuer or a third party.

“**Acquisition Transaction**” means (i) any Merger Event (and for purposes of this definition the definition of Merger Event shall be read with the references therein to “100%” being replaced by “15%” and to “50%” by “75%” and as if the clause beginning immediately following the definition of Reverse Merger therein to the end of such definition were deleted) or Tender Offer, (ii) the sale or transfer of all or substantially all of the assets of Counterparty, (iii) a recapitalization, reclassification, binding share exchange or other similar transaction, (iv) any acquisition, lease, exchange, transfer, disposition (including by way of spin-off or distribution) of assets (including any capital stock or other ownership interests in subsidiaries) or other similar event by Counterparty or any of its subsidiaries where the aggregate consideration transferable or receivable by or to Counterparty or its subsidiaries exceeds 25% of the market capitalization of Counterparty and (v) any transaction in which Counterparty or its board of directors has a legal obligation to make a recommendation to its shareholders in respect of such transaction (whether pursuant to Rule 14e-2 under the Exchange Act or otherwise).

10. Other Provisions.

(a) *Alternative Calculations and Payment on Early Termination and on Certain Extraordinary Events.* If either party would owe the other party any amount pursuant to Sections 12.2, 12.3, 12.6, 12.7 or 12.9 of the Equity Definitions or pursuant to Section 6(d)(ii) of the Agreement (a “**Payment Obligation**”), Counterparty shall have the right, in its sole discretion, to satisfy or to require BofAML to satisfy, as the case may be, any such Payment Obligation, in whole or in part, by the Share Termination Alternative (as defined below) by giving irrevocable telephonic notice to BofAML, confirmed in writing within one Scheduled Trading Day, no later than 9:30 A.M., New York City time, on the Merger Date, Tender Offer Date, Announcement Date, Early Termination Date or date of cancellation or termination in respect of an Extraordinary Event, as applicable (“**Notice of Share Termination**”); *provided* that if BofAML would owe Counterparty the Payment Obligation and Counterparty does not elect to require BofAML to satisfy such Payment Obligation by the Share Termination Alternative in whole, BofAML shall have the right, in its sole discretion, to elect to satisfy any portion of such Payment Obligation that Counterparty has not so elected by the Share Termination Alternative, notwithstanding Counterparty’s failure to elect or election to the contrary; and *provided further* that Counterparty shall not have the right to so elect (but, for the avoidance of doubt, BofAML shall have the right to so elect) in the event of (i) an Insolvency, a Nationalization, a Merger Event or a Tender Offer, in each case, in which the consideration or proceeds to be paid to holders of Shares consists solely of cash or (ii) an Event of Default in which Counterparty is the Defaulting Party or a Termination Event in which Counterparty is the Affected Party, which Event of Default or Termination Event resulted from an event or events solely within Counterparty’s control. Upon such Notice of Share Termination, the following provisions shall apply on the Scheduled Trading Day immediately following the Merger Date, Tender Offer Date, Announcement Date, Early Termination Date or date of cancellation or termination in respect of an Extraordinary Event, as applicable, with respect to the Payment Obligation or such portion of the Payment Obligation for which the Share Termination Alternative has been elected (the “**Applicable Portion**”):

