



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

Form 10-K

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

For the fiscal year ended December 30, 2022
or

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

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

Leidos Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

1750 Presidents Street, Reston, Virginia

(Address of principal executive offices)

20-3562868

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

20190

(Zip Code)

(571) 526-6000

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of July 1, 2022, which was the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of Leidos Holdings, Inc. common stock (based upon the closing price of the stock on the New York Stock Exchange) held by non-affiliates of the registrant was \$13,863,703,025.

The number of shares issued and outstanding of the registrant's class of common stock as of February 7, 2023, was 136,937,673 shares (\$.0001 par value per share).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Leidos Holdings, Inc.'s definitive Proxy Statement for the 2022 Annual Meeting of Stockholders ("2023 Proxy Statement") are incorporated by reference in Part III of this Annual Report on Form 10-K.

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Forward-Looking Statements

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

- developments in the U.S. government defense and non-defense budgets, including budget reductions, sequestration, implementation of spending limits or changes in budgetary priorities, delays in the U.S. government budget process or a government shutdown, or the U.S. government's failure to raise the debt ceiling, which increases the possibility of a default by the U.S. government on its debt obligations, related credit-rating downgrades, or an economic recession;
- uncertainties in tax due to new tax legislation or other regulatory developments;
- rising inflationary pressures and fluctuations in interest rates;
- delays in the U.S. government contract procurement process or the award of contracts and delays or loss of contracts as a result of competitor protests;
- changes in U.S. government procurement rules, regulations and practices;
- 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/healthcare organizations;
- our reliance on infrastructure investments by industrial and natural resources organizations;
- energy efficiency and alternative energy sourcing investments;
- investments by U.S. government and commercial organizations in environmental impact and remediation projects;
- the effects of COVID-19 or other health epidemics, pandemics and similar outbreaks may have on our business, financial position, results of operations and/or cash flows;
- our ability to attract, train and retain skilled employees, including our management team, and to obtain security clearances for our employees;
- our ability to accurately estimate costs, including cost increases due to inflation, associated with our firm-fixed-price ("FFP") contracts and other contracts;
- resolution of legal and other disputes with our customers and others or legal or regulatory compliance issues;
- cybersecurity, data security or other security threats, system failures or other disruptions of our business;
- our compliance with international, federal, state and local laws and regulations regarding privacy, data security, protection, storage, retention, transfer and disposal, technology protection and personal information;
- the damage and disruption to our business resulting from natural disasters and the effects of climate change;

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

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

PART I

Item 1. *Business*

Our Company

Leidos Holdings, Inc. ("Leidos"), a Delaware corporation, is a holding company whose direct 100%-owned subsidiary and principal operating company is Leidos, Inc. Leidos was founded in 1969 by physicist Dr. Robert Beyster. Since our founding 54 years ago, we have applied our expertise in science, research and engineering in rapidly-evolving technologies and markets to solve complex problems of global concern.

We use the terms "we," "us" and "our" to refer collectively to Leidos Holdings, Inc. and its consolidated subsidiaries.

Leidos is a FORTUNE 500® technology, engineering, and science company that provides services and solutions in the defense, intelligence, civil and health markets, both domestically and internationally. We bring domain-specific capabilities and innovations to customers in each of these markets by leveraging five technical core capabilities: digital modernization, cyber operations, mission software systems, integrated systems and mission operations. Applying our technically-advanced solutions to help solve our customers' most difficult problems has enabled us to build strong relationships with key customers. Our customers include the U.S. Department of Defense ("DoD"), the U.S. Intelligence Community, the U.S. Department of Homeland Security ("DHS"), the Federal Aviation Administration ("FAA"), the Department of Veterans Affairs ("VA") and many other U.S. civilian, state and local government agencies, foreign government agencies and commercial businesses. With a focus on delivering mission-critical solutions, Leidos generated 86% of revenues for the fiscal year ended December 30, 2022, ("fiscal 2022") from U.S. government contracts.

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

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

Our Business Segments

At December 30, 2022, our business is aligned into three reportable segments (Defense Solutions, Civil and Health). Additionally, we separately present the unallocable costs associated with corporate functions as Corporate. Our operations and reportable segments are organized around the customers and markets we serve. We provide a wide array of scientific, engineering and technical services and solutions across these reportable segments. Approximately 8% of our revenues and tangible long-lived assets are generated by or owned by entities located outside of the United States.

Defense Solutions

Defense Solutions provides leading-edge and technologically advanced services, solutions and products to a broad customer base. Our ever-changing technologies and innovations cover a wide spectrum of markets with primary areas of concentration in digital modernization, mission systems and integration, Command, Control, Computers, Communications, Intelligence, Surveillance and Reconnaissance ("C4ISR") technologies and services, maritime solutions, transformative software, analytics, intelligence analysis, mission support and logistics services, weapons systems and space systems and solutions. We are dedicated to delivering cost-effective solutions backed by innovation-generating research and development to meet the evolving missions of our customers. We provide a diverse portfolio of national security solutions and systems for air, land, sea, space and cyberspace for the U.S. Intelligence Community, the DoD, the Space Development Agency, the National Aeronautics and Space Administration ("NASA"), Defense Information Systems Agency ("DISA"), military services, government agencies of U.S. allies abroad and other federal and commercial customers in the national security industry. We are heavily engaged in the top defense Research Development Test and Evaluation priorities that are driven by critical evolving threat-driven needs. Our solutions deliver innovative technology, large-scale systems, command and control platforms, data analytics, logistics and cybersecurity solutions, as well as intelligence analysis and operations support to critical missions around the world. Defense Solutions represented 57% of total revenues for fiscal 2022, 58% of total revenues for the fiscal year ended December 31, 2021 ("fiscal 2021") and 60% of total revenues for the fiscal year ended January 1, 2021 ("fiscal 2020").

PART I

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

PART I

- *Weapons Systems* – We offer tactical weapons components and systems for surface-launched missiles, cruise missiles, air-to-air, air-to-ground and anti-ship missiles and guided munitions and rockets across the DoD. We also deliver offensive boost-glide, launcher and air-breathing systems, thermal protection systems and hypersonic defense systems. We have capabilities in integrated force protection in both directed energy (such as high-energy lasers and microwave systems) and area defense (such as counter-unmanned aviation systems, radar systems, sensors and kinetic weapon launchers). In addition, we provide cyber-physical systems in the development of offensive and defensive cyber command and control, toolkits and exploits, as well as offensive cyber operations. We also support autonomous systems in the areas of unmanned aerial systems, surface ships, undersea vehicles and ground vehicles as well as autonomy software and hardware for autonomous vehicles and platforms. Our unique autonomy algorithms provide decision support for the heavily-burdened warfighter and support coordinated man-autonomous machine operations.
- *Space Systems and Solutions* – We provide integrated design, manufacturing, integration of human-rated and exploration spacecraft for NASA and commercial customers. We have the capability to design and manufacture space systems and key launch vehicle subsystems such as avionics/mission computing, guidance, navigation and control, boosters and structures. We provide expertise in the design, manufacturing, and integration of satellite propulsion, structures, and space-based EO/IR, multi/hyperspectral, EW/SIGINT and communications payloads.

Civil

Our Civil business is focused on modernizing infrastructure, systems and security for government and commercial customers both domestically and internationally. By applying leading science, innovative technologies and business acumen, our talented employees help customers achieve their missions and take on the connected world with data-driven insights, improved efficiencies and technological advantages in the areas of digital modernization, energy infrastructure, integrated missions, transportation applications and security detection. Civil represented 24% of total revenues for fiscal 2022, 23% of total revenues for fiscal 2021 and 24% of total revenues for fiscal 2020.

- *Transportation Solutions* – Leidos is a trusted systems developer, service provider and integrator serving Air Navigation Service Providers around the world, including the FAA. We provide air traffic control systems that help manage the world's most complex airspace. We deliver many of the FAA's key automation systems and services, including the En Route Automation Modernization ("ERAM"), Advanced Technologies and Oceanic Procedures ("ATOP"), Time Based Flow Management, Terminal Flight Data Manager, Enterprise-Information Display System, Geo-7 and Future Flight Services. Leidos received 10+ year extensions to the ERAM and ATOP contracts for continued delivery of the evolving National Airspace System needs. In addition, under the Mode S Beacon Replacement Systems contract, Leidos is supporting the replacement of the FAA's Mode S Beacon Systems, which are secondary surveillance radar capable of providing surveillance and specific aircraft information necessary to support Air Traffic Control automation in all traffic environments. We also provide key air traffic control systems around the world, including New Zealand and South Korea.
- *Security Enterprise Solutions ("SES")* – Leidos is an industry leader of fully-integrated security detection solutions, making security screening and checkpoints safer for aviation, ports and borders, and critical infrastructure customers around the world. With more than 24,000 products deployed across over 120 countries, the SES business has the most widespread global footprint within the Civil Group portfolio. We are a leader in aviation screening equipment, computed tomography carry-on baggage scanners, people scanners and explosive trace detectors, facilitating secure and efficient passenger movement in airports worldwide. We also have cutting-edge screening technologies for checked baggage and cargo. Leidos is the leading supplier of mobile non-intrusive inspection systems to U.S. Customs and Border Protection ("CBP"). For CBP, and other global customers, we help to safeguard the flow of travel and trade through solutions that effectively detect and mitigate threats across all trade elements, including cargo, vehicles and people. Leidos is also transforming security detection beyond aviation and ports of entry to help government agencies and the private sector secure public venues and critical infrastructures.

PART I

- *Digital Transformation* – We deliver secure, user-centric IT solutions in cloud computing, mobility, application modernization, DevOps, data center and network modernization, asset management, help desk operations and digital workplace enablement. We help our customers achieve their missions and business goals by delivering purpose-built solutions, cybersecurity as a standard, efficient project delivery and end-user satisfaction. We accelerate enterprise transformation using customizable roadmaps and repeatable processes, enabling customers to effectively use their resources and advance their objectives. Using our cyber expertise, we continually enhance our techniques and processes to build systems that operate resiliently in the face of evolving cyber threats. Leidos is modernizing enterprise IT in classified and unclassified environments, including programs with the FAA, NASA, Department of Justice, IRS, U.S. MINT, Department of Commerce, FTC, and HUD.
- *Climate, Energy and Environment* – We are trusted by government agencies and commercial customers with substantial environmental and sustainability driven-missions. Our reputation across climate science, environmental management and operations, nuclear security, power grid engineering, energy efficiency, infrastructure management, mission support and IT modernization provides the applicable expertise needed to transform operations while modernizing aging infrastructure and maintaining environmental stewardship. We support the critical missions of the Department of Energy ("DoE"), National Nuclear Security Administration, National Science Foundation, utilities, energy investors and developers, energy efficiency administrators and commercial industrial clients. At the DoE Hanford site, we provide site-wide infrastructure management and operation including oversight of land and logistics, public works, information technology, fleet transportation, environmental sustainability, and compliance, first responder services and future project planning. At the National Energy Technology Laboratory, we actively conduct and support fundamental and applied research efforts, including providing product and logistical support comprising strategic business development, technology transfer and agreements and education and outreach support for the effective and efficient execution of research programs. In addition, we help investor-owned utilities and industrial clients modernize power delivery systems for improved reliability, implement energy management strategies, support vehicle electrification, transform digital infrastructure and gain operational efficiencies to meet evolving energy needs and climate change goals.

Health

Our Health business focuses on delivering effective and affordable solutions to federal and commercial customers that are responsible for the health and well-being of people worldwide, including service members and veterans. Our solutions enable customers to deliver on the health mission of providing high-quality, cost-effective care, and are accomplished through the integration of information technology, engineering, life sciences, health services, clinical insights and health policy. The capabilities we provide predominantly fall in four major areas of activity: health information management services, managed health services, digital modernization and life sciences research and development. Health represented 19% of total revenues for fiscal 2022, 19% of total revenues for fiscal 2021 and 16% of total revenues for 2020.

- *Health Information Management Services* – Leidos employs holistic-systems thinking in fielding applied technology solutions across the entire continuum of healthcare. In our work delivering a single, common electronic health record to both DoD and VA hospitals and treatment facilities worldwide, our responsibilities range from integrating software for the electronic healthcare record vendor and dental record vendors to integrating picture archiving and communications software and more. We support cybersecurity across all integrated systems. We also provide enterprise IT solutions to the VA, National Institutes of Health ("NIH"), DoD and other federal health customers to help operate mission critical infrastructure reliably and at a reasonable cost. Commercially, we are leveraging these same Leidos-wide capabilities to manage critical infrastructure to one of the largest health systems in the United States.
- *Managed Health Services* – We deploy a national footprint of health clinics and health providers to support care delivery services, including medical disability and behavioral health examinations for the VA, as well as serving other independent medical exam markets. We have developed unique capabilities in behavioral health management through many decades of experience with a special emphasis on substance abuse services. We believe that these capabilities can be expanded into other clinical adjacencies. Our managed health services activities leverage our IT and mission enablement capabilities, which underpin solutions we offer to our customers across all of our served markets.

PART I

- *Digital Modernization* – We manage the entire lifecycle of the IT journey for our customers. Our expertise includes IT strategic planning, outsourcing and management of large-scale data centers, agile software development and system transformation, cloud migration and application modernization, digitization and big data management and advanced analytics. Our customers include the Centers for Medicare & Medicaid Services, Food and Drug Administration, Social Security Administration, VA, Defense Health Agency ("DHA") and commercial customers. Leidos helps transform our customers' IT environments in support of their most critical missions, accomplished in a highly secure manner by leveraging our cybersecurity domain expertise and our Leidos rapid application development software platform.
- *Life Sciences Research & Development* – We provide life science research and development support to the NIH, Center for Disease Control, Army Medical Research community and commercial biotech companies. Most notably, on behalf of the U.S. government and the public trust, we operate the Frederick National Laboratory for Cancer Research, where we employ thousands of scientists, technicians, administrators and support staff. Our professionals operate a wide range of leading-edge research and development laboratories in the areas of genetics and genomics, proteins and proteomics, advanced biomedical computing and information technology, biopharmaceutical development and manufacturing, nanotechnology characterization and clinical trials management.

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

Corporate

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

Acquisitions and Divestitures

During fiscal 2022, we completed the acquisition of Cobham Aviation Services Australia's Special Mission business. During fiscal 2021, we completed the acquisitions of Gibbs & Cox, 1901 Group, LLC, and an immaterial strategic business acquisition. During fiscal 2020, we completed the acquisitions of L3Harris Technologies' ("L3Harris") security detection and automation businesses and Dynetics, Inc. See "Note 5—Acquisitions and Divestitures" in Part II of this Annual Report on Form 10-K for further information.

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

Key Customers

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

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

PART I**Human Capital****Employee and Workforce Demographics**

As of December 30, 2022, we employed approximately 45,000 full and part-time employees of whom approximately 41,000 are located in the United States and the remainder of which are located in more than 40 countries worldwide. Approximately 35% of our employees have degrees in science, technology, engineering or mathematics fields, approximately 22% of our employees have advanced degrees, 53% of our employees possess U.S. security clearances and approximately 19% of our employees are military veterans.

As of December 30, 2022, our workforce consisted of the following:

Gender of global employees⁽¹⁾

Male	65 %
Female	34 %
Undisclosed	1 %

⁽¹⁾ Based on employees who self-identify.

Age of global employees

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

Ethnicity of U.S. employees⁽¹⁾

White	62 %
Black	13 %
Asian/Indian	10 %
Hispanic/Latino	9 %
Other	3 %
Undisclosed	3 %

⁽¹⁾ Based on employees who self-identify.

Culture and Values

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

Our policies, procedures, training and communications form a comprehensive program that promotes a culture of integrity as a foundation for employee conduct. For the fifth consecutive year, the Ethisphere Institute named Leidos one of the World's Most Ethical Companies in 2022.

PART I

Inclusion and Diversity

Our inclusion and diversity strategy and approach focuses on extensive education and best practices to enable leader accountability, improve enterprise representation and evolve an inclusive culture. To further incorporate inclusion in all areas of our business processes and practices, all leaders and employees are required to take inclusion training annually to recognize challenges and mitigate barriers to inclusion in the workplace.

Our employees are encouraged to create and join multiple employee resource groups (“ERGs”) where they can continue to develop cultural competence across various categories of diversity, enhance their personal networks, develop leadership skills and actively contribute to workplace culture. We have an Enterprise Inclusion Council (“the Council”) to advise on the evolution of our inclusion and diversity strategy and help leverage best practices across the company. The Council is comprised of volunteers from across the business functions, ERG leaders, key stakeholders with oversight and guidance from executive leadership and a Board liaison.

Our Executive Mentoring Program is a year-long cohort designed to engage, develop and retain high-potential employees, most of whom are female and/or ethnically diverse. Our executives are each assigned to mentor at least one employee nominated through the program to support preparation for advancement opportunities.

Diversity in Talent Acquisition

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

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

Career Mobility, Development and Growth

We have a strong focus on our employees’ career, flexibility and well-being. We call this Leidos Life. It is about embracing what makes Leidos great and advancing a culture that helps every employee achieve personal and professional success. Leidos Life is our commitment to make Leidos an even better place to work.

Leidos empowers and challenges employees to continuously seek, share and apply new knowledge, skills and behaviors. We recognize the value of a high-performing workforce where every member of the team has an opportunity to feel motivated, valued and fulfilled, and have a purposeful and long career at Leidos. We provide resources, development, and experiential learning to enable employees to grow. We provide leaders with the knowledge, skills and resources needed to coach employees and enable employees’ career development.

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

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

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

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

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

Health and Workplace Safety

Our primary focus is on the health and safety of our employees. Our multi-functional working group established in fiscal 2020 to respond to the COVID-19 pandemic has transitioned to a Pandemic Preparedness working group that continues to monitor and respond to COVID-19 and other issues that pose a health risk to our employees. This group closely follows the recommendations of the World Health Organization and the U.S. Centers for Disease Control and Prevention, as well as national and local authorities in the regions where we perform work for our customers.

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

Environmental Matters

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

Research and Development

We conduct research and development activities under customer-funded contracts and with company-funded research and development funds. Company-funded research and development includes independent research and development ("IR&D") and commercial and international research and development. Company-funded research and development expenses are included in selling, general and administrative expenses. Our company-funded research and development expense was \$116 million, \$109 million and \$73 million for fiscal 2022, 2021 and 2020, respectively, which as a percentage of consolidated revenues was 0.8% for both fiscal 2022 and 2021 and 0.6% for fiscal 2020. We charge expenses for research and development activities performed under customer contracts directly to cost of revenues for those contracts.

Intellectual Property Rights

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

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

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Competition

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

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

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

Contract Procurement

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

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

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

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

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

Contract Types

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

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

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

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

Seasonality

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

Regulation

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

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

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

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

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

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

Privacy and Data Security Laws

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

- the European Union's ("EU's") General Data Protection Regulation ("GDPR"), which took effect in May 2018, has created new compliance obligations for companies that process personal data of EU data subjects, which require investment into ongoing data protection activities and documentation requirements, and creates the potential for significantly increased fines for noncompliance;
- the United Kingdom's ("UK's") General Data Protection Regulation, which took effect on January 1, 2021, creates similar compliance obligations for companies that process personal data of UK data subjects as are imposed by the EU GDPR;
- the California Consumer Privacy Act of 2018 ("CCPA"), which took effect on January 1, 2020, provides new consumer privacy rights to natural persons residing in California by regulating the processing of personal information of California residents and increasing the obligations on businesses in connection with such activities;
- the California Privacy Rights Act ("CPRA"), which took effect in most material respects on January 1, 2023. The CPRA modifies the CCPA significantly, including by expanding consumers' rights with respect to certain sensitive personal information, extending the scope of the CCPA to include employees and job applicants residing in California and creating a new state agency to oversee implementation and enforcement efforts; and

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- the Health Insurance Portability and Accountability Act, as amended by the Health Information Technology for Economic and Clinical Health Act, establishes privacy and security compliance obligations with respect to the processing of protected health information by covered entities and business associates, which require investment in technical and organizational compliance measures and creates the potential for substantial fines for noncompliance.

Company Website and Information

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

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Item 1A. Risk Factors

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

Summary of Risk Factors

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

- We depend on government agencies as our primary customers and if our reputation or relationships with these agencies were harmed, our future revenues and growth prospects could be adversely affected.
- A decline in the U.S. government budget, changes in spending or budgetary priorities or delays in contract awards may significantly and adversely affect our future revenues and limit our growth prospects.
- Because we depend on U.S. government contracts, a delay in the completion of the U.S. government's budget and appropriations process could delay procurement of the products, services and solutions we provide and adversely affect our future revenues.
- Due to the competitive process to obtain contracts and the likelihood of bid protests, we may be unable to achieve or sustain revenue growth and profitability.
- The U.S. government may terminate, cancel, modify or curtail our contracts at any time prior to their completion and, if we do not replace them, this may adversely affect our future revenues and profitability.
- We face intense competition that can impact our ability to obtain contracts and therefore affect our future revenues and growth prospects.
- Our failure to comply with various complex procurement rules and regulations could result in our being liable for penalties, including termination of our U.S. government contracts, disqualification from bidding on future U.S. government contracts and suspension or debarment from U.S. government contracting.
- The U.S. government may adopt new contract rules and regulations or revise its procurement practices in a manner adverse to us at any time.
- As a U.S. government contractor, our partners and we are subject to reviews, audits and cost adjustments by the U.S. government, which could adversely affect our profitability, cash position or growth prospects if resolved unfavorably to us.
- Our business is subject to governmental review and investigation, which could adversely affect our financial position, operating results and growth prospects.
- Investigations, audits, claims, disputes, enforcement actions, litigation, arbitration or other legal proceedings could require us to pay potentially large damage awards and could be costly to defend, which would adversely affect our cash balances and profitability, and could damage our reputation.

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- Our business and operations expose us to numerous legal and regulatory requirements, and any violation of these requirements could harm our business.
- Our business is subject to complex and evolving laws and regulations regarding data privacy and security which could subject us to investigations, claims or monetary penalties against us, require us to change our business practices or otherwise adversely affect our revenues and profitability.
- The extent to which our business will be adversely affected by COVID-19 or other health epidemics, pandemics and similar outbreaks is highly uncertain and cannot be predicted.
- Misconduct of employees, subcontractors, agents, suppliers, business partners or joint ventures and others working on our behalf could cause us to lose existing contracts or customers and adversely affect our ability to obtain new contracts and customers and could have a significant adverse impact on our business and reputation.
- A failure to attract, train, retain and motivate skilled employees, including our management team, would adversely affect our ability to execute our strategy and may disrupt our operations.
- We may not realize the full amounts reflected in our backlog as revenues, which could adversely affect our expected future revenues and growth prospects.
- Our earnings and profitability may vary based on the mix of our contracts and may be adversely affected by our failure to estimate and manage costs, time and resources accurately.
- We use estimates in recognizing revenues, and if we make changes to estimates used in recognizing revenues, our profitability may be adversely affected.
- Cybersecurity breaches and other information security incidents could negatively impact our business and financial results, impair our ability to effectively provide our services to our clients and cause harm to our reputation or competitive position.
- Internal system or service failures, or failures in the systems or services of third parties on which we rely, could disrupt our business and impair our ability to effectively provide our services and products to our customers, which could damage our reputation and adversely affect our revenues and profitability.
- Our business is subject to disruption caused by physical or transition risks that could adversely affect our operations, profitability and overall financial position.
- Customer systems failures could damage our reputation and adversely affect our revenues and profitability.
- Our success depends, in part, on our ability to work with complex and rapidly changing technologies to meet the needs of our customers.
- We have classified contracts with the U.S. government, which may limit investor insight into portions of our business.
- We have made and continue to make acquisitions, investments, joint ventures and divestitures that involve numerous risks and uncertainties.
- Goodwill and other intangible assets represent significant assets on our balance sheet and any impairment of these assets could negatively impact our results of operations.
- 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.
- Our services and operations sometimes involve using, handling or disposing of hazardous substances, which could expose us to potentially significant liabilities.

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- 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.
- Our insurance, customer indemnifications or other liability protections may be insufficient to protect us from product and other liability claims or losses.
- We face risks associated with our international business.
- We have only a limited ability to protect or exploit intellectual property rights, which are important to our success. Our failure to adequately obtain, maintain, protect, defend and enforce our proprietary information and intellectual property rights could adversely affect our competitive position.
- Changes in tax laws and regulations or exposure to additional tax liabilities could adversely affect our financial results
- We cannot assure you that we will continue to pay or increase dividends on our common stock or to repurchase shares of our common stock.
- Provisions in our charter documents and under Delaware law could delay or prevent transactions that many stockholders may favor.

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Industry and Economic Risks

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

Our total revenues from contracts with the U.S. government (including all branches of the U.S. military), either as a prime contractor or a subcontractor to other contractors engaged in work for the U.S. government generated approximately 86% in fiscal 2022, and 87% in fiscal 2021 and 2020. We expect to continue to derive most of our revenues from work performed under U.S. government contracts. Our reputation and relationships with the U.S. government, particularly with the agencies of the DoD and the U.S. Intelligence Community, are key factors in maintaining and growing our revenues, and enable us to provide informal input and advice to government entities and agencies prior to the development of a formal bid. In addition, negative publicity, including reports from the press or social media coverage, regardless of accuracy or completeness, and which could pertain to employee or subcontractor misconduct, conflicts of interest, poor contract performance, deficiencies in services, reports, products or other deliverables, security breaches or other security incidents or other aspects of our business, could harm our reputation with these agencies and with certain non-U.S. customers. Due to the sensitive nature of our work and our confidentiality obligations to our customers, and despite our ongoing efforts to provide transparency, we may be unable to or limited in our ability to respond to such negative publicity, which could also harm our reputation and our business. If our reputation is negatively affected or if we are unable to successfully maintain our relationships with government entities and agencies, certain customers could cease to do business with us and our ability to bid successfully for new business may be adversely affected, which could cause our actual results to differ materially and adversely from those anticipated. In addition, our ability to hire or retain employees and our standing in professional communities, to which we contribute and receive expert knowledge, could be diminished. If any of the foregoing occurs, the amount of business with the U.S. government and other customers could decrease, and our business, future revenues, financial condition and growth prospects could be adversely affected.

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

Revenues under contracts with the DoD and U.S. Intelligence Community, either as a prime contractor or subcontractor to other contractors, represented approximately 44% of our total revenues for fiscal 2022 and 2021, and 49% of our total revenues for fiscal 2020. Levels of U.S. government and DoD spending are difficult to predict and subject to significant risk. Laws and plans adopted by the U.S. government relating to, along with pressures on and uncertainty surrounding the U.S. federal budget, potential changes in budgetary priorities and defense spending levels, the appropriations process and the permissible federal debt limit, could adversely affect the funding for individual programs and delay purchasing or payment decisions by our customers. Considerable uncertainty exists regarding how future budget and program decisions will unfold, including the defense spending priorities of the U.S. Presidential Administration and Congress and what challenges potential budget reductions will present for us and our industry generally.

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

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

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

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

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

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

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

Many of the U.S. government programs in which we participate as a contractor or subcontractor extend for several years and include one or more base years and one or more option years. These programs are typically funded on an annual basis. Under our contracts, the U.S. government generally has the right not to exercise options to extend or expand our contracts and may otherwise terminate, cancel, modify or curtail our contracts at its convenience. Any decisions by the U.S. government to not exercise contract options or to terminate, cancel, modify 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 developing complex systems and products to achieve challenging customer goals in a competitive procurement environment. As a result, we sometimes experience technological or other performance difficulties, which have in the past and may in the future result in delays, cost overruns and failures in our performance of these contracts. If a government customer terminates a contract for default, we may be exposed to liability, including for excess costs incurred by the customer in procuring undelivered services and products from another source. Depending on the nature and value of the contract, a performance issue or termination for default could cause our actual results to differ from those anticipated and could harm our reputation.

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

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

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

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Legal and Regulatory Risks

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

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

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

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

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

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

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As a result of increased scrutiny on contractors and U.S. government agencies, audits and reviews are conducted rigorously and the applicable standards are strictly interpreted, increasing the likelihood of an audit or review resulting in an adverse outcome. A finding of significant control deficiencies in our system audits or other reviews can result in decremented billing rates to our U.S. government customers until the control deficiencies are corrected and the DCMA accepts our remediations. Government audits and reviews may conclude that our practices are not consistent with applicable laws and regulations and result in adjustments to contract costs and mandatory customer refunds. Such adjustments can be applied retroactively, which could result in significant customer refunds. Our receipt of adverse audit findings or the failure to obtain an "approved" determination of our various business systems from the responsible U.S. government agency could significantly and adversely affect our business, including our ability to bid on new contracts and our competitive position in the bidding process. A determination of noncompliance could also result in the U.S. government imposing penalties and sanctions against us, including reductions of the value of contracts, contract modifications or termination, withholding of payments, the loss of export/import privileges, administrative or civil judgments and liabilities, criminal judgments or convictions, liabilities and consent or other voluntary decrees or agreements, other sanctions, the assessment of penalties, fines or compensatory, treble or other damages or non-monetary relief or actions, suspension or debarment, suspension of payments and increased government scrutiny that could negatively impact our reputation, delay or adversely affect our ability to invoice and receive timely payment on contracts, perform contracts or compete for contracts with the U.S. government. As of December 30, 2022, indirect cost audits by the DCAA remain open for fiscal 2021 and subsequent fiscal years. Although we have recorded contract revenues based upon our estimate of costs that we believe will be approved upon final audit or review, we cannot predict the outcome of any ongoing or future audits or reviews and adjustments and, if future adjustments exceed our estimates, our profitability may be adversely affected.

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

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

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

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

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

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

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

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

As a contractor supporting defense, health care, and national security clients, we are also subject to certain additional, specific regulatory compliance requirements relating to data privacy and security. Under DFARS and other federal regulations, we are required to implement the security and privacy controls in National Institute of Standards and Technology Special Publications on certain of our networks and information technology systems. To the extent that we do not comply with applicable security and control requirements, and there is unauthorized access or disclosure of sensitive information (including personal information), this could potentially result in a contract termination or information security issues, which could materially and adversely affect our business and financial results and lead to reputational harm. We will also be subject to the DoD Cybersecurity Maturity Model Certification (“CMMC”) requirements, which will require contractors processing critical national security information on their information technology systems to receive specific third-party certifications relating to specified cybersecurity standards to be eligible for contract awards. In addition, our subcontractors, and in some cases our vendors, also may be required to adhere to the CMMC program requirements and, potentially, to achieve certification. Should our supply chain fail to meet compliance requirements or achieve certification, this may adversely affect our ability to receive awards or execute on relevant government programs. We are in the process of evaluating our readiness and preparing for the CMMC, but to the extent we are unable to achieve certification in advance of contract awards that specify the requirement in the future, we will be unable to bid on such contract awards or follow-on awards for existing work with the DoD, depending on the level of standard as required for each solicitation, which could adversely impact our revenue and profitability. In addition, any obligations that may be imposed on us under the CMMC may be different from or in addition to those otherwise required by applicable laws and regulations, which may cause additional expense for compliance.

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

Business and Operational Risks

The extent to which our business will be adversely affected by COVID-19 or other health epidemics, pandemics and similar outbreaks is highly uncertain and cannot be predicted.

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

In addition, the global spread of COVID-19 resulted in a substantial decline in demand for air travel, which adversely impacted the demand for products and services related to our airport security detection and automation business. We are not able to predict whether COVID-19 will result in permanent changes to air travel behaviors, including a permanent reduction in business travel as a result of the increased use of teleconferencing products and, more broadly, a general reluctance by consumers to travel, each of which has, and could continue to, impact our business. Further, new contract awards have been and may continue to be delayed and our ability to perform on our existing contracts has been and may continue to be delayed or impaired, which will negatively impact our revenues. In addition, our program costs have increased as a result of COVID-19, and these cost increases may not be fully recoverable or adequately covered by insurance or equitable adjustments to contract prices.

PART I

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

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

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

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

As of December 30, 2022, our total backlog was \$35.8 billion, including \$8.4 billion in funded backlog. Due to the U.S. government's ability to not exercise contract options or to terminate, modify or curtail our programs or contracts and the rights of our non-U.S. government customers to cancel contracts and purchase orders in certain circumstances, we may realize less than expected revenues or may never realize revenues from some of the contracts that are included in our backlog. Our unfunded backlog, in particular, contains management's estimate of amounts expected to be realized on unfunded contract work that may never be realized as revenues. If we fail to realize as revenues amounts included in our backlog, our future revenues, profitability and growth prospects could be adversely affected.

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

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

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 underestimating the costs and resources necessary to fulfill the contract. While FFP contracts allow us to benefit from cost savings, these contracts also increase our exposure to the risk of cost overruns. Revenues from FFP contracts represented approximately 38% of our total revenues for fiscal 2022. When making proposals on these types of contracts, we rely heavily on our estimates of costs and timing to complete the associated projects, as well as assumptions regarding technical issues. In each case, our failure to accurately estimate costs or the resources and technology needed to perform our contracts or to effectively manage and control our costs during performance could result, and in some instances has resulted, in reduced profits or losses. More generally, any increased or unexpected costs or unanticipated delays in the performance of our contracts, including costs and delays caused by contractual disputes or other factors outside of our control, such as performance failures of our subcontractors, rising inflationary pressures and fluctuations in interest rates, natural disasters or other force majeure events, could make our contracts less profitable than expected or unprofitable.

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

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

PART I

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

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

Although we have implemented policies, procedures and controls designed to protect against, detect and mitigate these threats and attacks, we and our service providers, suppliers, joint ventures and subcontractors have faced and continue to face advanced and persistent attacks on our information systems. We cannot guarantee that future incidents will not occur, and if an incident does occur, our incident response planning may not prove fully adequate. We may also not be able to mitigate its impacts successfully. Techniques used by others to gain unauthorized access to personal, confidential, proprietary or sensitive information or disrupt systems and networks for economic or strategic gain are constantly evolving, increasingly sophisticated, and increasingly difficult to detect and successfully defend against. Recently, the U.S. government has raised concerns about a potential increase in cyber-attacks generally as a result of the military conflict between Russia and Ukraine and the related sanctions imposed by the United States and other countries.