Share Termination Alternative:	Applicable and means, if delivery pursuant to the Share Termination Alternative is owed by BofAML, that BofAML shall deliver to Counterparty the Share Termination Delivery Property on the date on which the Payment Obligation would otherwise be due pursuant to Section 12.7 or 12.9 of the Equity Definitions or Section 6(d)(ii) of the Agreement, as applicable, or such later date as the Calculation Agent may reasonably determine (the “ Share Termination Payment Date ”), in satisfaction of the Payment Obligation or the Applicable Portion, as the case may be. If delivery pursuant to the Share Termination Alternative is owed by Counterparty, paragraphs 2 through 5 of Annex A shall apply as if such delivery were a settlement of the Transaction to which Net Share Settlement (as defined in Annex A) applied, the Cash Settlement Payment Date were the Early Termination Date, the Forward Cash Settlement Amount were zero (0) <i>minus</i> the Payment Obligation (or the Applicable Portion, as the case may be) owed by Counterparty, and “Shares” as used in Annex A were replaced by “Share Termination Delivery Units.”
Share Termination Delivery Property:	A number of Share Termination Delivery Units, as calculated by the Calculation Agent, equal to the Payment Obligation (or the Applicable Portion, as the case may be) divided by the Share Termination Unit Price. The Calculation Agent shall adjust the Share Termination Delivery Property by replacing any fractional portion of a security therein with an amount of cash equal to the value of such fractional security based on the values used to calculate the Share Termination Unit Price.
Share Termination Unit Price:	The value of property contained in one Share Termination Delivery Unit on the date such Share Termination Delivery Units are to be delivered as Share Termination Delivery Property, as determined by the Calculation Agent in its good faith discretion by commercially reasonable means and notified by the Calculation Agent to the parties at the time of notification of the Payment Obligation.
Share Termination Delivery Unit:	In the case of a Termination Event, Event of Default, Delisting or Additional Disruption Event, one Share or, in the case of an Insolvency, Nationalization, Merger Event or Tender Offer, one Share or a unit consisting of the number or amount of each type of property received by a holder of one Share (without consideration of any requirement to pay cash or other consideration in lieu of fractional amounts of any securities) in such Insolvency, Nationalization, Merger Event or Tender Offer. If such Insolvency, Nationalization, Merger Event or Tender Offer involves a choice of consideration to be received by holders, such holder shall be deemed to have elected to receive the maximum possible amount of cash.
Failure to Deliver:	Applicable
Other applicable provisions:	If Share Termination Alternative is applicable, the provisions of Sections 9.8, 9.9, 9.10, 9.11 (except that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities laws arising as a result of the fact that Counterparty is the issuer of the Shares or any portion of the Share Termination Delivery Units) and 9.12 of the Equity Definitions will be applicable as if “Physical Settlement” applied to the Transaction, except that all references to “Shares” shall be read as references to “Share Termination Delivery Units”.

(b) *Equity Rights.* BofAML acknowledges and agrees that this Confirmation is not intended to convey to it rights with respect to the Transaction that are senior to the claims of common stockholders in the event of Counterparty’s bankruptcy. For the avoidance of doubt, the parties agree that the preceding sentence shall not apply at any time other

than during Counterparty's bankruptcy to any claim arising as a result of a breach by Counterparty of any of its obligations under this Confirmation or the Agreement. For the avoidance of doubt, the parties acknowledge that this Confirmation is not secured by any collateral that would otherwise secure the obligations of Counterparty herein under or pursuant to any other agreement.

(c) *[Reserved]*.

(d) *Staggered Settlement*. If BofAML would owe Counterparty any Shares pursuant to the "Settlement Terms" above, BofAML may, by notice to Counterparty on or prior to the Settlement Date (a "**Nominal Settlement Date**"), elect to deliver the Shares deliverable on such Nominal Settlement Date on two or more dates (each, a "**Staggered Settlement Date**") or at two or more times on the Nominal Settlement Date as follows: (i) in such notice, BofAML will specify to Counterparty the related Staggered Settlement Dates (each of which will be on or prior to such Nominal Settlement Date) or delivery times and how it will allocate the Shares it is required to deliver under "Settlement Terms" above among the Staggered Settlement Dates or delivery times; and (ii) the aggregate number of Shares that BofAML will deliver to Counterparty hereunder on all such Staggered Settlement Dates and delivery times will equal the number of Shares that BofAML would otherwise be required to deliver on such Nominal Settlement Date.

(e) *Adjustments*. For the avoidance of doubt, whenever the Calculation Agent is called upon to make an adjustment pursuant to the terms of this Confirmation or the Definitions to take into account the effect of an event, the Calculation Agent shall make such adjustment by reference to the effect of such event on the Hedging Party, assuming that the Hedging Party maintains a commercially reasonable hedge position.