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

PART I

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

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

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

PART I

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

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

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

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

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

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

PART I

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

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

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

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

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

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

PART I

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

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

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

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

PART I

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

As of December 30, 2022, goodwill and intangible assets, net was 59% of our total assets. The amount of our goodwill may substantially increase in the future as a result of any acquisitions that we make. Intangible assets and goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable and at least annually in the case of intangible assets with indefinite lives. The impairment test is based on several factors requiring judgment. Examples of events or changes in circumstances indicating that the carrying value of intangible assets may not be recoverable could include a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, adverse contract acquisition performance, loss of key personnel, or a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed. Adverse changes in fiscal and economic conditions, such as those related to federal budget cuts and the nation's debt ceiling, deteriorating market conditions for companies in our industry and unfavorable changes in discount rates could result in an impairment of goodwill and other intangibles. Any future impairment of goodwill or other intangible assets would have a negative impact on our results of operations in the period in which they are recognized. For additional information on our accounting policies related to impairment of goodwill, see our discussion under "Critical Accounting Estimates" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K, "Note 3—Summary of Significant Accounting Policies" and "Note 8—Goodwill and Intangible Assets" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

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

We rely on our teaming relationships with other prime contractors and subcontractors, who are also often our competitors in other contexts, to submit bids for large procurements or other opportunities where we believe the combination of services and products provided by us and other companies will help us to win and perform the contract. Our future revenues and growth prospects could be adversely affected if other contractors eliminate or reduce their contract relationships with us or if the U.S. government terminates or reduces these other contractors' programs, does not award them new contracts or refuses to pay under a contract. Companies that do not have access to U.S. government contracts may perform services as our subcontractor, and that exposure could enhance such companies' prospect of securing a future position as a prime U.S. government contractor, which could increase competition for future contracts and impair our ability to perform on contracts. We may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, customer concerns about the subcontractor, our failure to extend existing task orders or issue new task orders under a subcontract, our hiring of a subcontractor's personnel or the subcontractor's failure to comply with applicable law. If any of our subcontractors fail to 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.

PART I

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

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

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

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

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

PART I

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

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

We face risks associated with our international business.

During fiscal 2022, revenue attributable to our services provided outside of the United States to non-U.S. customers was approximately 8% of our total revenue. Our international business operations may be subject to additional and different risks than our U.S. business. These risks and challenges include:

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

PART I

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

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

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

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

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

PART I

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

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

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

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

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

PART I

Risks Relating to Our Stock

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

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

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 mergers and certain other business combinations between a related person and us requiring approval by the holders of a majority of the voting power of such securities that are not owned by the related person unless approved by a majority of continuing directors or certain other exceptions; our stockholders may not act by written consent; our Board may issue, without stockholder approval, shares of undesignated preferred stock, the terms of which may be determined by the Board; and we are also subject to certain restrictions on business combinations under Section 203 of the Delaware General Corporation Law ("DGCL"), which imposes additional requirements for business combinations, and may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context.

PART I**Item 1B. Unresolved Staff Comments**

None.

Item 2. Properties

As of December 30, 2022, we conducted our operations in 416 locations in 42 states, the District of Columbia and various foreign countries. We occupy approximately 8.6 million square feet of floor space. Of this amount, we own approximately 1.1 million square feet, and the remaining balance is leased. Our major locations are in the Washington, D.C., metropolitan area, where we occupy a combination of leased and owned floor space of approximately 2.2 million square feet. We also have employees working at customer sites throughout the United States and in other countries.

As of December 30, 2022, we owned the following properties:

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

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

Item 3. Legal Proceedings

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

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

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

The following is a list of the names and ages (as of February 14, 2023) of our executive officers, indicating all positions and offices held by each such person and each such person's business experience during at least the past five years. All such persons have been elected to serve until their successors are elected and qualified or until their earlier resignation or removal.

Name of officer	Age	Position(s) with the company and prior business experience
Roger A. Krone	66	Mr. Krone is Chairman and Chief Executive Officer of Leidos. He joined Leidos as CEO in July 2014. Mr. Krone has held leadership roles at The Boeing Company, McDonnell Douglas Corp. and General Dynamics. He is a member of the Georgia Tech Foundation Board of Trustees, WETA Public Television and Radio in Washington board, National Air and Space Museum board, Lear Corporation board, the National Academy of Engineering, the Business Roundtable and the Executive Committee of the Aerospace Industries Association.
Christopher R. Cage	51	Mr. Cage has served as Executive Vice President and Chief Financial Officer since July 2021. He has served in several capacities throughout his 24-year tenure with Leidos, including Senior Vice President, Chief Accounting Officer and Corporate Controller, Senior Vice President for Financial Planning and Analysis and Chief Financial Officer for the Health Group.

PART I

Name of officer	Age	Position(s) with the company and prior business experience
Carly E. Kimball	47	Ms. Kimball has served as Senior Vice President, Chief Accounting Officer and Corporate Controller since July 2021. Previously, she served as the Company's Assistant Corporate Controller. Ms. Kimball brings over 20 years of experience leading large teams and has extensive proficiency in accounting, auditing, financial reporting, acquisitions and integrations, as well as business operations. Prior to joining Leidos, she served as Chief Financial Officer of CACI Products Company Inc. and senior manager in Ernst & Young's Aerospace and Defense audit practice.
Gerard A. Fasano	57	Mr. Fasano has served as President for our Defense Group since October 2018, and before that, as Chief of Business Development and Strategy Officer. Mr. Fasano led the separation from Lockheed Martin and the integration of the Information Systems & Global Solutions Business into Leidos. Prior to joining Leidos, Mr. Fasano served Lockheed Martin Corporation for over 30 years.
Jerald S. Howe, Jr.	67	Mr. Howe has served as Executive Vice President and General Counsel since July 2017. Prior to joining Leidos, Mr. Howe was a partner at Fried, Frank, Harris, Shriver & Jacobson LLP, where he served in the firm's litigation, government contracts, mergers and acquisitions and aerospace and defense practices. Prior to joining Fried Frank, Mr. Howe held general counsel positions at TASC, a leading aerospace and defense company, and at Veridian Corporation, a publicly traded company that provided advanced technology services and solutions to the intelligence community, military and homeland defense agencies.
Steve Cook	55	Mr. Cook has served as President of the Dynetics Group since April 2022. He previously served as Deputy Group President and Operations Manager of the Leidos Innovations Center from February 2020 to March 2022. He joined Dynetics in 2009 as the director of space technologies before leading the Dynetics Space Division and then later overseeing Dynetics' corporate development efforts. Prior to joining Dynetics, Mr. Cook enjoyed a long and successful career at NASA, serving in such roles as the deputy manager of NASA's Marshall Space Transportation Programs and Projects Office as well as the manager of the Ares Projects Office at the Marshall Space Flight Center in Huntsville.
James R. Moos	53	Mr. Moos has served as President for our Civil Group since February 2020. He previously served as Senior Vice President and Acting Group President for the Civil Group since October 2019, and before that, as Deputy President and Chief Operations Officer for the Civil Group. Prior to that, Mr. Moos has served Leidos for over 20 years in several capacities, including Senior Vice President and General Manager of Leidos' former Engineering Solutions Group.
Elizabeth A. Porter	52	Ms. Porter has served as President for our Health Group since August 2020 and, before that, as Acting Group President for the Health Group since March 2020. She previously served as Senior Vice President and Operation Manager for Leidos' Federal Energy and Environment business. Prior to that role, Ms. Porter served as the Department of Defense Information Networks & Mission Partner Program Director. Prior to joining Leidos, Ms. Porter served Lockheed Martin Corporation for over 20 years in several capacities, most recently as Director of Energy Initiatives, Corporate Engineering & Technology.
Roy Stevens	54	Mr. Stevens has served as President for our Intelligence Group since July 2021, and before that, as Chief of Business Development and Strategy. Prior to joining Leidos, Mr. Stevens served Lockheed Martin Corporation in a variety of executive level positions for over 20 years, most recently as Vice President of Global Solutions under the Information Systems & Global Solutions business, and has also been integral to the merger and acquisition of several companies during his career. He serves on the Board of Directors for Cornerstones.

PART I

<u>Name of officer</u>	<u>Age</u>	<u>Position(s) with the company and prior business experience</u>
Debbie Opiekun	60	Ms. Opiekun has served as Chief Business Development Officer since August 2021, and before that, as Senior Vice President and Operations Manager of Leidos' Military and Veterans Health Solutions business. She previously served as Leidos Deputy Health Group President and Senior Vice President Capture Operations and Excellence. Prior to joining Leidos, Ms. Opiekun served Lockheed Martin Corporation in a variety of positions for over 30 years, most recently as Director Capture Operations and Excellence.
Thomas C. Sanglier	62	Mr. Sanglier has served as Senior Vice President and Chief Audit Executive since July 2022. Prior to joining Leidos, Mr. Sanglier served as Senior Director, Internal Audit with Raytheon Technologies from November 2016 to June 2022 and as a Partner with Ernst & Young's Advisory practice serving private and public organizations in the technology, manufacturing and professional services industries during June 2008 to December 2010. He currently serves as Chair of the North American Board and a member of the Global Board of the Institute of Internal Auditors ("IIA"). He has been involved as a volunteer leader with the IIA since becoming a member in 2011. Mr. Sanglier has also served as a member of The IIA's Audit Committee, Guidance Development Committee, North American Publications Advisory Committee and multiple task forces.
Maureen Waterston	58	Ms. Waterston has served as Chief Human Resources Officer for Leidos since March 2022. Ms. Waterston brings over 25 years of experience overseeing talent, recruitment, and development; employee and labor relations; compensation and benefits; and diversity and inclusion across a global workforce. Prior to joining Leidos, Ms. Waterston served as Chief Human Resources Officer for Pratt & Whitney from November 2015 to March 2022, Chief Human Resources Officer for United Technologies Building & Industrial Systems and Global Chief Human Resources Officer for Otis Elevator Company.
James F. Carlini	57	Mr. Carlini has served as Chief Technology Officer of Leidos since June 2019. Prior to joining Leidos, Mr. Carlini founded and operated a national security consultancy from May 2006 to October 2018. Previously, Mr. Carlini served at Northrop Grumman Electronic Systems as Vice President of Advanced Development Programs between July 2002 to May 2006. He also served at the Defense Advanced Research Projects Agency (DARPA) for six years, with his last position being Director of the Special Projects Office. Mr. Carlini is a former member of the United States Army Science Board and the United States Air Force Scientific Advisory Board. He is currently a member of the Department of Defense's Defense Science Board.
M. Victoria Schmanske	60	Ms. Schmanske has served as the Executive Vice President of Leidos Corporate Operations since July 2021, and before that, as President for the Intelligence Group. Ms. Schmanske has also served as the Leidos Chief Administrative Officer and Deputy President and Chief Operations Officer for the Health Group. Prior to joining Leidos, Ms. Schmanske served Lockheed Martin Corporation for over 30 years, most recently as Vice President for Operations IS&GS. She serves on multiple outside boards to include Intelligence and National Security Alliance, U.S. Geospatial Intelligence Foundation and The Women's Center.

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

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

Holders of Common Stock

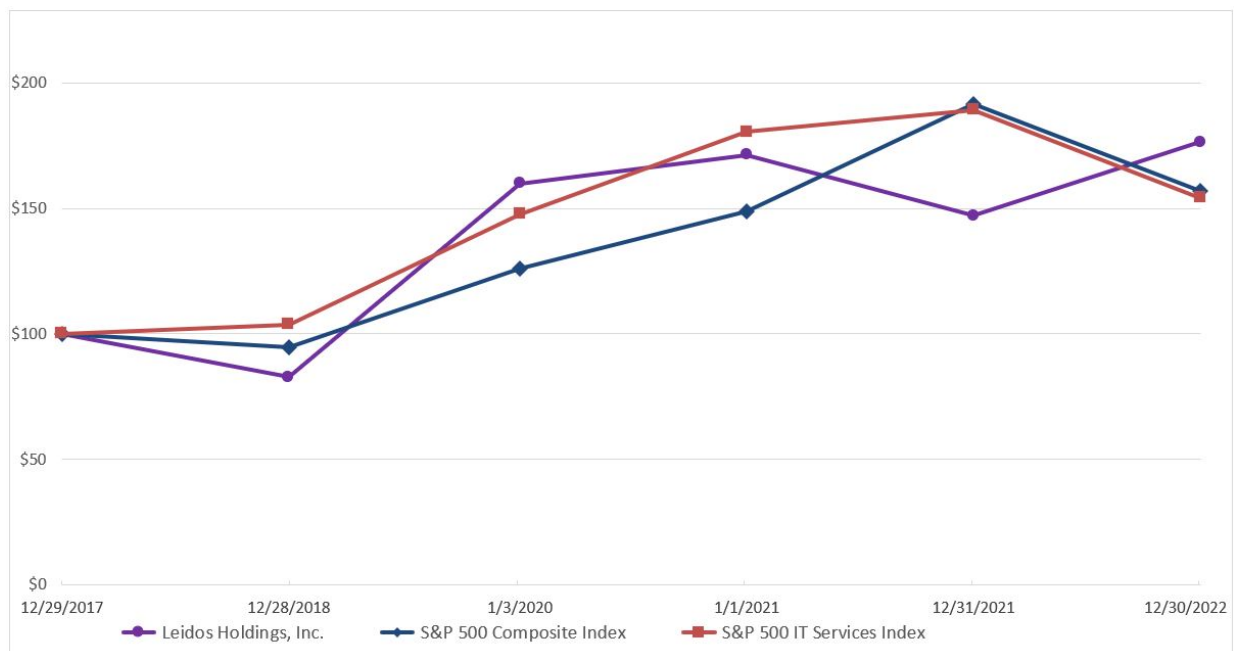
As of February 7, 2023, there were approximately 19,798 holders of record of Leidos common stock. The number of stockholders of record of our common stock is not representative of the number of beneficial owners due to the fact that many shares are held by depositories, brokers or nominees.

Dividend Policy

During fiscal 2022 and 2021, we declared and paid quarterly dividends totaling \$1.44 and \$1.40 per share, respectively, of Leidos common stock. We currently intend to continue paying dividends on a quarterly basis, although the declaration of any future dividends will be determined by our Board of Directors and will depend on many factors, including available cash, estimated cash needs, earnings, financial condition, operating results and capital requirements, as well as limitations in our contractual agreements, applicable law, regulatory constraints, industry practice and other business considerations that the Board of Directors considers relevant. Our ability to declare and pay future dividends on Leidos stock may be restricted by the provisions of Delaware law and covenants in our then-existing indebtedness arrangements.

Stock Performance Graph

The following graph compares the total cumulative five-year return on Leidos common stock through December 30, 2022 to two indices: (i) the Standard & Poor's 500 Composite index and (ii) the Standard & Poor's 500 IT Services Industry index. The graph assumes an initial investment of \$100 on December 29, 2017, and that dividends, if any, have been reinvested. The comparisons in the graph are required by the SEC, based upon historical data and are not intended to forecast or be indicative of possible future performance of Leidos common stock.

Comparison of Cumulative Total Return

PART II

Company/Market/Peer Group	12/29/2017	12/28/2018	1/3/2020	1/1/2021	12/31/2021	12/30/2022
Leidos Inc.	\$ 100.00	\$ 82.79	\$ 159.84	\$ 171.33	\$ 147.03	\$ 176.50
S&P 500 Composite Index	\$ 100.00	\$ 94.80	\$ 125.91	\$ 148.85	\$ 191.58	\$ 156.88
S&P 500 IT Services Index	\$ 100.00	\$ 103.70	\$ 147.74	\$ 180.40	\$ 189.20	\$ 154.13

Purchases of Equity Securities

In February 2022, our Board of Directors authorized a share repurchase program of up to 20 million shares of our outstanding common stock. The shares may be repurchased from time to time in one or more open market repurchases or privately negotiated transactions, including accelerated share repurchase transactions. The actual timing, number and value of shares repurchased under the program will depend on a number of factors, including the market price of Leidos common stock, general market and economic conditions, applicable legal requirements, compliance with the terms of our outstanding indebtedness and other considerations. There is no assurance as to the number of shares that will be repurchased, and the repurchase program may be suspended or discontinued at any time at our Board of Directors' discretion. This share repurchase authorization replaces the previous share repurchase authorization announced in February 2018. As of December 30, 2022, the maximum number of shares that may yet be repurchased under the program was 15,203,974.

For the three months ended December 30, 2022, there were no repurchases of our common stock.

Item 6. [Reserved]

PART II

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

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

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

In this section, we discuss our financial condition, changes in financial condition and results of our operations for the year ended December 30, 2022, compared to the year ended December 31, 2021. For a discussion and analysis comparing our results for the year ended December 31, 2021, to the year ended January 1, 2021, see our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 15, 2022, under Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Overview

We are a FORTUNE 500® technology, engineering, and science company that provides services and solutions in the defense, intelligence, civil and health markets, both domestically and internationally. We bring domain-specific capabilities and innovations to customers in each of these markets by leveraging five technical core capabilities: digital modernization, cyber operations, mission software systems, integrated systems and mission operations. Our customers include the U.S. Department of Defense ("DoD"), the U.S. Intelligence Community, the U.S. Department of Homeland Security, the Federal Aviation Administration, the Department of Veterans Affairs and many other U.S. civilian, state and local government agencies, foreign government agencies and commercial businesses. Approximately 8% of our revenues and tangible long-lived assets are generated by or owned by entities located outside of the United States. We operate in three reportable segments: Defense Solutions, Civil and Health. Additionally, we separately present the unallocable costs associated with corporate functions as Corporate.

Effective July 3, 2021, certain contracts were reassigned from the Defense Solutions reportable segment to the Civil reportable segment. Impact on the first half of fiscal 2021 segment results were determined to be immaterial and have not been recast to reflect this change.

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

Our significant initiatives include the following:

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

Sales Trend. For fiscal 2022, revenues increased \$0.7 billion, or 5%, compared to fiscal 2021, primarily due to a net increase in volumes on certain programs, program wins and a net increase in revenues related to our business acquisitions. We also received \$28 million in recoveries related to stop work orders on certain programs as a result of COVID-19. The increase was partially offset by the completion of certain contracts and unfavorable exchange rate movements.

PART II

Operating Expenses and Income Trend. For fiscal 2022, operating expenses increased by \$0.7 billion, or 6%, compared to fiscal 2021. Operating margin for fiscal 2022 was 7.6% compared to 8.4% for fiscal 2021. Operating income was \$1,088 million, a \$64 million decrease compared to fiscal 2021. The decrease in operating income was primarily attributable to the completion of certain contracts, increase in legal fees and settlement costs and impairment charges of \$37 million related to our ongoing facility rationalization efforts. The decrease in operating income was partially offset by program wins and \$28 million in recoveries related to stop work orders on certain programs as a result of COVID-19.

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

COVID-19

For fiscal 2022, the COVID-19 pandemic did not have a material impact to revenues and operating income, other than the receipt of \$28 million in recoveries, within our Health segment related to stop work orders on certain programs. The volume of global passenger air travel remains below pre-pandemic levels, which continues to impact the operations of our Security Enterprise Solutions reporting unit. The full extent of the impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute on programs in the expected timeframe, will depend on future developments, including the duration and spread of the pandemic and the distribution of vaccines, all of which are uncertain and cannot be predicted.

Business Environment and Trends

U.S. Government Markets

In fiscal 2022, we generated approximately 86% 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 and U.S. Intelligence Community, including subcontracts under which the DoD or the U.S. Intelligence Community is the ultimate purchaser, represented approximately 44% of our total revenues for fiscal 2022. 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.

President Biden signed the \$1.7 trillion GFY 2023 omnibus spending bill into law on December 29, 2022. The omnibus spending bill funds the federal government through September 30, 2023. The bill includes \$772.5 billion in non-defense spending and \$858.4 billion in defense spending. The bill also includes \$85 billion in emergency spending not included in the discretionary amount. The new 118th Congress will begin to work on the GFY 2024 appropriations bills in the spring of 2023.

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

International Markets

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

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

PART II**Key Performance Measures**

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

Results of Operations

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

	Year Ended		2022 to 2021	
	December 30, 2022	December 31, 2021	Dollar change	Percent change
	(dollars in millions)			
Revenues	\$ 14,396	\$ 13,737	\$ 659	5 %
Cost of revenues	12,312	11,723	589	5 %
Selling, general and administrative expenses	950	860	90	10 %
Credit losses (recoveries), net	1	(9)	10	(111)%
Acquisition, integration and restructuring costs	17	27	(10)	(37)%
Asset impairment charges	40	4	36	NM
Equity earnings of non-consolidated subsidiaries	(12)	(20)	8	(40)%
Operating income	1,088	1,152	(64)	(6)%
Non-operating expense, net	(202)	(185)	(17)	9 %
Income before income taxes	886	967	(81)	(8)%
Income tax expense	(193)	(208)	15	(7)%
Net income	693	759	(66)	(9)%
Less: net income attributable to non-controlling interest	8	6	2	33 %
Net income attributable to Leidos common stockholders	\$ 685	\$ 753	\$ (68)	(9)%
Operating income margin	7.6 %	8.4 %		

NM - Not meaningful

Segment and Corporate Results

Defense Solutions	Year Ended		2022 to 2021	
	December 30, 2022	December 31, 2021	Dollar change	Percent change
	(dollars in millions)			
Revenues	\$ 8,244	\$ 8,032	\$ 212	3 %
Operating income	541	569	(28)	(5)%
Operating income margin	6.6 %	7.1 %		

The increase in revenues for fiscal 2022 as compared to fiscal 2021 was primarily attributable to program wins, a net increase in volumes on certain programs and a \$63 million net increase in revenues related to our acquisitions made in the second and third quarters from the prior year and the Cobham Special Mission acquisition made in the current year. The increase was partially offset by the completion of certain contracts, contracts that were reassigned from Defense Solutions reportable segment to the Civil reportable segment during the third quarter of fiscal 2021 and \$95 million related to unfavorable exchange rate movements.

The decrease in operating income for fiscal 2022 as compared to fiscal 2021 was primarily attributable to the completion of certain contracts, net write-downs on certain contracts, increased amortization expense of \$8 million and \$6 million related to unfavorable exchange rate movements. Fiscal 2022 also included impairment charges of \$12 million related to our ongoing facility rationalization efforts (see "Note 10—Leases"). The decrease was partially offset by program wins and a net increase in volumes on certain programs.

PART II

Civil	Year Ended		2022 to 2021	
	December 30, 2022	December 31, 2021	Dollar change	Percent change
	(dollars in millions)			
Revenues	\$ 3,464	\$ 3,157	\$ 307	10 %
Operating income	234	248	(14)	(6)%
<i>Operating income margin</i>	6.8 %	7.9 %		

The increase in revenues for fiscal 2022 as compared to fiscal 2021 was primarily attributable to program wins, a net increase in program volumes and contracts that were reassigned from Defense Solutions reportable segment to the Civil reportable segment during the third quarter of fiscal 2021. The increase was partially offset by the completion of certain contracts and \$12 million of unfavorable exchange rate movements.

The decrease in operating income for fiscal 2022 as compared to fiscal 2021 was primarily attributable to a \$19 million increase in legal fees and settlement costs resulting from an adverse arbitration ruling related to the 2016 acquisition of the Information Systems & Global Solutions business ("IS&GS Business") from Lockheed Martin and impairment charges of \$14 million related to our ongoing facility rationalization efforts (see "Note 10—Leases"). The decreases were partially offset by a net increase in program volumes. Operating income for fiscal 2021 included a \$26 million benefit from a legal reserve adjustment related to the Mission Support Alliance joint venture (see "Note 1—Nature of Operations and Basis of Presentation").

Health	Year Ended		2022 to 2021	
	December 30, 2022	December 31, 2021	Dollar change	Percent change
	(dollars in millions)			
Revenues	\$ 2,688	\$ 2,548	\$ 140	5 %
Operating income	421	442	(21)	(5)%
<i>Operating income margin</i>	15.7 %	17.3 %		

The increase in revenues for fiscal 2022 as compared to fiscal 2021 was primarily attributable to a net increase in program volumes, program wins and \$28 million in recoveries related to stop work orders on certain programs as a result of COVID-19. The increase was partially offset by the completion of certain contracts.

The decrease in operating income for fiscal 2022 as compared to fiscal 2021 was primarily attributable to a net decrease in volumes on higher margin programs and the completion of certain contracts. The decrease was partially offset by \$28 million in recoveries related to stop work orders on certain programs as a result of COVID-19 and program wins.

Corporate	Year Ended		2022 to 2021	
	December 30, 2022	December 31, 2021	Dollar change	Percent change
	(dollars in millions)			
Operating loss	\$ (108)	\$ (107)	\$ (1)	1 %

The increase in operating loss for fiscal 2022 as compared to fiscal 2021 was primarily attributable to an increase in legal costs partially offset by lower acquisition and integration costs.

Equity earnings of non-consolidated subsidiaries

We have certain non-controlling ownership interests in equity method investments. For fiscal 2022 and fiscal 2021 we recorded earnings of \$12 million and \$20 million, respectively, from our equity method investments.

PART II

Non-Operating Expense, Net

Non-operating expense, net increased \$17 million for fiscal 2022 as compared to fiscal 2021, primarily due to higher interest expense driven by increased interest rates.

Provision for Income Taxes

Our effective tax rate was 21.8%, and 21.5% in fiscal 2022 and 2021, respectively. The effective tax rate for fiscal 2022 and 2021 were both favorably impacted primarily by federal research tax credits and excess tax benefits related to employee stock-based payment transactions.

Beginning in 2022, the Tax Cuts and Jobs Act of 2017 ("TCJA") eliminated the option to currently deduct certain research and development costs for tax purposes and requires taxpayers to capitalize and amortize research costs over five years. Based upon our interpretation of the law as enacted, we recorded the estimated fiscal 2022 impact, resulting in increases of \$130 million to both our income taxes payable and net deferred tax assets, and our fiscal 2022 unrecognized tax benefits increased by \$91 million with a corresponding increase to net deferred tax assets. We expect this TCJA provision to have a similar impact to income taxes payable, unrecognized tax benefits and net deferred tax assets during fiscal 2023. The actual impact will depend on the amount of research and development costs the Company will incur, whether Congress modifies or repeals this provision and whether new guidance and interpretive rules are issued by the U.S. Treasury, among other factors.

Bookings and Backlog

We had net bookings of \$15.4 billion and \$15.5 billion during fiscal 2022 and 2021, respectively. Net bookings represent the estimated amount of revenue to be earned in the future from funded and unfunded contract awards that were received during the year, net of any adjustments to previously awarded backlog amounts. We calculate net bookings as the year's ending backlog, plus the year's revenues, less the prior year's ending backlog and any impacts from foreign currency or acquisitions and divestitures.

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

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

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

Segment	Year ended					
	December 30, 2022			December 31, 2021		
	Funded	Unfunded	Total	Funded	Unfunded	Total
	(in millions)					
Defense Solutions	\$ 4,442	\$ 14,155	\$ 18,597	\$ 4,393	\$ 15,274	\$ 19,667
Civil	1,876	8,790	10,666	1,628	7,903	9,531
Health	2,064	4,455	6,519	1,428	3,829	5,257
Total	\$ 8,382	\$ 27,400	\$ 35,782	\$ 7,449	\$ 27,006	\$ 34,455

PART II

Total backlog at December 30, 2022, and December 31, 2021, included \$610 million and \$800 million, respectively, of backlog acquired during the year through business combinations in our Defense Solutions reportable segment.

The increase in backlog as of December 30, 2022, as compared to December 31, 2021, included an unfavorable impact of \$233 million due to the movements in the British pound and Australian dollar when compared to the U.S. dollar.

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

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

Contract Types

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

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
Cost-reimbursement and fixed-price-incentive-fee	50 %	50 %	51 %
Firm-fixed-price	38 %	37 %	36 %
Time-and-materials and fixed-price-level-of-effort	12 %	13 %	13 %
Total	100 %	100 %	100 %

Liquidity and Capital Resources**Overview of Liquidity**

As of December 30, 2022, we had \$516 million in cash and cash equivalents. Additionally, we have an unsecured revolving credit facility which can provide up to \$750 million in additional borrowing, if required. During fiscal 2022 and 2021, there were no borrowings outstanding under the credit facilities.

At December 30, 2022 and December 31, 2021, we had outstanding debt of \$4.9 billion and \$5.1 billion, respectively. On May 6, 2022, we entered into a Term Loan Agreement which provided for a senior unsecured term loan facility in an aggregate principal amount of \$380 million.

We have a commercial paper program in which we may issue short-term unsecured commercial paper notes not to exceed \$750 million and have maturities of up to 397 days from the date of issuance (see "Note 13—Debt"). As of December 30, 2022, we did not have any commercial paper notes outstanding.

We made principal payments on our debt of \$545 million, \$106 million and \$731 million during fiscal 2022, 2021 and 2020, respectively. This activity included required principal payments on our term loans of \$476 million, \$96 million and \$72 million during fiscal 2022, 2021 and 2020, respectively. During fiscal 2020, we made \$4,925 million of principal repayments for outstanding debt and retired the \$450 million senior notes. The notes outstanding as of December 30, 2022, contain financial covenants and customary restrictive covenants. We were in compliance with all covenants as of December 30, 2022.

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Interest on our Credit Facilities is calculated based on the London Interbank Offered Rate ("LIBOR"). On July 27, 2017, the U.K.'s Financial Conduct Authority announced that LIBOR would be discontinued or become unavailable as a reference rate by the end of 2021 and LIBOR will be fully discontinued or become unavailable as a benchmark rate by June 2023. In December 2022, the FASB issued guidance which provides relief for entities with such LIBOR denominated credit instruments so that entities may continue to account for contract modifications as a continuation of the existing contract and the continuation of the hedge accounting arrangement through December 31, 2024.

Although our Credit Facilities include mechanics to facilitate the adoption by us and our lenders of an alternative benchmark rate for use in place of LIBOR, no assurance can be made that such alternative benchmark rate will perform in a manner similar to LIBOR or result in interest rates that are at least as favorable to us as those that would have resulted had LIBOR remained in effect, which could result in an increase in our interest expense and other debt service obligations. In addition, the overall credit market may be disrupted as a result of the replacement of LIBOR or in the anticipation thereof, which could have an adverse impact on our ability to refinance, reprice, or amend our existing indebtedness or incur additional indebtedness on favorable terms.

We paid dividends of \$199 million, \$199 million and \$196 million for fiscal 2022, 2021 and 2020, respectively.

During fiscal 2022, we sold \$209 million of accounts receivable under accounts receivable purchase agreements and received proceeds of \$209 million (see "Note 6—Receivables"). There were no sales of accounts receivable in the second half of fiscal 2022.

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

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

During fiscal 2021 and 2020, we made open market repurchases of our common stock for an aggregate purchase price of \$237 million and \$67 million, respectively. There were no open market share repurchases in fiscal 2022.

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

During fiscal 2022, we made a \$25 million payment in connection with the adverse arbitration ruling related to the 2016 acquisition of the IS&GS Business from Lockheed Martin.

Beginning in 2022, a provision in the TCJA which eliminated the option to currently deduct research and development costs for tax purposes and requires taxpayers to capitalize and amortize the costs over five years became effective. We anticipate our tax cash payments to increase by \$300 million in 2023 primarily to cover both the 2022 and 2023 tax obligations related to this provision. The actual impact will depend on the amount of research and development costs the Company will incur during fiscal 2023 and whether new guidance and interpretive rules are issued by the U.S. Treasury, among other factors. We will continue to assess our liquidity needs as the tax legislation and pandemic evolve.

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

PART II*Summary of Cash Flows*

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

	Year Ended	
	December 30, 2022	December 31, 2021
	(in millions)	
Net cash provided by operating activities	\$ 986	\$ 1,031
Net cash used in investing activities	(313)	(730)
Net cash used in financing activities	(865)	(113)
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>\$ (192)</u>	<u>\$ 188</u>

Net cash provided by operating activities decreased \$45 million for fiscal 2022 as compared to fiscal 2021. The decrease was primarily due to a \$25 million payment in connection with the adverse arbitration ruling related to the 2016 acquisition of the IS&GS Business from Lockheed Martin and \$23 million of payments for other legal and tax settlements occurred during the current year, partially offset by favorable working capital changes.

Net cash used in investing activities decreased \$417 million for fiscal 2022 as compared to fiscal 2021. The decrease was primarily due to \$430 million of less cash paid related to our business acquisitions in current year as compared to prior year and \$15 million of proceeds received from the sale of Aviation & Missile Solutions LLC in the current year. The decrease was partially offset by \$25 million of higher capital expenditures in the current year.

Net cash used in financing activities increased \$752 million for fiscal 2022 as compared to fiscal 2021. The increase was primarily due to \$439 million increase in principal payments of our debt, an increase of \$272 million in stock repurchases primarily attributable to the accelerated share repurchase agreement and a \$45 million decrease in net capital contributions received from our non-controlling interest.

Off-Balance Sheet Arrangements

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

Contractual Obligations

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

We have interest payments related to our outstanding debt and finance leases. As of December 30, 2022, future scheduled interest payments on our outstanding debt and finance leases were \$195 million, expected to be paid in fiscal 2023 and \$946 million expected to be paid thereafter.