(f) *Transfer and Assignment*. BofAML may transfer or assign its rights and obligations hereunder and under the Agreement, in whole or in part, (i) without the consent of Counterparty, to any of BofAML's Affiliates or any entities sponsored or organized by, or on behalf of or for the benefit of, BofAML, so long as (x) such Affiliate or entity has a rating for its long-term, unsecured and unsubordinated indebtedness by one of Standard & Poor's Rating Group, Inc. or Moody's Investor Service, Inc. that is equal to or better than that of BofAML at the time of such transfer or (y) such Affiliate's or entity's obligations are guaranteed by Bank of America Corporation; or (ii) with the consent of Counterparty, to any third party.

(g) *[Reserved]*.

(h) *Amendments to Equity Definitions*. The following amendments shall be made to the Equity Definitions:

(i) Section 11.2(a) of the Equity Definitions is hereby amended by deleting the words "a diluting or concentrative effect on the theoretical value of the relevant Shares" and replacing them with the words "a material economic effect on the relevant Transaction";

(ii) The first sentence of Section 11.2(c) of the Equity Definitions, prior to clause (A) thereof, is hereby amended to read as follows: '(c) If "Calculation Agent Adjustment" is specified as the Method of Adjustment in the related Confirmation of a Share Option Transaction or Share Forward Transaction, then following the announcement or occurrence of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a material economic effect on the Transaction and, if so, will (i) make appropriate adjustment(s), if any, to any one or more of: and the portion of such sentence immediately preceding clause (ii) thereof is hereby amended by deleting the words "diluting or concentrative" and the words "(provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares)" and replacing such latter phrase with the words "(and, for the avoidance of doubt, adjustments may be made to account solely for changes in volatility, stock loan rate or liquidity relative to the relevant Shares)";

(iii) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by deleting the words "diluting or concentrative effect on the theoretical value of the relevant Shares" and replacing them with the words "material economic effect on the relevant Transaction";

(iv) Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (1) deleting from the fourth line thereof the word “or” after the word “official” and inserting a comma therefor, and (2) deleting the semi-colon at the end of subsection (B) thereof and inserting the following words therefor “or (C) at BofAML’s option, exercised in a commercially reasonable manner, the occurrence of any of the events specified in Section 5(a)(vii) (1) through (9) of the ISDA Master Agreement with respect to that issuer”;

(v) Section 12.9(b)(iv) of the Equity Definitions is hereby amended by (A) deleting (1) subsection (A) in its entirety, (2) the phrase “or (B)” following subsection (A) and (3) the phrase “in each case” in subsection (B); and (B) deleting the phrase “neither the Non-Hedging Party nor the Lending Party lends Shares in the amount of the Hedging Shares or” in the penultimate sentence; and

(vi) Section 12.9(b)(v) of the Equity Definitions is hereby amended by (A) adding the word “or” immediately before subsection “(B)” and deleting the comma at the end of subsection (A); and (B)(1) deleting subsection (C) in its entirety, (2) deleting the word “or” immediately preceding subsection (C) and (3) replacing in the penultimate sentence the words “either party” with “the Hedging Party” and (4) deleting clause (X) in the final sentence.

(i) *No Netting and Set-off.* Each party waives any and all rights it may have to set off obligations arising under the Agreement and the Transaction against other obligations between the parties, whether arising under any other agreement, applicable law or otherwise.

(j) *Disclosure.* Effective from the date of commencement of discussions concerning the Transaction, Counterparty and each of its employees, representatives, or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Transaction and all materials of any kind (including opinions or other tax analyses) that are provided to Counterparty relating to such tax treatment and tax structure.

(k) *Designation by BofAML.* Notwithstanding any other provision in this Confirmation to the contrary requiring or allowing BofAML to purchase, sell, receive or deliver any Shares or other securities to or from Counterparty, BofAML (the “**Designator**”) may designate any of its Affiliates (the “**Designee**”) to deliver or take delivery, as the case may be, and otherwise perform its obligations to deliver, if any, or take delivery of, as the case may be, any such Shares or other securities in respect of the Transaction, and the Designee may assume such obligations, if any. Such designation shall not relieve the Designator of any of its obligations, if any, hereunder. Notwithstanding the previous sentence, if the Designee shall have performed the obligations, if any, of the Designator hereunder, then the Designator shall be discharged of its obligations, if any, to Counterparty to the extent of such performance.