As of December 30, 2022, future payments on our deferred compensation arrangements and purchase obligations for long-term purchases and service agreements were \$36 million, expected to be paid in fiscal 2023, and \$120 million expected to be paid thereafter. Our future payments do not include \$92 million of income tax liabilities as a result of uncertain tax positions arising from certain provisions of the TCJA becoming effective in 2022, and the timing of such payments, if any, cannot be reasonably estimated. For additional information, see "Note 18—Income Taxes" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

PART II**Guarantors and Issuers of Guaranteed Securities**

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

Senior unsecured Registered Notes:

\$500 million 2.950% notes, due May 2023

\$500 million 3.625% notes, due May 2025

\$750 million 4.375% notes, due May 2030

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

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

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

\$250 million 7.125% notes, due July 2032

\$300 million 5.500% notes, due July 2033

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

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

\$300 million 5.950% notes, due December 2040

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

Balance Sheet Information for the Guarantor and Issuer of Registered Notes

	December 30, 2022
	(in millions)
Total current assets	\$ 2,115
Goodwill	5,810
Other long-term assets	1,188
Total assets	<u>\$ 9,113</u>
Total current liabilities	\$ 2,922
Long-term debt, net of current portion	3,925
Intercompany payables	1,695
Other long-term liabilities	699
Total liabilities	<u>\$ 9,241</u>

PART II

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

	December 30, 2022
	(in millions)
Revenues, net	\$ 9,808
Operating income	698
Net income	250

Commitments and Contingencies

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

Critical Accounting Estimates

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

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

- Revenue Recognition
- Goodwill and Intangible Assets

Revenue Recognition

We perform work under various types of contracts, which include firm-fixed-price ("FFP"), time-and-materials ("T&M"), fixed-price-level-of-effort ("FP-LOE"), cost-plus-fixed-fee ("CPFF"), cost-plus-award-fee, cost-plus-incentive-fee and fixed-price-incentive-fee contracts. Some of these contracts require us to use estimates of the revenue and cost associated with the design, manufacture and delivery of our products and services for the purposes of recognizing revenue.

We also evaluate whether two or more contracts should be combined and accounted for as a single contract, including the task orders issued under an IDIQ award. In addition, we assess contract modifications to determine whether changes to existing contracts should be accounted for as part of the original contract or as a separate contract. Some of our cost-plus and fixed-price contracts contain award fees, incentive fees or other provisions that may either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or cost targets and can be based upon customer discretion. We estimate variable consideration at the most probable amount that we expect to be entitled to, based on the assessment of the contractual variable fee criteria, complexity of work and related risks, extent of customer discretion, amount of variable consideration received historically and the potential of significant reversal of revenue.

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

For the impacts of changes in estimates on our contracts, (see "Note 3—Summary of Significant Accounting Policies").

Goodwill and Intangible Assets

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

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

Goodwill and intangible assets, net, collectively represent 59% and 60% of our total assets as of December 30, 2022 and December 31, 2021, respectively.

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

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

We performed our annual test for impairment as of October 1, 2022, which resulted in no impairments being identified. However, through this analysis we determined that our Security Enterprise Solutions reporting unit within the Civil reportable segment, which holds goodwill in the amount of \$899 million as of December 30, 2022, was at risk of future impairment. The estimated fair value of the Security Enterprise Solutions reporting unit exceeded the carrying value by approximately 13%. Operations of the reporting unit rely heavily on the sales and servicing of security and detection products, which have been negatively impacted by COVID-19. The forecasts utilized to estimate the fair value of the Security Enterprise Solutions reporting unit assume continued global operations in all of our existing markets and a gradual improvement in the global aviation security product and related service sales, reaching pre-COVID-19 levels by fiscal 2025. The fair value of the reporting unit is also negatively impacted by rising interest rate factored into cost of capital. In the event that there are significant unfavorable changes to the forecasted cash flows of the reporting unit (including if the impact of COVID-19 on passenger travel levels is more prolonged or severe than what is incorporated into our forecast), terminal growth rates or the cost of capital used in the fair value estimates, we may be required to record a material impairment of goodwill or intangible assets at a future date.

Recently Adopted and Issued Accounting Pronouncements

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

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

Debt and derivatives

At December 30, 2022 and December 31, 2021, we had \$4.9 billion and \$5.1 billion, respectively, of debt, which included \$1.5 billion and \$1.7 billion, respectively, related to our senior unsecured term loans that have a variable stated interest rate that is determined based on either the London Interbank Offered Rate ("LIBOR") or the Stated Overnight Financing Rate ("SOFR") rate plus a margin. As a result, we may experience fluctuations in interest expense.

As of December 30, 2022, we hold \$500 million of unsecured notes due May 2023. We anticipate refinancing this obligation during fiscal 2023, at which time we will be subject to current market rates which may vary significantly from the existing rates on our debt.

We have interest rate swap agreements to hedge the cash flows of a portion of our variable rate senior unsecured term loan ("Variable Rate Loan"). Under the terms of the interest rate swap agreements, we receive variable interest payments based on the one-month LIBOR rate and pay interest at a fixed rate. As of December 30, 2022, the notional value of the interest rate swap agreements was \$1.0 billion. The interest rate swap agreements effectively converted a portion of our variable rate borrowing to a fixed rate borrowing. The fair value of our interest rate swap agreements with respect to our Variable Rate Loan was an asset of \$20 million, as of December 30, 2022, and a liability of \$53 million, as of December 31, 2021.

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

Cash and Cash Equivalents

As of December 30, 2022 and December 31, 2021, our cash and cash equivalents included investments in several large institutional money market accounts. For fiscal 2022 and fiscal 2021, a hypothetical 10% interest rate movement would not have a significant impact on the value of our holdings or on interest income.

Foreign Currency Risk

Although the majority of our transactions are denominated in U.S. dollars, some of our transactions are denominated in foreign currencies. Our foreign currency exchange rate risk relates to receipts from customers, payments to suppliers and certain intercompany transactions denominated in currencies other than our (or one of our subsidiaries') functional currency. Our foreign operations represented 8% of total revenues for fiscal 2022, 2021 and 2020.

PART II

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Leidos Holdings, Inc. and subsidiaries (the "Company") as of December 30, 2022 and December 31, 2021, the related consolidated statements of income, comprehensive income, equity, and cash flows, for the fiscal years ended December 30, 2022, December 31, 2021, and January 1, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 30, 2022 and December 31, 2021, and the results of its operations and its cash flows for the fiscal years ended December 30, 2022, December 31, 2021, and January 1, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 30, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 14, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

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

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

Critical Audit Matters

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

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

Critical Audit Matter Description

The Company performed a quantitative impairment evaluation of the goodwill for the Security Enterprise Solutions reporting unit by comparing the estimated fair value of the reporting unit to its carrying value. Estimating the fair value of a reporting unit requires the exercise of significant judgment and assumptions including judgments about expected future cash flows, weighted-average cost of capital, discount rates and expected long-term growth rates. Changes in these assumptions could have a significant impact on the fair value of the reporting unit, the amount of any goodwill impairment charge, or both. The goodwill balance was \$6,696 million as of December 30, 2022 of which \$899 million related to the Security Enterprise Solutions reporting unit. The Company's accounting policy is to test for impairment on the first day of the fourth quarter of each year and more frequently if events or circumstances indicate that the carrying value may not be recoverable. As a result of the quantitative assessment, the Company concluded that the fair value of the reporting unit exceeded the carrying value by \$174 million, or 13%, which resulted in no impairment for the year ended December 30, 2022.

We identified goodwill for the Security Enterprise Solutions reporting unit as a critical audit matter due to the significant judgments made by management to estimate the fair value of the reporting unit and the difference between its fair value and carrying value. Performing audit procedures to develop an independent estimate of the fair value of the Security Enterprise Solutions reporting unit, which included evaluating estimates and assumptions related to the cost of capital, forecasts of future cash flows, and terminal growth rates due to the sensitivity of the operations to changes in global aviation security products and related services markets, required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

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

- We tested the effectiveness of controls over management's goodwill impairment evaluation, including those over the selection of the discount rate, terminal growth rate and management's development of forecasted revenues and cash flows.
- We developed an independent estimate of the fair value of the Security Enterprise Solutions reporting unit using the income approach. We utilized historical results of the reporting unit and inspected third-party industry reports for the global aviation security products and related services markets to develop projections. Additionally, we developed the discount rate and terminal year growth rate with the assistance of our fair value specialists.
- We developed an independent estimate of the fair value of the Security Enterprise Solutions reporting unit using the market approach. We selected guideline peer companies and developed enterprise value multiples of revenues and earnings before interest, taxes, depreciation and amortization.
- We calculated our independent expectation of the fair value of the reporting unit by weighting the results of the market and income approaches and compared the resulting fair value to the carrying value of the reporting unit.

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

Critical Audit Matter Description

The Company recognizes revenue on service-based contracts primarily over time as there is continuous transfer of control to the customer over the duration of the contract as the Company performs the promised services. The accounting conclusions for contracts involves judgment, particularly as it relates to determining whether multiple promises within a single contract are highly interrelated and represent a single performance obligation and whether the Company is acting as a principal in the fulfillment of the identified performance obligations on certain contracts.

On firm-fixed-price ("FFP") contracts requiring system integration and cost-plus contracts with variable consideration, revenue is recognized over time generally using a method that measures the extent of progress towards completion of a performance obligation, principally using a cost-input method (referred to as the cost-to-cost method). Under the cost-to-cost method, revenue is recognized based on the proportion of total costs incurred to estimated total costs-at-completion ("EAC"). A performance obligation's EAC includes all direct costs such as materials, labor, subcontract costs, overhead and a ratable portion of general and administrative costs. The accounting for these contracts involves judgment, particularly as it relates to the process of estimating total costs for the performance obligation.

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

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's conclusions regarding whether multiple promises within a single contract represent a single performance obligation, whether or not the Company is acting as a principal or an agent in fulfilling identified performance obligations on certain contracts, and estimates of total costs for the performance obligations that recognize revenue using the cost-to-cost method included the following, among others:

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

/s/ Deloitte & Touche LLP

McLean, Virginia

February 14, 2023

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

LEIDOS HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

	December 30, 2022	December 31, 2021
	(in millions)	
Assets:		
Cash and cash equivalents	\$ 516	\$ 727
Receivables, net	2,350	2,189
Inventory, net	287	274
Other current assets	490	429
Total current assets	3,643	3,619
Property, plant and equipment, net	847	670
Intangible assets, net	952	1,177
Goodwill	6,696	6,744
Operating lease right-of-use assets, net	545	612
Other long-term assets	388	439
Total assets	\$ 13,071	\$ 13,261
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,254	\$ 2,141
Accrued payroll and employee benefits	701	605
Short-term debt and current portion of long-term debt	992	483
Total current liabilities	3,947	3,229
Long-term debt, net of current portion	3,928	4,593
Operating lease liabilities	570	589
Deferred tax liabilities	40	239
Other long-term liabilities	233	267
Total liabilities	\$ 8,718	\$ 8,917
Commitments and contingencies (Note 21)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value, 10 million shares authorized and no shares issued and outstanding at December 30, 2022 and December 31, 2021	—	—
Common stock, \$0.0001 par value, 500 million shares authorized, 137 million and 140 million shares issued and outstanding at December 30, 2022 and December 31, 2021, respectively	—	—
Additional paid-in capital	2,005	2,423
Retained earnings	2,367	1,880
Accumulated other comprehensive loss	(73)	(12)
Total Leidos stockholders' equity	4,299	4,291
Non-controlling interest	54	53
Total stockholders' equity	4,353	4,344
Total liabilities and stockholders' equity	\$ 13,071	\$ 13,261

See accompanying notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
	(in millions, except per share amounts)		
Revenues	\$ 14,396	\$ 13,737	\$ 12,297
Cost of revenues	12,312	11,723	10,560
Selling, general and administrative expenses	950	860	770
Credit losses (recoveries), net	1	(9)	(68)
Acquisition, integration and restructuring costs	17	27	39
Asset impairment charges	40	4	12
Equity earnings of non-consolidated subsidiaries	(12)	(20)	(14)
Operating income	1,088	1,152	998
Non-operating expense:			
Interest expense, net	(199)	(184)	(179)
Other expense, net	(3)	(1)	(38)
Income before income taxes	886	967	781
Income tax expense	(193)	(208)	(152)
Net income	693	759	629
Less: net income attributable to non-controlling interest	8	6	1
Net income attributable to Leidos common stockholders	\$ 685	\$ 753	\$ 628
Earnings per share:			
Basic	\$ 5.00	\$ 5.34	\$ 4.42
Diluted	4.96	5.27	4.36

See accompanying notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
	(in millions)		
Net income	\$ 693	\$ 759	\$ 629
Foreign currency translation adjustments	(95)	(8)	63
Unrecognized gain (loss) on derivative instruments	54	29	(37)
Pension adjustments	(20)	13	(2)
Total other comprehensive (loss) income, net of taxes	(61)	34	24
Comprehensive income	632	793	653
Less: comprehensive income attributable to non-controlling interest	8	6	1
Comprehensive income attributable to Leidos common stockholders	\$ 624	\$ 787	\$ 652

See accompanying notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF EQUITY

	Shares of common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Leidos stockholders' equity	Non- controlling interest	Total stockholders' equity
(in millions, except for per share amounts)							
Balance at January 3, 2020	141	\$ 2,587	\$ 896	\$ (70)	\$ 3,413	\$ 4	\$ 3,417
Cumulative adjustments related to ASU adoptions	—	—	(1)	—	(1)	—	(1)
Balance at January 4, 2020	141	2,587	895	(70)	3,412	4	3,416
Net income	—	—	628	—	628	1	629
Other comprehensive income, net of taxes	—	—	—	24	24	—	24
Issuances of stock	1	36	—	—	36	—	36
Repurchases of stock and other	—	(105)	—	—	(105)	—	(105)
Dividends of \$1.36 per share	—	—	(195)	—	(195)	—	(195)
Stock-based compensation	—	62	—	—	62	—	62
Net capital contributions from non-controlling interest	—	—	—	—	—	4	4
Balance at January 1, 2021	142	2,580	1,328	(46)	3,862	9	3,871
Net income	—	—	753	—	753	6	759
Other comprehensive income, net of taxes	—	—	—	34	34	—	34
Issuances of stock	1	46	—	—	46	—	46
Repurchases of stock and other	(3)	(270)	—	—	(270)	—	(270)
Dividends of \$1.40 per share	—	—	(201)	—	(201)	—	(201)
Stock-based compensation	—	67	—	—	67	—	67
Net capital contributions from non-controlling interest	—	—	—	—	—	38	38
Balance at December 31, 2021	140	2,423	1,880	(12)	4,291	53	4,344
Net income	—	—	685	—	685	8	693
Other comprehensive loss, net of taxes	—	—	—	(61)	(61)	—	(61)
Issuances of stock	1	51	—	—	51	—	51
Repurchases of stock and other	(4)	(542)	—	—	(542)	—	(542)
Dividends of \$1.44 per share	—	—	(198)	—	(198)	—	(198)
Stock-based compensation	—	73	—	—	73	—	73
Net capital distributions to non-controlling interest	—	—	—	—	—	(7)	(7)
Balance at December 30, 2022	137	\$ 2,005	\$ 2,367	\$ (73)	\$ 4,299	\$ 54	\$ 4,353

See accompanying notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
(in millions)			
Cash flows from operations:			
Net income	\$ 693	\$ 759	\$ 629
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	333	325	282
Stock-based compensation	73	67	62
Loss on debt extinguishment	—	—	36
Asset impairment charges	40	4	12
Deferred income taxes	(211)	(26)	(4)
Other	26	(7)	14
Change in assets and liabilities, net of effects of acquisitions and dispositions:			
Receivables	(174)	(5)	(127)
Other current assets and other long-term assets	160	143	104
Accounts payable and accrued liabilities and other long-term liabilities	(149)	(212)	151
Accrued payroll and employee benefits	98	(32)	161
Income taxes receivable/payable	97	15	14
Net cash provided by operating activities	986	1,031	1,334
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	(192)	(622)	(2,655)
Payments for property, equipment and software	(129)	(104)	(183)
Proceeds from disposition of businesses	15	—	—
Net proceeds from sale of assets	6	—	12
Other	(13)	(4)	11
Net cash used in investing activities	(313)	(730)	(2,815)
Cash flows from financing activities:			
Proceeds from debt issuance	380	380	7,225
Repayments of borrowings	(545)	(106)	(5,456)
Payments for debt issuance and modification costs	—	—	(51)
Dividend payments	(199)	(199)	(196)
Repurchases of stock and other	(542)	(270)	(105)
Proceeds from issuances of stock	48	44	35
Net capital (distributions to) contributions from non-controlling interests	(7)	38	4
Other	—	—	(5)
Net cash (used in) provided by financing activities	(865)	(113)	1,451
Net (decrease) increase in cash, cash equivalents and restricted cash	(192)	188	(30)
Cash, cash equivalents and restricted cash at beginning of year	875	687	717
Cash, cash equivalents and restricted cash at end of year	683	875	687
Less: restricted cash at end of year	167	148	163
Cash and cash equivalents at end of year	\$ 516	\$ 727	\$ 524

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

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
	(in millions)		
Supplementary cash flow information:			
Cash paid for interest	\$ 195	\$ 182	\$ 161
Cash paid for income taxes, net of refunds	217	221	140
Non-cash investing activity:			
Property, plant and equipment additions	\$ 7	\$ 4	\$ 18
Non-cash financing activity:			
Finance lease obligations	\$ 1	\$ 51	\$ 12

See accompanying notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Nature of Operations and Basis of Presentation

Nature of Operations and Basis of Presentation

Leidos Holdings, Inc. ("Leidos"), a Delaware corporation, is a holding company whose direct 100%-owned subsidiary and principal operating company is Leidos, Inc. Leidos is a FORTUNE 500® technology, engineering, and science company that provides services and solutions in the defense, intelligence, civil and health markets, both domestically and internationally. Leidos' customers include the U.S. Department of Defense ("DoD"), the U.S. Intelligence Community, the U.S. Department of Homeland Security, the Federal Aviation Administration, the Department of Veterans Affairs and many other U.S. civilian, state and local government agencies, foreign government agencies and commercial businesses. Unless indicated otherwise, references to "we," "us" and "our" refer collectively to Leidos Holdings, Inc. and its consolidated subsidiaries. We operate in three reportable segments: Defense Solutions, Civil and Health. Additionally, we separately present the unallocable costs associated with corporate functions as Corporate.