(l) *Termination Currency.* The Termination Currency shall be USD.

(m) *Waiver of Trial by Jury.* **EACH OF COUNTERPARTY AND BOFAML HEREBY IRREVOCABLY WAIVES (ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS STOCKHOLDERS) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THE TRANSACTION OR THE ACTIONS OF BOFAML OR ITS AFFILIATES IN THE NEGOTIATION, PERFORMANCE OR ENFORCEMENT HEREOF.**

(n) *Governing Law; Jurisdiction.* **THIS CONFIRMATION AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS CONFIRMATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES COURT FOR THE SOUTHERN DISTRICT OF NEW YORK IN CONNECTION WITH ALL MATTERS RELATING HERETO AND WAIVE ANY OBJECTION TO THE LAYING OF VENUE IN, AND ANY CLAIM OF INCONVENIENT FORUM WITH RESPECT TO, THESE COURTS.**

Please confirm your agreement to be bound by the terms stated herein by executing the copy of this Confirmation enclosed for that purpose and returning it to us by mail or facsimile transmission to the address for Notices indicated above.

Yours sincerely,

BANK OF AMERICA, N.A.

By: /s/ Jake Mendelsohn

Name: Jake Mendelsohn

Title: Managing Director

Confirmed as of the date first above written:

LEIDOS HOLDINGS, INC.

By: /s/ Mark W. Sopp

Name: Mark W. Sopp

Title: Executive Vice President and Chief Financial Officer

By: /s/ Marc H. Crown

Name: Marc H. Crown

Title: Senior Vice President and Treasurer

COUNTERPARTY SETTLEMENT PROVISIONS

1. The following Counterparty Settlement Provisions shall apply to the extent indicated under the Confirmation:

Settlement Currency:	USD
Settlement Method Election:	Applicable; <i>provided</i> that (i) Section 7.1 of the Equity Definitions is hereby amended by deleting the word “Physical” in the sixth line thereof and replacing it with the words “Net Share” and (ii) the Electing Party may make a settlement method election only if the Electing Party represents and warrants to BofAML in writing on the date it notifies BofAML of its election that, as of such date, (A) none of Counterparty and its officers and directors is aware of any material nonpublic information regarding Counterparty or the Shares and (B) all reports and other documents filed by Counterparty with the Securities and Exchange Commission pursuant to the Exchange Act when considered as a whole (with the more recent such reports and documents deemed to amend inconsistent statements contained in any earlier such reports and documents), do not contain any untrue statement of a material fact or any omission of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading.
Electing Party:	Counterparty
Settlement Method	
Election Date:	The date that is the earlier of (i) three (3) Exchange Business Days immediately prior to the Scheduled Final Averaging Date and (ii) the Exchange Business Day immediately following the date on which Counterparty receives notice of the scheduled last Settlement Valuation Date.
Default Settlement Method:	Net Share Settlement
Special Settlement:	Either (i) a settlement to which this Annex A applies that follows the occurrence of a Transaction Announcement to which Section 9 of this Confirmation applies or (ii) any settlement to which paragraphs 2 through 5 of this Annex A apply that follows a termination or cancellation of the Transaction pursuant to Section 6 of the Agreement or Article 12 of the Equity Definitions to which Section 10(a) of this Confirmation applies.
Forward Cash Settlement Amount:	The Number of Shares to be Delivered <i>multiplied</i> by the Settlement Valuation Price.
Settlement Valuation Price:	The arithmetic average of the VWAP Prices for all Settlement Valuation Dates, subject to Averaging Date Disruption, determined as if each Settlement Valuation Date were an Averaging Date (with Averaging Date Disruption applying as if the last Settlement Valuation Date were the Final Averaging Date and the Settlement Valuation Price were the Settlement Price).
Settlement Valuation Dates:	A number of Scheduled Trading Days selected by BofAML in good faith and in its commercially reasonable discretion (based on the number of Scheduled Trading Days required for BofAML to unwind its commercially reasonable Hedge Positions and taking into account market conditions at the time (including, but not limited to, liquidity)), beginning on the Scheduled Trading Day immediately following the Final Averaging

Date. BofAML shall provide notice to Counterparty of the scheduled last Settlement Valuation Date on or prior to the second Scheduled Trading Day immediately prior thereto.

Cash Settlement: If Cash Settlement is applicable, then Counterparty shall pay to BofAML the absolute value of the Forward Cash Settlement Amount on the Cash Settlement Payment Date.

Cash Settlement Payment Date: The date one Settlement Cycle following the last Settlement Valuation Date.

Net Share Settlement Procedures: If Net Share Settlement is applicable, Net Share Settlement shall be made in accordance with paragraphs 2 through 5 below.

2. Net Share Settlement shall be made by delivery on the Settlement Date of a number of Shares equal to the product of (i) 100%, plus a commercially reasonable amount determined by the Calculation Agent in good faith to account for the fact that such Share will not be registered for resale and (ii) the absolute value of the Number of Shares to be Delivered; *provided* that in the case of a Special Settlement, Net Share Settlement shall be made (i) by delivery on the Cash Settlement Payment Date (such date, the “**Net Share Settlement Date**”) of a number of Shares (the “**Restricted Payment Shares**”) with a value equal to the absolute value of the Forward Cash Settlement Amount, with such Shares’ value based on the realizable market value thereof to BofAML (which value shall take into account an illiquidity discount resulting from the fact that the Restricted Payment Shares will not be registered for resale), as determined by the Calculation Agent in good faith and in a commercially reasonable manner (the “**Restricted Share Value**”), and paragraph 3 of this Annex A shall apply to such Restricted Payment Shares, and (ii) by delivery of the Make-Whole Payment Shares as described in paragraph 4 below.

3. (a) All Restricted Payment Shares and Make-Whole Payment Shares shall be delivered to BofAML (or any affiliate of BofAML designated by BofAML) pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof.

(b) As of or prior to the date of delivery, Merrill Lynch, Pierce, Fenner & Smith Incorporated, BofAML and any potential purchaser of any such Shares from BofAML (or any affiliate of BofAML designated by BofAML) identified by BofAML shall be afforded a commercially reasonable opportunity to conduct a due diligence investigation with respect to Counterparty customary in scope for private placements of equity securities of similar size by similar companies (including, without limitation, the right to have made available to them for inspection all financial and other records, pertinent corporate documents and other information reasonably requested by them); *provided* that any such potential purchaser may be required by Counterparty to enter into a customary non-disclosure agreement with Counterparty in respect of such due diligence investigation.

(c) As of the date of delivery, Counterparty shall enter into an agreement (a “**Private Placement Agreement**”) with BofAML (or any affiliate of BofAML designated by BofAML) in connection with the private placement of such Shares by Counterparty to BofAML (or any such affiliate) and the private resale of such Shares by BofAML (or any such affiliate), substantially similar to private placement purchase agreements customary for private placements of equity securities of similar size by similar companies, in form and substance commercially reasonably satisfactory to BofAML, which Private Placement Agreement shall include, without limitation, provisions substantially similar to those contained in such private placement purchase agreements relating to the indemnification of, and contribution in connection with the liability of, BofAML and its affiliates, and shall provide for the payment by Counterparty of all commercially reasonable fees and expenses in connection with such resale, including all commercially reasonable fees and expenses of counsel for BofAML, and shall contain representations, warranties and agreements of Counterparty reasonably necessary or advisable to establish and maintain the availability of an exemption from the registration requirements of the Securities Act for such resales.

(d) Counterparty shall not take or cause to be taken any action that would make unavailable either (i) the exemption set forth in Section 4(2) of the Securities Act for the sale of any Restricted Payment Shares or Make-Whole Payment Shares by Counterparty to BofAML or (ii) an exemption from the registration requirements of the Securities Act

reasonably acceptable to BofAML for resales of Restricted Payment Shares and Make-Whole Payment Shares by the BofAML (or an affiliate of BofAML).