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

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

Effective July 3, 2021, certain contracts were reassigned from the Defense Solutions reportable segment to the Civil reportable segment. Impact on prior year segment results were determined to be immaterial and have not been recast to reflect this change.

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. We combined "Capital distributions to non-controlling interests" and "Capital contributions from non-controlling interests" into "Net capital (distributions to) contributions from non-controlling interests", "Collections on promissory notes" and "Bad debt expense and recoveries" into "Other" on the consolidated statements of cash flows.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Accounting Standards**Accounting Standards Updates Adopted**ASU 2021-08, Business Combinations (Topic 805)

In October 2021, the FASB issued ASU 2021-08, which amends how contract assets and liabilities acquired in a business combination are measured. Current guidance requires contract assets and liabilities to be measured at fair value in accordance with ASC 805, Business Combinations. The amendments in this Update remove the requirement to measure contract assets and liabilities at fair value and instead require that they be recognized in accordance with ASC 606, Revenue from Contracts with Customers.

We adopted the requirements of ASU 2021-08 using the prospective method effective the first day of fiscal 2022. For business combinations occurring after adoption, we measured contract assets and liabilities acquired in accordance ASC 606.

Accounting Standards Updates Issued But Not Yet Adopted

ASU 2020-04, ASU 2021-01, and ASU 2022-06 Reference Rate Reform In March 2020, the FASB issued ASU 2020-04, which provides companies with optional expedients and exceptions to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. This update provides optional expedients for applying accounting guidance to contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of the reference rate reform. The amendments in this update are effective for all entities as of March 2020 and can be adopted using a prospective approach no later than December 31, 2022.

In January 2021, the FASB issued ASU 2021-01 which amends the scope of ASU 2020-04. The amendments in this update are elective and provide optional relief for entities with hedge accounting and contract modifications affected by the discounting transition through December 31, 2022. In December 2022, the FASB issued ASU 2022-06 which extends the deadline for application of ASU 2021-01 through December 31, 2024. Under this relief, entities may continue to account for contract modifications as a continuation of the existing contract and the continuation of the hedge accounting arrangement. We are currently evaluating the impacts of the reference rate reform. Except for our new \$380 million term loan entered into on May 6, 2022 (see "Note 13—Debt"), we currently use the one-month LIBOR for which the rate publication will cease in June 2023.

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

Leidos' fiscal year ends on the Friday nearest the end of December. Fiscal 2022 ended December 30, 2022. Fiscal 2022, 2021 and 2020 each included 52 weeks.

Use of Estimates

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

Operating Cycle

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

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Investments

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

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

Variable Interest Entities

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

Divestitures

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

Restructuring Expenses

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

One-time involuntary termination benefits are recognized as a liability at estimated fair value when the plan of termination has been communicated to employees and certain other criteria are met. Ongoing termination benefit arrangements are recognized as a liability at estimated fair value when it is probable that amounts will be paid and such amounts are reasonably estimable. Costs associated with exit or disposal activities, including the related one-time and ongoing involuntary termination benefits, are included as "Acquisition, integration and restructuring costs" on the consolidated statements of income.

Revenue Recognition

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

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

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Contracts with the U.S. government are subject to the Federal Acquisition Regulation ("FAR") and priced on estimated or actual costs of providing the goods or services. The FAR provides guidance on types of costs that are allowable in establishing prices for goods and services provided to the U.S. government and its agencies. Each contract is competitively priced and bid separately. Pricing for non-U.S. government agencies and commercial customers is based on specific negotiations with each customer. In circumstances where the standalone selling price is not directly observable, we estimate the standalone selling price using the expected cost-plus margin approach. Any taxes collected or imposed when determining the transaction price are excluded.

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

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

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

On FFP contracts requiring system integration and cost-plus contracts with variable consideration, revenue is recognized over time generally using a method that measures the extent of progress towards completion of a performance obligation, principally using a cost-input method (referred to as the cost-to-cost method). Under the cost-to-cost method, revenue is recognized based on the proportion of total costs incurred to estimated total costs-at-completion ("EAC"). A performance obligation's EAC includes all direct costs such as materials, labor, subcontract costs, overhead and a ratable portion of general and administrative costs. In addition, an EAC of a performance obligation includes future losses estimated to be incurred on onerous contracts, as and when known. On certain other contracts, principally T&M, FP-LOE and CPFF, revenue is generally recognized using the right-to-invoice practical expedient as we are contractually able to invoice the customer based on the control transferred to the customer. Additionally, on maintenance (generally FFP) performance obligations, revenue is recognized over time using a straight-line method as the control of the services is provided to the customer evenly over the period of performance.

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

Contract Costs

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

Pre-contract Costs

Costs incurred on projects as pre-contract costs are deferred as assets when we have been requested by the customer to begin work under a new arrangement prior to contract execution and it is probable that we will recover the costs through the issuance of a contract. Pre-contract costs are amortized over the contract period of performance or a specified period of performance.

Transition Costs

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

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Project Assets

Purchases of project assets are capitalized for specific contracts where we maintain ownership of the asset over the life of the contract and the benefit is received over a period of time. Project assets include enterprise software licenses, dedicated hardware, maintenance agreements and significant material purchases and other costs incurred on contracts. Project assets are amortized from the balance sheet using the straight-line method over the estimated useful life of the asset or over the expected term of the period of performance, whichever is shorter.

Changes in Estimates on Contracts

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

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

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
	(in millions, except for per share amounts)		
Favorable impact	\$ 146	\$ 149	\$ 137
Unfavorable impact	(113)	(102)	(61)
Net favorable impact to income before income taxes	<u>\$ 33</u>	<u>\$ 47</u>	<u>\$ 76</u>
Impact on diluted EPS attributable to Leidos common stockholders	\$ 0.17	\$ 0.25	\$ 0.39

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

Revenue Recognized from Prior Obligations

During fiscal 2022, 2021 and 2020, revenue recognized from performance obligations satisfied in previous periods was \$9 million, \$26 million and \$40 million, respectively. The changes primarily relate to revisions of variable consideration, including award and incentive fees, and revisions to estimates at completion resulting from changes in contract scope, mitigation of contract risks or due to true-ups of contract estimates at the end of contract performance.

Selling, General and Administrative Expenses

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

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

We conduct research and development activities under customer-funded contracts and with company-funded research and development funds. Company-funded research and development expense was \$116 million, \$109 million and \$73 million for fiscal 2022, 2021 and 2020, respectively. Expenses for research and development activities performed under customer contracts are charged directly to cost of revenues for those contracts.

Income Taxes

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

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Cash and Cash Equivalents

Our cash equivalents are primarily comprised of investments in several large institutional money market accounts, with original maturity of three months or less. Outstanding payments are included within "Cash and cash equivalents" and "Accounts payable and accrued liabilities" correspondingly on the consolidated balance sheets. At December 30, 2022, and December 31, 2021, \$158 million and \$138 million, respectively, of outstanding payments were included within "Cash and cash equivalents."

Restricted Cash

We have restricted cash balances, primarily representing advances from customers that are restricted as to use for certain expenditures related to that customer's contract. Restricted cash balances are included as "Other current assets" on the consolidated balance sheets. Our restricted cash balances were \$167 million and \$148 million at December 30, 2022, and December 31, 2021, respectively.

Receivables

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

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

When events or conditions indicate that amounts outstanding from customers may become uncollectible, an allowance is estimated and recorded.

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

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Concentration of Credit Risk

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

Inventories

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

Goodwill

Goodwill represents the excess of the fair value of consideration transferred, plus the fair value of any non-controlling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill is not amortized, but instead is tested annually for impairment at the reporting unit level and tested more frequently if events or circumstances indicate that the carrying value of the reporting unit may not be recoverable. Our policy is to perform our annual goodwill impairment evaluation as of the first day of the fourth quarter of our fiscal year. During both fiscal 2022 and 2021, we had seven reporting units for the purpose of testing goodwill for impairment.

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

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

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

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

Intangible Assets

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Property, Plant and Equipment

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

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	2-15
Buildings	Straight-line	Not to exceed 40
Building improvements and leasehold improvements	Straight-line	Shorter of useful life of asset or remaining lease term
Vehicles and transportation equipment	Straight-line	2-15
Office furniture and fixtures	Straight-line or declining-balance	6-9

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

Leases

Lessee

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

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

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Certain facility leases contain options to renew or extend the terms of the lease which are included in the determination of the ROU assets and lease liabilities when it is reasonably certain that we will exercise the option. Leases may also include variable lease payments such as an escalation clause based on consumer price index rates, maintenance costs and utilities. Variable lease payments that depend on an index or a rate are included in the determination of ROU assets and lease liabilities using the index or rate at the lease commencement date, whereas variable lease payments that do not depend on an index or rate are recorded as lease expense in the period incurred. At December 30, 2022, certain of the Company's equipment leases include residual value guarantees.

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

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

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

Lessor

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

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

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

Fair Value Measurements

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

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

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

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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 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). If management determines that an other-than-temporary decline in the fair value of an investment has occurred, an impairment loss is recognized to reduce the investment to its estimated fair value.

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

Financial Instruments

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

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

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

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

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

Stock-Based Compensation

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

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

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

Foreign Currency

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4—Revenues
Remaining Performance Obligations

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

As of December 30, 2022, we had \$15.4 billion of RPO and expect to recognize approximately 57% and 74% over the next 12 months and 24 months, respectively, with the remaining to be recognized thereafter.

Disaggregation of Revenues

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

Disaggregated revenues by customer-type were as follows:

	Year Ended December 30, 2022			
	Defense Solutions	Civil	Health	Total
	(in millions)			
DoD and U.S. Intelligence Community	\$ 6,027	\$ 84	\$ 999	\$ 7,110
Other U.S. government agencies ⁽¹⁾	1,004	2,660	1,576	5,240
Commercial and non-U.S. customers	1,211	618	108	1,937
Total	\$ 8,242	\$ 3,362	\$ 2,683	\$ 14,287
	Year Ended December 31, 2021			
	(in millions)			
DoD and U.S. Intelligence Community	\$ 5,939	\$ 54	\$ 756	\$ 6,749
Other U.S. government agencies ⁽¹⁾	964	2,447	1,681	5,092
Commercial and non-U.S. customers	1,126	543	107	1,776
Total	\$ 8,029	\$ 3,044	\$ 2,544	\$ 13,617
	Year Ended January 1, 2021			
	(in millions)			
DoD and U.S. Intelligence Community	\$ 5,407	\$ 59	\$ 519	\$ 5,985
Other U.S. government agencies ⁽¹⁾	995	2,418	1,329	4,742
Commercial and non-U.S. customers	937	426	107	1,470
Total	\$ 7,339	\$ 2,903	\$ 1,955	\$ 12,197

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

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

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Disaggregated revenues by contract-type were as follows:

	Year Ended December 30, 2022			
	Defense Solutions	Civil	Health	Total
	(in millions)			
Cost-reimbursement and fixed-price-incentive-fee	\$ 4,620	\$ 1,781	\$ 712	\$ 7,113
Firm-fixed-price	2,642	1,077	1,683	5,402
Time-and-materials and fixed-price-level-of-effort	980	504	288	1,772
Total	\$ 8,242	\$ 3,362	\$ 2,683	\$ 14,287
	Year Ended December 31, 2021			
	(in millions)			
Cost-reimbursement and fixed-price-incentive-fee	\$ 4,792	\$ 1,576	\$ 508	\$ 6,876
Firm-fixed-price	2,290	1,020	1,661	4,971
Time-and-materials and fixed-price-level-of-effort	947	448	375	1,770
Total	\$ 8,029	\$ 3,044	\$ 2,544	\$ 13,617
	Year Ended January 1, 2021			
	(in millions)			
Cost-reimbursement and fixed-price-incentive-fee	\$ 4,504	\$ 1,411	\$ 280	\$ 6,195
Firm-fixed-price	2,067	1,061	1,303	4,431
Time-and-materials and fixed-price-level-of-effort	768	431	372	1,571
Total	\$ 7,339	\$ 2,903	\$ 1,955	\$ 12,197

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

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Disaggregated revenues by geographic location were as follows:

	Year Ended December 30, 2022			
	Defense Solutions	Civil	Health	Total
	(in millions)			
United States	\$ 7,212	\$ 3,203	\$ 2,683	\$ 13,098
International	1,030	159	—	1,189
Total	\$ 8,242	\$ 3,362	\$ 2,683	\$ 14,287
	Year Ended December 31, 2021			
	Defense Solutions	Civil	Health	Total
	(in millions)			
United States	\$ 7,045	\$ 2,880	\$ 2,544	\$ 12,469
International	984	164	—	1,148
Total	\$ 8,029	\$ 3,044	\$ 2,544	\$ 13,617
	Year Ended January 1, 2021			
	Defense Solutions	Civil	Health	Total
	(in millions)			
United States	\$ 6,501	\$ 2,738	\$ 1,955	\$ 11,194
International	838	165	—	1,003
Total	\$ 7,339	\$ 2,903	\$ 1,955	\$ 12,197

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

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

Revenues by contract-type, customer-type and geographic location exclude lease income of \$109 million, \$120 million and \$100 million for fiscal 2022, 2021 and 2020, respectively (see "Note 10—Leases").

Contract Assets and Liabilities

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

Contract assets consist of unbilled receivables, which is the amount of revenue recognized that exceeds the amount billed to the customer, where right to payment is not solely subject to the passage of time. Unbilled receivables exclude amounts billable where the right to consideration is unconditional. Contract liabilities consist of deferred revenue, which represents cash advances received prior to performance for programs and billings in excess of revenue recognized.

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

	Balance sheet line item	December 30, 2022	December 31, 2021
(in millions)			
Contract assets - current:			
Unbilled receivables	Receivables, net	\$ 1,010	\$ 1,022
Contract liabilities - current:			
Deferred revenue ⁽¹⁾	Accounts payable and accrued liabilities	\$ 380	\$ 364
Contract liabilities - non-current:			
Deferred revenue ⁽¹⁾	Other long-term liabilities	\$ 29	\$ 24

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

Revenue recognized during fiscal 2022 and 2021 of \$270 million and \$340 million, respectively, was included as a contract liability at December 31, 2021, and January 1, 2021, respectively.

There were no impairment losses recognized on contract assets during fiscal 2022, 2021 and 2020.

Note 5—Acquisitions and Divestitures

Acquisitions

We may acquire businesses as part of our growth strategy to provide new or enhance existing capabilities and offerings to customers. During fiscal 2022, we completed the acquisition of Cobham Aviation Services Australia's Special Mission business ("Cobham Special Mission"). During fiscal 2021, we completed the acquisitions of Gibbs & Cox, 1901 Group, LLC ("1901 Group"), and an immaterial strategic acquisition. During fiscal 2020, we completed the acquisitions of L3Harris Technologies' security detection and automation businesses (the "SD&A Businesses") and Dynetics, Inc. ("Dynetics").

Cobham Special Mission Acquisition

On October 30, 2022 (the "Agreement Date"), we completed the acquisition of Cobham Special Mission for a preliminary purchase consideration of \$295 million Australian dollars, net of \$10 million of Australian dollars acquired, approximately \$190 million United States dollars, net of \$6 million of cash acquired, which is subject to working capital adjustments. Cobham Special Mission provides airborne border surveillance and search and rescue services to the Australian Federal Government.

The preliminary goodwill recognized of \$26 million represents intellectual capital and the acquired assembled workforce, neither of which qualify for recognition as a separate intangible asset. None of the goodwill recognized is tax deductible.

In connection with this acquisition, we acquired preliminary fair value of property, plant and equipment of \$147 million at the Agreement Date. The following table summarizes the preliminary fair value of intangible assets acquired at the Agreement Date and the related weighted average amortization period:

	Weighted average amortization period (in years)	Fair value (in millions)
Programs	7	\$ 21
Technology	9	4
Total	7	\$ 25

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 30, 2022, we had not finalized the determination of fair values allocated to assets and liabilities, including, but not limited to, property, plant and equipment, intangible assets, accounts receivables, accounts payable and accrued liabilities and other long-term liabilities.

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

Gibbs & Cox Acquisition

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

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

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

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

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

1901 Group Acquisition

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

As of December 31, 2021, we had completed the determination of fair values of the acquired assets and liabilities assumed. The final goodwill recognized of \$123 million represents intellectual capital and the acquired assembled workforce, none of which qualify for recognition as separate intangible assets. Of the goodwill recognized, \$118 million is tax deductible.