(e) Counterparty expressly agrees and acknowledges that the public disclosure of all material information relating to Counterparty is within Counterparty's control.

4. If Restricted Payment Shares are delivered in accordance with paragraph 3 above, on the last Settlement Valuation Date, a balance (the "**Settlement Balance**") shall be established with an initial balance equal to the absolute value of the Forward Cash Settlement Amount. Following the delivery of Restricted Payment Shares or any Make-Whole Payment Shares, BofAML shall sell all such Restricted Payment Shares or Make-Whole Payment Shares in a commercially reasonable manner. At the end of each Exchange Business Day upon which sales have been made, the Settlement Balance shall be reduced by an amount equal to the aggregate proceeds received by BofAML or its affiliate upon the sale of such Restricted Payment Shares or Make-Whole Payment Shares, less a customary and commercially reasonable private placement fee for private placements of common stock by similar issuers. If, on any Exchange Business Day, all Restricted Payment Shares and Make-Whole Payment Shares have been sold and the Settlement Balance has not been reduced to zero, Counterparty shall (i) deliver to BofAML or as directed by BofAML one Settlement Cycle following such Exchange Business Day an additional number of Shares (the "**Make-Whole Payment Shares**" and, together with the Restricted Payment Shares, the "**Payment Shares**") equal to (x) the Settlement Balance as of such Exchange Business Day *divided* by (y) the Restricted Share Value of the Make-Whole Payment Shares as of such Exchange Business Day or (ii) promptly deliver to BofAML cash in an amount equal to the then remaining Settlement Balance. This provision shall be applied successively until either the Settlement Balance is reduced to zero or the aggregate number of Restricted Payment Shares and Make-Whole Payment Shares equals the Maximum Deliverable Number. If on any Exchange Business Day, Restricted Payment Shares and Make-Whole Payment Shares remain unsold and the Settlement Balance has been reduced to zero, BofAML shall promptly return such unsold Restricted Payment Shares or Make-Whole Payment Shares.

5. Notwithstanding the foregoing, in no event shall Counterparty be required to deliver more than the Maximum Deliverable Number of Shares hereunder. "**Maximum Deliverable Number**" means the number of Shares set forth as such in Annex B to this Confirmation. Counterparty represents and warrants to BofAML (which representation and warranty shall be deemed to be repeated on each day from the date hereof to the Settlement Date or, if Counterparty has elected to deliver any Payment Shares hereunder in connection with a Special Settlement, to the date on which resale of such Payment Shares is completed (the "**Final Resale Date**")) that the Maximum Deliverable Number is equal to or less than the number of authorized but unissued Shares of Counterparty that are not reserved for future issuance in connection with transactions in such Shares (other than the transactions under this Confirmation) on the date of the determination of the Maximum Deliverable Number (such Shares, the "**Available Shares**"). In the event Counterparty shall not have delivered the full number of Shares otherwise deliverable as a result of this paragraph 5 (the resulting deficit, the "**Deficit Shares**"), Counterparty shall be continually obligated to deliver, from time to time until the full number of Deficit Shares have been delivered pursuant to this paragraph, Shares when, and to the extent that, (i) Shares are repurchased, acquired or otherwise received by Counterparty or any of its subsidiaries after the date hereof (whether or not in exchange for cash, fair value or any other consideration), (ii) authorized and unissued Shares reserved for issuance in respect of other transactions prior to such date which prior to the relevant date become no longer so reserved or (iii) Counterparty additionally authorizes any unissued Shares that are not reserved for other transactions. Counterparty shall immediately notify BofAML of the occurrence of any of the foregoing events (including the number of Shares subject to clause (i), (ii) or (iii) and the corresponding number of Shares to be delivered) and promptly deliver such Shares thereafter.

Prepayment Amount: USD 300,000,000

Scheduled Final Averaging Date: [****] (or if such date is not an Exchange Business Day, the next following Exchange Business Day).