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

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

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

Strategic Business Acquisition

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SD&A Businesses Acquisition

On May 4, 2020 (the "Transaction Date"), we completed the acquisition of the SD&A Businesses. The SD&A Businesses were acquired for cash consideration of \$1,019 million, net of \$27 million of cash acquired. The purchase consideration includes the initial cash payment of \$1,015 million plus a \$31 million payment for contractual net working capital acquired. The SD&A Businesses provide airport and critical infrastructure screening products, automated tray return systems and other industrial automation products. The addition of the SD&A Businesses will expand the scope and scale of our global security detection and automation offerings.

The final fair values of the assets acquired and liabilities assumed at the Transaction Date were as follows (in millions):

Current assets	\$	287
Intangible assets		355
Other assets		67
Current liabilities		(140)
Long-term liabilities		(97)
Total identifiable net assets acquired		472
Goodwill		574
Purchase price	\$	1,046

As of May 4, 2021, we had completed the determination of fair values of the acquired assets and liabilities assumed. The goodwill represents intellectual capital and the acquired assembled workforce. Of the goodwill recognized, \$432 million is deductible for tax purposes.

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

	Weighted average amortization period (in years)	Fair value (in millions)
Programs	13	\$ 141
Customer relationships	10	49
Technology	10	73
In-process research and development ("IPR&D") ⁽¹⁾	—	92
Total	11	\$ 355

⁽¹⁾ IPR&D assets are indefinite-lived at the acquisition date until placed into service, at which time such assets will be reclassified to a finite-lived amortizable intangible asset.

For fiscal 2022, fiscal 2021 and fiscal 2020, \$330 million, \$291 million and \$243 million, respectively, of revenues related to the SD&A Businesses were recognized within the Civil reportable segment.

Dynetics Acquisition

On January 31, 2020 (the "Acquisition Date"), we completed our acquisition of Dynetics, an industry-leading applied research and national security solutions company. The addition of Dynetics will accelerate opportunities within our innovation engine that researches and develops new technologies and solutions to address the most challenging needs of our customers. All of the issued and outstanding shares of common stock of Dynetics were purchased for \$1.64 billion, net of cash acquired.

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The final fair values of the assets acquired and liabilities assumed at the Acquisition Date were as follows (in millions):

Current assets	\$	241
Intangible assets		528
Other assets		205
Current liabilities		(79)
Long-term liabilities		(24)
Total identifiable net assets acquired		871
Goodwill		789
Purchase price	\$	1,660

As of January 31, 2021, we had completed the determination of fair values of the acquired assets and liabilities assumed. The goodwill represents intellectual capital and the acquired assembled workforce. All of the goodwill recognized is deductible for tax purposes.

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

	Weighted average amortization period (in years)	Fair value (in millions)
Programs	13	\$ 485
Backlog	1	32
Technology	11	11
Total	12	\$ 528

For fiscal 2022, fiscal 2021 and fiscal 2020, \$950 million, \$1,065 million and \$937 million, respectively, of revenues related to Dynetics were recognized within the Defense Solutions reportable segment.

Acquisition and Integration Costs

The following expenses were incurred related to the acquisitions of Dynetics, the SD&A Businesses, 1901 Group, Gibbs & Cox, Cobham Special Mission and our strategic business acquisition:

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
	(in millions)		
Acquisition costs	\$ —	\$ 4	\$ 23
Integration costs	16	20	12
Total acquisition and integration costs	\$ 16	\$ 24	\$ 35

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

Divestitures

Aviation & Missile Solutions LLC ("AMS")

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6—Receivables

The components of receivables, net consisted of the following:

	December 30, 2022	December 31, 2021
	(in millions)	
Billed and billable receivables	\$ 1,368	\$ 1,194
Unbilled receivables	1,010	1,022
Allowance for credit losses	(28)	(27)
	<u>\$ 2,350</u>	<u>\$ 2,189</u>

Sale of Accounts Receivable

We have entered into purchase agreements with a financial institution which provide us the election to sell accounts receivable at a discount. The receivables sold are typically collectable from our customers within 30 days of the sale date. During fiscal 2022, 2021 and 2020, we sold \$209 million, \$693 million and \$1,866 million, respectively, of accounts receivable under the agreements and received proceeds of \$209 million, \$693 million and \$1,864 million, respectively. These activities are classified as operating activities in the consolidated statements of cash flows.

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

Note 7—Inventory

The components of inventory, net consisted of the following:

	December 30, 2022	December 31, 2021
	(in millions)	
Raw materials	\$ 180	\$ 154
Work in process	34	27
Finished goods	73	93
	<u>\$ 287</u>	<u>\$ 274</u>

Note 8—Goodwill and Intangible Assets
Goodwill

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

	Defense Solutions	Civil	Health	Total
	(in millions)			
Goodwill at January 1, 2021 ⁽¹⁾	\$ 3,300	\$ 2,047	\$ 966	\$ 6,313
Acquisitions of businesses	425	5	—	430
Divestiture of a business	(1)	—	—	(1)
Goodwill re-allocation	(17)	17	—	—
Foreign currency translation adjustments	(26)	28	—	2
Goodwill at December 31, 2021 ⁽¹⁾	3,681	2,097	966	6,744
Acquisitions of businesses	26	—	—	26
Divestiture of a business	(6)	—	—	(6)
Foreign currency translation adjustments	(37)	(31)	—	(68)
Goodwill at December 30, 2022⁽¹⁾	<u>\$ 3,664</u>	<u>\$ 2,066</u>	<u>\$ 966</u>	<u>\$ 6,696</u>

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

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In the fourth quarter of fiscal 2022, we performed a qualitative analysis for certain reporting units which determined that it was more likely than not that the fair values of these reporting units were in excess of the individual reporting units' carrying values. We performed a quantitative analysis for certain reporting units and concluded that these reporting units were not impaired as their fair values exceeded their carrying values. The quantitative analysis for the Security Enterprise Solutions reporting unit, which holds goodwill of \$899 million as of December 30, 2022, showed that fair value exceeded carrying value by 13%. Operations of the reporting unit rely heavily on the sales and servicing of security and detection products, which have been negatively impacted by COVID-19. The forecasts utilized to estimate the fair value of the Security Enterprise Solutions reporting unit assume continued global operations in all of our existing markets and a gradual improvement in the global aviation security product and related service sales, reaching pre-COVID-19 levels by fiscal 2025. In the event that there are significant unfavorable changes to the forecasted cash flows of the reporting unit (including if the impact of COVID-19 on passenger travel levels is more prolonged or severe than what is incorporated into our forecast), terminal growth rates or the cost of capital used in the fair value estimates, we may be required to record a material impairment of goodwill or intangible assets at a future date.

In the fourth quarter of fiscal 2021, we performed a qualitative analysis for certain reporting units which determined that it was more likely than not that the fair values of these reporting units were in excess of the individual reporting units' carrying values. For reporting units whose composition was affected by a reorganization, or those for which an indication of impairment exists, a quantitative assessment was performed. The quantitative analysis for the Security Enterprise Solutions reporting unit within the Civil reportable segment, which holds goodwill in the amount of \$926 million as of December 31, 2021, showed that the fair value of the reporting unit exceeded the carrying value.

In the fourth quarter of fiscal 2020, we performed a qualitative analysis for all reporting units and determined that it was more likely than not that the fair values of the reporting units were in excess of the individual reporting units carrying values, and as a result, a quantitative step one analysis was not necessary.

As a result, no goodwill impairments were identified as part of the annual goodwill impairment evaluation for the periods mentioned above.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Intangible Assets

Intangible assets, net consisted of the following:

	December 30, 2022			December 31, 2021		
	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
	(in millions)					
Finite-lived intangible assets:						
Programs	\$ 1,721	\$ (1,016)	\$ 705	\$ 1,722	\$ (830)	\$ 892
Software and technology	225	(136)	89	230	(121)	109
Customer relationships	87	(25)	62	97	(18)	79
Backlog	—	—	—	38	(37)	1
Trade names	1	(1)	—	1	(1)	—
Total finite-lived intangible assets	2,034	(1,178)	856	2,088	(1,007)	1,081
Indefinite-lived intangible assets:						
In-process research and development ⁽¹⁾	92	—	92	92	—	92
Trade names	4	—	4	4	—	4
Total indefinite-lived intangible assets	96	—	96	96	—	96
Total intangible assets	\$ 2,130	\$ (1,178)	\$ 952	\$ 2,184	\$ (1,007)	\$ 1,177

⁽¹⁾ IPR&D assets are indefinite-lived at the acquisition date until placed into service, at which time such assets will be reclassified to a finite-lived amortizable intangible asset.

Amortization expense related to intangible assets was \$230 million, \$228 million and \$198 million for fiscal 2022, 2021 and 2020, respectively.

The estimated annual amortization expense related to finite-lived intangible assets as of December 30, 2022, is as follows:

Fiscal Year Ending	(in millions)
2023	\$ 208
2024	153
2025	124
2026	99
2027	71
2028 and thereafter	201
	\$ 856

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 and other factors.

In the fourth quarter of fiscal 2022, we evaluated indefinite-lived intangibles for impairment and concluded that no impairment was necessary.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9—Property, Plant and Equipment

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

	December 30, 2022	December 31, 2021
	(in millions)	
Computers and other equipment	\$ 399	\$ 373
Leasehold improvements	404	367
Vehicles and transportation equipment	210	99
Buildings and improvements	138	140
Office furniture and fixtures	64	65
Land	17	18
Construction in progress	147	78
	<u>1,379</u>	<u>1,140</u>
Less: accumulated depreciation and amortization	(532)	(470)
	<u>\$ 847</u>	<u>\$ 670</u>

Depreciation expense was \$103 million, \$97 million and \$84 million for fiscal 2022, 2021 and 2020, respectively.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10—Leases
Lessee

ROU assets and lease liabilities consisted of the following:

	Balance sheet line item	December 30, 2022	December 31, 2021
		(in millions)	
ROU assets:			
Finance leases	Property, plant and equipment, net	\$ 43	\$ 51
Operating leases	Operating lease right-of-use assets, net	545	612
		\$ 588	\$ 663
Current lease liabilities:			
Finance leases	Short-term debt and current portion of long-term debt	\$ 6	\$ 9
Operating leases	Accounts payable and accrued liabilities	130	140
		\$ 136	\$ 149
Non-current lease liabilities:			
Finance leases	Long-term debt, net of current portion	\$ 38	\$ 43
Operating leases	Operating lease liabilities	570	589
		\$ 608	\$ 632

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

During fiscal 2020, we made a decision to vacate one of our facilities. The carrying amount was determined to be less than the expected recovery from sublease income and as a result, we recorded an impairment charge of \$11 million, which was recorded within our Health reportable segment.

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

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
(in millions)			
Finance lease cost:			
Amortization of ROU assets	\$ 9	\$ 11	\$ 9
Interest on lease liabilities	1	1	—
		10	12
		161	169
Operating lease cost ⁽¹⁾	161	172	169
Variable lease cost	42	90	103
Short-term lease cost	3	4	8
Less: Sublease income	(6)	(8)	(11)
Total lease cost	\$ 210	\$ 270	\$ 278

⁽¹⁾ Includes ROU lease expense of \$134 million, \$150 million and \$145 million for fiscal 2022, 2021 and 2020, respectively.

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

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	December 30, 2022	December 31, 2021	January 1, 2021
Weighted-average remaining lease term (in years):			
Finance leases	8.2	8.4	2.9
Operating leases	7.5	6.8	7.3
Weighted-average discount rate:			
Finance leases	2.6 %	2.5 %	2.7 %
Operating leases	3.3 %	3.2 %	3.5 %

Other information related to leases was as follows:

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
(in millions)			
Cash paid for amounts included in measurement of lease liabilities:			
Operating cash related to finance leases	\$ 1	\$ 1	\$ —
Operating cash related to operating leases	168	174	164
Financing cash flows related to finance leases	9	11	9
ROU assets obtained in exchange for lease liabilities:			
Finance lease liabilities	\$ 1	\$ 51	\$ 12
Operating lease liabilities	122	161	314

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

Future minimum lease commitments of our finance and operating leases on an undiscounted basis, reconciled to the respective lease liability at December 30, 2022, were as follows:

Fiscal Year Ending	Finance lease commitments	Operating lease commitments
(in millions)		
2023	\$ 8	\$ 152
2024	5	143
2025	5	103
2026	5	79
2027	5	57
2028 and thereafter	21	266
Total undiscounted cash flows	49	800
Less: imputed interest	(5)	(100)
Lease liability as of December 30, 2022	<u>\$ 44</u>	<u>\$ 700</u>

Lessor

As of December 30, 2022 and December 31, 2021, we had a total net investment in sales-type leases, which relates to lease payment receivables, of \$103 million and \$93 million, respectively. The current and non-current portions of net investment in sales-type leases are included within "Other current assets" and "Other long-term assets", respectively, on the consolidated balance sheets.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of lease income were as follows:

	Income statement line item	Year Ended		
		December 30, 2022	December 31, 2021	January 1, 2021
(in millions)				
Sales-type leases:				
Selling price at lease commencement	Revenues	\$ 65	\$ 80	\$ 61
Cost of underlying asset	Cost of revenues	(52)	(60)	(47)
Operating income		13	20	14
Interest income on lease receivables	Revenues	9	8	8
		<u>22</u>	<u>28</u>	<u>22</u>
Operating lease income	Revenues	35	32	31
Total lease income		<u>\$ 57</u>	<u>\$ 60</u>	<u>\$ 53</u>

As of December 30, 2022, undiscounted cash flows for sales-type and operating leases for the next five years are as follows:

Fiscal Year Ending	Sales-type leases		Operating leases	
	(in millions)			
2023	\$	42	\$	26
2024		31		27
2025		20		29
2026		11		—
2027		6		—
2028 and thereafter		4		—
Total undiscounted cash flows	<u>\$</u>	<u>114</u>	<u>\$</u>	<u>82</u>
Present value of lease payments as lease receivables		103		
Difference between undiscounted cash flows and discounted cash flows	<u>\$</u>	<u>11</u>		

Note 11—Fair Value Measurements

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

	December 30, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
(in millions)				
Financial assets:				
Derivatives	\$ 20	\$ 20	\$ —	\$ —
Financial liabilities:				
Derivatives	\$ —	\$ —	\$ 53	\$ 53

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

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

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The carrying amounts of our financial instruments, other than derivatives, which include cash equivalents, accounts receivable, accounts payable and accrued expenses, are reasonable estimates of their related fair values. The carrying value of our notes receivable of \$12 million and \$15 million as of December 30, 2022 and December 31, 2021, respectively, approximates fair value as the stated interest rates within the agreements are consistent with the current market rates used in notes with similar terms in the market (Level 2 inputs).

As of December 30, 2022 and December 31, 2021, the fair value of debt was \$4.6 billion and \$5.4 billion, respectively, and the carrying amount was \$4.9 billion and \$5.1 billion, respectively (see "Note 13—Debt"). The fair value of debt is determined based on current interest rates available for debt with terms and maturities similar to our existing debt arrangements (Level 2 inputs).

On October 30, 2022, May 7, 2021, and January 14, 2021, non-financial instruments measured at fair value on a non-recurring basis were recorded in connection with the acquisitions of Cobham Special Mission, Gibbs & Cox and 1901 Group, respectively. The fair values of the assets acquired and liabilities assumed were determined using Level 3 inputs. See "Note 5—Acquisitions and Divestitures" for further details on these acquisitions. As of December 30, 2022 and December 31, 2021, we did not have any assets or liabilities measured at fair value on a non-recurring basis.

Note 12—Derivative Instruments

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

Balance sheet line item	December 30, 2022	December 31, 2021
	(in millions)	
Asset derivatives:		
Cash flow interest rate swaps	\$ 20	\$ —
Liability derivatives:		
Cash flow interest rate swaps	\$ —	\$ 53

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

During fiscal 2022, we entered into a foreign currency forward contract to offset foreign currency fluctuations of the \$310 million Australian dollar preliminary purchase price for the Cobham Special Mission acquisition against the U.S. dollar. We realized a loss of \$18 million resulting from the settlement of the foreign currency forward contract. The loss was recorded within Corporate and presented in "Other expense, net" on the consolidated statements of income and the settlement associated with the foreign currency forward contract was classified as investing activities in the consolidated statements of cash flows.

Cash Flow Hedges

We have interest rate swap agreements to hedge the cash flows of \$1.0 billion of the variable rate senior unsecured term loan (the "Variable Rate Loan"). These interest rate swap agreements have a maturity date of August 2025 and a fixed interest rate of 3.00%. The objective of these instruments is to reduce variability in the forecasted interest payments of the Variable Rate Loan, which are based on the LIBOR rate. Under the terms of the interest rate swap agreements, we receive monthly variable interest payments based on the one-month LIBOR rate and pay interest at a fixed rate.