Scheduled Earliest Acceleration Date: [****] (or if such date is not an Exchange Business Day, the next following Exchange Business Day).

Initial Shares: A number of Shares equal to the Prepayment Amount, divided by the “official closing price” of the Shares on the Trade Date, multiplied by 80.0%; provided that if, in connection with the Transaction, BofAML is unable, after using its good faith commercially reasonable efforts, to borrow or otherwise acquire a number of Shares equal to the Initial Shares for delivery to Counterparty on the Initial Share Delivery Date, the Initial Shares delivered on the Initial Share Delivery Date shall be reduced to such number of Shares that BofAML is able to so borrow at a cost equal to or less than the Initial Stock Loan Rate or otherwise acquire, and BofAML shall use reasonable good faith efforts to borrow at a cost equal to or less than the Initial Stock Loan Rate or otherwise acquire a number of Shares equal to the shortfall in the Initial Share Delivery and to deliver such additional Shares as soon as reasonably practicable. The aggregate of all Shares delivered to Counterparty in respect of the Transaction pursuant to this paragraph shall be the “Initial Shares” for purposes of “Number of Shares to be Delivered” in the “Confirmation”

Price Adjustment Amount: [****]

Maximum Stock Loan Rate: 100 basis points

Initial Stock Loan Rate: 25 basis points

Maximum Deliverable Number: 7,000,000 Shares

LEIDOS HOLDINGS, INC.

LEIDOS, INC.

Subsidiaries of Leidos Holdings, Inc.	Jurisdiction of Incorporation
Leidos, Inc.	Delaware
Subsidiaries of Leidos, Inc.	Jurisdiction of Incorporation
ABI Architects, Inc.	Florida
Benham/Ellerbe Becket, LLC	Oklahoma
Benham Military Communities, LLC	Oklahoma
Calanais Pension Trustee Co. Ltd.	United Kingdom
Cloudshield Technologies, Inc.	Delaware
Cloudshield Technologies GmbH	Germany
Cloudshield UK Limited	United Kingdom
InQuirion Pty Limited	Australia
JMD Development Corporation	California
Leidos Arabia Company Limited (<i>formerly "SAIC Arabia Company Limited"</i>)	Saudi Arabia
Leidos Biomedical Research, Inc. (<i>formerly "SAIC-Frederick, Inc."</i>)	Delaware
SAIC Calanais Limited	United Kingdom
Leidos Canada, Inc. (<i>formerly "Science Applications International Corporation (SAIC Canada)"</i>)	Canada
Leidos – CDM Solutions, LLC (<i>formerly "SAIC – CDM Solutions, LLC"</i>) (95% ownership)	Delaware
Leidos Constructors, LLC (<i>formerly "SAIC Constructors, LLC"</i>)	Oklahoma
Leidos Consulting Engineers, Inc. (<i>formerly "SAIC Engineering, Inc."</i>)	California
Leidos DB, Inc. (<i>formerly "SAIC DB, Inc."</i>)	Oklahoma
Leidos Energy & Infrastructure, LLC (<i>formerly "SAIC Energy & Infrastructure, LLC"</i>)	Delaware
Leidos Engineering, LLC (<i>formerly "SAIC Energy, Environment & Infrastructure, LLC"</i>)	Delaware
Leidos Engineering of North Carolina, Inc. (<i>formerly "SAIC Engineering of North Carolina, Inc."</i>)	North Carolina
Leidos Engineering of Ohio, Inc. (<i>formerly "SAIC Engineering of Ohio, Inc."</i>)	Ohio
Leidos Germany GmbH (<i>formerly "Science Applications International Germany GmbH"</i>)	Germany
Leidos Global Technology Corporation (<i>formerly "SAIC Global Technology Corporation"</i>)	Delaware
Leidos Health Holdings, Inc. (<i>formerly "maxIT Healthcare Holdings, Inc."</i>)	Delaware
Leidos Health, LLC (<i>formerly "maxIT Healthcare LLC"</i>)	Delaware
Leidos Ltd. (<i>formerly "SAIC Solutions Limited"</i>)	United Kingdom
Leidos of Michigan, Inc. (<i>formerly "SAIC of Michigan"</i>)	Michigan
Leidos Pty Limited (<i>formerly "SAIC Pty Limited"</i>)	Australia
Leidos Realty, LLC (<i>formerly "Campus Point Realty Corporation"</i>)	California
Leidos Renewable Energy, LLC	Delaware
Leidos Services, Inc. (<i>formerly "SAIC Services, Inc."</i>)	Delaware

Plainfield Renewable Energy, LLC	Delaware
Plainfield Renewable Energy Holdings, LLC	Delaware
R.W. Beck Group, Inc.	Washington
Reveal Imaging Technologies, Inc.	Delaware
Reveal Imaging, LLC	Delaware
Reveal Imaging Technologies International, Inc.	Delaware
Science, Engineering, and Technology Associates Corporation	Delaware
Spectrum San Diego	California
The Benham Group, Inc.	Oklahoma
The Benham Group of Nevada, Inc.	Nevada
Varec Holdings, Inc.	Delaware
Varec, Inc.	Georgia

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Fax: + 1 703 251 3400

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-138095, 333-153360 and 333-169693 on Form S-8 and Post-Effective Amendment No. 1 to Registration Statement No. 333-138095 on Form S-8 of our reports dated March 27, 2014, relating to the consolidated financial statements of Leidos Holdings, Inc. and subsidiaries and the effectiveness of Leidos Holdings, Inc. and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Leidos Holdings, Inc. for the year ended January 31, 2014.

/s/ Deloitte & Touche

McLean, Virginia March 27, 2014

LEIDOS HOLDINGS, INC. AND LEIDOS, INC.
CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John P. Jumper, certify that:

1. I have reviewed this Annual Report on Form 10-K of Leidos Holdings, Inc. and Leidos, 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 registrants as of, and for, the periods presented in this report;
4. The registrants' 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 registrants, including each registrants' 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 registrants' 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 registrants' internal control over financial reporting that occurred during the registrants' most recent fiscal quarter (the registrants' fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrants' internal control over financial reporting; and
5. The registrants' other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants' auditors and the audit committee of the registrants' 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 registrants' 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 registrants' internal control over financial reporting.

Date: March 27, 2014

/s/ John P. Jumper

John P. Jumper
Chief Executive Officer

LEIDOS HOLDINGS, INC. AND LEIDOS, INC.
CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark W. Sopp, certify that:

1. I have reviewed this Annual Report on Form 10-K of Leidos Holdings, Inc. and Leidos, 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 registrants as of, and for, the periods presented in this report;
4. The registrants' 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 registrants, including each registrants' 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 registrants' 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 registrants' internal control over financial reporting that occurred during the registrants' most recent fiscal quarter (the registrants' fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrants' internal control over financial reporting; and
5. The registrants' other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants' auditors and the audit committee of the registrants' 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 registrants' 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 registrants' internal control over financial reporting.

Date: March 27, 2014

/s/ Mark W. Sopp

Mark W. Sopp
Chief Financial Officer

LEIDOS HOLDINGS, INC. AND LEIDOS, INC.
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

In connection with the Annual Report of Leidos Holdings, Inc. ("Leidos") and Leidos, Inc. (together with Leidos, the "Company") on Form 10-K for the period ended January 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John P. Jumper, Chief Executive Officer of each of Leidos and Leidos, 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: March 27, 2014

/s/ John P. Jumper

John P. Jumper
Chief Executive Officer

LEIDOS HOLDINGS, INC. AND LEIDOS, INC.
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

In connection with the Annual Report of Leidos Holdings, Inc. ("Leidos") and Leidos, Inc. (together with Leidos, the "Company") on Form 10-K for the period ended January 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark W. Sopp, Chief Financial Officer of each of Leidos and Leidos, 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: March 27, 2014

/s/ Mark W. Sopp

Mark W. Sopp
Chief Financial Officer