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

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
	(in millions)		
Total interest expense, net presented in the consolidated statements of income in which the effects of cash flow hedges are recorded	\$ 199	\$ 184	\$ 179
Amount recognized in other comprehensive income (loss)	59	18	(61)
Amount reclassified from accumulated other comprehensive income (loss) to interest expense, net	11	19	14

We expect to reclassify net gains of \$14 million from accumulated other comprehensive loss into earnings during the next 12 months.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13—Debt

Debt consisted of the following:

	Stated interest rate	Effective interest rate	December 30, 2022	December 31, 2021
(in millions)				
Short-term debt and current portion of long-term debt:				
Senior unsecured term loans:				
\$380 million term loan, due May 2022	1.54 %	1.64 %	\$ —	\$ 380
\$380 million term loan, due May 2023	5.42 %	5.51 %	320	—
Current portion of long-term debt			672	103
Total short-term debt and current portion of long-term debt			\$ 992	\$ 483
Long-term debt:				
Senior unsecured term loan:				
\$1,925 million term loan, due January 2025	5.77 %	6.09 %	\$ 1,211	\$ 1,306
Senior unsecured notes:				
\$500 million notes, due May 2023	2.95 %	3.17 %	500	500
\$500 million notes, due May 2025	3.63 %	3.76 %	500	500
\$750 million notes, due May 2030	4.38 %	4.50 %	750	750
\$1,000 million notes, due February 2031	2.30 %	2.38 %	1,000	1,000
\$250 million notes, due July 2032	7.13 %	7.43 %	250	250
\$300 million notes, due July 2033	5.50 %	5.88 %	161	161
\$300 million notes, due December 2040	5.95 %	6.03 %	218	218
Notes payable and finance leases due on various dates through fiscal 2032	1.84%-4.51%	Various	44	54
Less: unamortized debt discounts and deferred debt issuance costs			(34)	(43)
Total long-term debt			4,600	4,696
Less: current portion			(672)	(103)
Total long-term debt, net of current portion			\$ 3,928	\$ 4,593

Term Loans and Revolving Credit Facility

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

Borrowings under the Term Loan Agreement bear interest at a rate based on the Secured Overnight Financing Rate plus 1.10%, or an alternate base rate at our option.

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

On May 7, 2021, we entered into a credit agreement with certain financial institutions, which provided for a senior unsecured term loan facility in an aggregate principal amount of \$380 million with maturity 364 days after the credit agreement date. The proceeds were used to fund the acquisition of Gibbs & Cox. The term loan was repaid on May 6, 2022.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We have a Credit Agreement (the "Credit Agreement") with certain financial institutions, which provided for a senior unsecured term loan facility in an aggregate principal amount of \$1.9 billion (the "Term Loan Facility") and a \$750 million senior unsecured revolving facility (the "Revolving Facility" and, together with the Term Loan Facility, the "Credit Facilities"). The Credit Facilities are scheduled to mature in January 2025, with the Revolving Facility subject to two additional one year extensions. As of December 30, 2022, and December 31, 2021, there were no borrowings outstanding under the Revolving Facility.

Borrowings under the Credit Agreement bear interest at a rate determined, at our option, based on either an alternate base rate or a LIBOR rate plus, in each case, an applicable margin that varies depending on our credit rating. The applicable margin range for LIBOR-denominated borrowings is from 1.13% to 1.75%. Based on our current ratings, the applicable margin for LIBOR-denominated borrowings is 1.38%.

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

Commercial Paper

On July 12, 2021, we established a commercial paper program in which the Company may issue short-term unsecured commercial paper notes ("Commercial Paper Notes") not to exceed \$750 million. The proceeds will be used for general corporate purposes, including working capital, capital expenditures, acquisitions and share repurchases.

The Commercial Paper Notes will be issued in minimum denominations of \$0.25 million and will have maturities of up to 397 days from the date of issuance. The Commercial Paper Notes will bear either a stated or floating interest rate, if interest bearing, or will be sold at a discount from the face amount. As of December 30, 2022, and December 31, 2021, we did not have any Commercial Paper Notes outstanding.

Principal Payments and Debt Issuance Costs

We made principal payments on our debt of \$545 million, \$106 million and \$731 million during fiscal 2022, 2021 and 2020, respectively. This activity included required principal payments on our term loans of \$476 million, \$96 million and \$72 million during fiscal 2022, 2021 and 2020, respectively. During fiscal 2020, we made \$4,925 million of principal repayments for outstanding debt and retired the \$450 million senior notes.

Principal payments are made quarterly on our Term Loan Facility, with the majority of the principal due at maturity. Interest on the Term Loan Facility is payable on a periodic basis, which must be at least quarterly. Principal on the Term Loan Agreement is due at maturity and interest is paid monthly. Interest on the senior fixed rate unsecured notes is payable on a semi-annual basis with principal payments due at maturity.

Amortization of debt discount and deferred financing costs was \$11 million for both fiscal 2022 and 2021, and \$16 million for fiscal 2020.

The Credit Facilities, the Term Loan Agreement, Commercial Paper Notes, senior unsecured term loans and notes are fully and unconditionally guaranteed and contain certain customary restrictive covenants, including among other things, restrictions on our ability to create liens and enter into sale and leaseback transactions under certain circumstances. We were in compliance with all covenants as of December 30, 2022.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Future minimum payments of debt are as follows:

Fiscal Year Ending	(in millions)
2023	\$ 996
2024	197
2025	1,353
2026	4
2027	5
2028 and thereafter	2,399
Total principal payments	4,954
Less: unamortized debt discount and issuance costs	(34)
Total short-term and long-term debt	<u>\$ 4,920</u>

Note 14—Accumulated Other Comprehensive Income (Loss)

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

	Foreign currency translation adjustments	Unrecognized gain (loss) on derivative instruments	Pension adjustments	Total AOCI
	(in millions)			
Balance at January 3, 2020	\$ (33)	\$ (33)	\$ (4)	\$ (70)
Other comprehensive income (loss)	70	(61)	(3)	6
Taxes	(7)	10	1	4
Reclassification from AOCI	—	14	—	14
Balance at January 1, 2021	30	(70)	(6)	(46)
Other comprehensive income (loss)	(3)	18	17	32
Taxes	(5)	(8)	(4)	(17)
Reclassification from AOCI	—	19	—	19
Balance at December 31, 2021	22	(41)	7	(12)
Other comprehensive income (loss)	(108)	59	(27)	(76)
Taxes	13	(16)	7	4
Reclassification from AOCI	—	11	—	11
Balance at December 30, 2022	<u>\$ (73)</u>	<u>\$ 13</u>	<u>\$ (13)</u>	<u>\$ (73)</u>

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

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15—Composition of Certain Financial Statement Captions

Balance Sheets	December 30, 2022	December 31, 2021
	(in millions)	
Other current assets:		
Restricted cash	\$ 167	\$ 148
Transition costs and project assets ⁽¹⁾	132	110
Other ⁽²⁾	191	171
	<u>\$ 490</u>	<u>\$ 429</u>
Other long-term assets:		
Transition costs and project assets ⁽¹⁾	\$ 74	\$ 121
Equity method investments ⁽³⁾	18	25
Other ⁽²⁾	296	293
	<u>\$ 388</u>	<u>\$ 439</u>
Accounts payable and accrued liabilities:		
Accrued liabilities ⁽⁴⁾	\$ 772	\$ 747
Accounts payable	733	692
Deferred revenue	380	364
Other ⁽²⁾⁽⁴⁾	369	338
	<u>\$ 2,254</u>	<u>\$ 2,141</u>
Accrued payroll and employee benefits:		
Accrued vacation	\$ 356	\$ 351
Salaries, bonuses and amounts withheld from employees' compensation	345	254
	<u>\$ 701</u>	<u>\$ 605</u>

⁽¹⁾ During the year ended December 30, 2022, and December 31, 2021, \$489 million and \$428 million, respectively, of amortization was recognized related to transition costs and project assets.

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

⁽³⁾ Balances are net of \$19 million and \$16 million of dividends received during fiscal 2022 and fiscal 2021, respectively, that were recorded in cash flows provided by operating activities of continuing operations on the consolidated statements of cash flows.

⁽⁴⁾ Certain accounts in accrued liabilities were reclassified in the prior year to other to conform to current year presentation.

Statements of Income	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
	(in millions)		
Other expense, net:			
Loss on debt extinguishment	\$ —	\$ —	\$ (36)
Loss on sale of businesses	—	(3)	—
Loss on foreign currencies	(3)	(1)	(4)
Other income, net	—	3	2
	<u>\$ (3)</u>	<u>\$ (1)</u>	<u>\$ (38)</u>

Note 16—Earnings Per Share ("EPS")

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

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

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

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
	(in millions)		
Basic weighted average number of shares outstanding	137	141	142
Dilutive common share equivalents—stock options and other stock awards	1	2	2
Diluted weighted average number of shares outstanding	<u>138</u>	<u>143</u>	<u>144</u>

Anti-dilutive stock-based awards are excluded from the weighted average number of shares outstanding used to compute diluted EPS. The total outstanding stock options and vesting stock awards that were anti-dilutive were 1 million for both fiscal 2022 and 2021. There were no significant anti-diluted equity awards for fiscal 2020.

Share Repurchases

During fiscal 2021 and 2020, we made open market repurchases of our common stock for an aggregate purchase price of \$237 million and \$67 million, respectively. There were no open market share repurchases in fiscal 2022.

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

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

Note 17—Stock-Based Compensation

Plan Summaries

As of December 30, 2022, we had stock-based compensation awards outstanding under the following plans: the 2017 Omnibus Incentive Plan, the 2006 Equity Incentive Plan, as amended, and the 2006 Employee Stock Purchase Plan, as amended ("ESPP"). We issue new shares upon the vesting of stock units or exercising of stock options under these plans.

The 2017 Omnibus Incentive Plan provides Leidos and its affiliates' employees, directors and consultants the opportunity to receive various types of stock-based compensation awards, such as stock options, restricted stock units and performance-based awards, as well as cash awards. We grant service-based awards that generally vest or become exercisable 25% a year over four years or cliff vest in three years. As of December 30, 2022, 3.5 million shares of Leidos' stock were reserved for future issuance under the 2017 Omnibus Incentive Plan and the 2006 Equity Incentive Plan.

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

Our ESPP allows eligible employees to purchase shares of Leidos' stock at a discount of up to 15% of the fair market value on the date of purchase. During fiscal 2022, 2021 and 2020, the discount was 10% of the fair market value on the date of purchase. During fiscal 2022, 2021 and 2020, \$45 million, \$39 million and \$32 million, respectively, was received from ESPP plan participants for the issuance of Leidos' stock. A total of 2.9 million shares remain available for future issuance under the ESPP.

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

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
	(in millions)		
Total stock-based compensation expense	\$ 73	\$ 67	\$ 62
Tax benefits recognized from stock-based compensation	16	17	15

Stock Options

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

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

During fiscal 2022, 2021 and 2020, we used a blended approach to measure expected volatility that is based on our weighted average historical and implied volatilities.

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

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
Weighted average grant-date fair value	\$ 24.67	\$ 20.23	\$ 19.64
Expected term (in years)	4.7	4.6	4.5
Expected volatility	29.5 %	29.6 %	25.0 %
Risk-free interest rate	1.6 %	0.7 %	0.6 %
Dividend yield	1.6 %	1.3 %	1.3 %

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

	Shares of stock under stock options (in millions)	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in millions)
Outstanding at January 3, 2020	2.4	\$ 46.04	3.8	\$ 128
Options granted	0.3	106.73		
Options forfeited or expired	(0.1)	66.84		
Options exercised	(0.4)	35.94		29
Outstanding at January 1, 2021	2.2	\$ 56.01	3.5	\$ 108
Options granted	0.3	90.25		
Options forfeited or expired	—	85.42		
Options exercised	(0.4)	38.79		27
Outstanding at December 31, 2021	2.1	\$ 65.18	3.5	\$ 54
Options granted	0.3	105.01		
Options forfeited or expired	—	92.10		
Options exercised	(0.6)	39.26		41
Outstanding at December 30, 2022	1.8	\$ 81.45	3.9	\$ 42
Exercisable at December 30, 2022	1.0	\$ 69.70	2.8	\$ 34
Vested and expected to vest in the future as of December 30, 2022	1.7	\$ 81.24	3.9	\$ 42

As of December 30, 2022, there was \$6 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 2.1 years. Tax benefits from stock options exercised for fiscal 2022, 2021 and 2020 were \$9 million, \$6 million and \$7 million, respectively.

Restricted Stock Units and Awards

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

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Shares of stock under stock awards	Weighted average grant- date fair value
	(in millions)	
Unvested stock awards at January 3, 2020	1.4	\$ 60.91
Awards granted	0.5	106.38
Awards forfeited	(0.1)	79.61
Awards vested	(0.5)	56.36
Unvested stock awards at January 1, 2021	1.3	\$ 79.05
Awards granted	0.7	91.09
Awards forfeited	(0.1)	89.56
Awards vested	(0.5)	71.60
Unvested stock awards at December 31, 2021	1.4	\$ 88.89
Awards granted	0.5	104.78
Awards forfeited	(0.1)	99.38
Awards vested	(0.5)	74.20
Unvested stock awards at December 30, 2022	<u>1.3</u>	<u>\$ 98.52</u>

As of December 30, 2022, there was \$52 million of unrecognized compensation cost, net of estimated forfeitures, related to restricted stock units, which is expected to be recognized over a weighted average period of 2.0 years. The fair value of restricted stock units that vested in fiscal 2022, 2021 and 2020 was \$52 million, \$48 million and \$58 million, respectively. In addition, the fair value of dividend equivalents with respect to restricted stock units that vested in fiscal 2022, 2021 and 2020 was immaterial.

Performance-Based Stock Awards

Performance-based stock awards vest and the stock is issued at the end of a three-year period based upon the achievement of specific performance criteria, with the number of shares ultimately awarded, if any, ranging up to 150% of the specified target awards. If performance is below the threshold level of performance, no shares will be issued.

For awards granted during fiscal 2022, 2021 and 2020, the target number of shares of stock granted under the awards will vest and the stock will be issued at the end of a three-year period based on a three-year cycle performance period and the actual number of shares to be issued will be based upon the achievement of the three-year cycle's performance criteria. Also, during fiscal 2022, 2021 and 2020, we granted performance-based awards with market conditions. These market conditions grants represent the target number of shares and the actual number of shares to be awarded upon vesting may be higher or lower depending upon the achievement of the relevant market conditions. The target number of shares granted under the market conditions grants will vest and the stock will be issued at the end of a three-year period based on the attainment of certain total shareholder return performance measures and the employee's continued service through the vest date.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Expected number of shares of stock to be issued under performance-based stock awards (in millions)	Weighted average grant- date fair value
Unvested at January 3, 2020	0.6	\$ 63.66
Awards granted	0.2	103.34
Awards forfeited	(0.1)	72.96
Awards vested	(0.2)	58.61
Unvested at January 1, 2021	0.5	\$ 80.20
Awards granted	0.2	86.88
Awards forfeited	—	89.65
Awards vested	(0.2)	65.30
Unvested at December 31, 2021	0.5	\$ 88.72
Awards granted	0.2	114.98
Awards forfeited	—	103.06
Awards vested	(0.2)	67.79
Unvested at December 30, 2022	0.5	\$ 106.70

The weighted average grant date fair value for performance-based stock, excluding those with a market condition, during fiscal 2022, 2021 and 2020 was \$105.07, \$89.26 and \$106.80, respectively. The weighted average grant date fair value for performance-based stock with market conditions that were granted during fiscal 2022, 2021 and 2020 was \$129.42, \$88.21 and \$127.92, respectively, and was calculated using the Monte Carlo simulation.

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

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
Expected volatility	33.18 %	32.86 %	23.99 %
Risk free rate of return	1.61 %	0.29 %	0.50 %
Weighted average grant date stock price	\$ 107.67	\$ 90.85	\$ 105.12

As of December 30, 2022, there was \$21 million of unrecognized compensation cost, net of estimated forfeitures, which is expected to be recognized over a weighted average period of 1.7 years. The fair value of performance-based stock awards that vested in fiscal 2022, 2021 and 2020 was \$17 million, \$19 million, and \$25 million, respectively.

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Note 18—Income Taxes

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

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
	(in millions)		
Current:			
Federal	\$ 290	\$ 156	\$ 90
State	80	49	37
Foreign	33	29	28
Deferred:			
Federal	(169)	(20)	13
State	(36)	(3)	(11)
Foreign	(5)	(3)	(5)
Total	\$ 193	\$ 208	\$ 152

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

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
	(in millions)		
Amount computed at the statutory federal income tax rate	\$ 186	\$ 203	\$ 164
State income taxes, net of federal tax benefit	36	34	20
Research and development credits	(31)	(23)	(26)
Excess tax benefits from stock-based compensation	(13)	(11)	(15)
Change in valuation allowance for deferred tax assets	3	5	(5)
Impact of foreign operations	2	4	11
Dividends paid to employee stock ownership plan	(2)	(2)	(2)
Change in accruals for uncertain tax positions	(1)	1	1
Other	13	(3)	4
Total	\$ 193	\$ 208	\$ 152
Effective income tax rate	21.8 %	21.5 %	19.5 %

The effective tax rates for both fiscal 2022 and fiscal 2021 were favorably impacted primarily by federal research tax credits and excess tax benefits related to employee stock-based payment transactions.

The effective tax rate for fiscal 2020 was favorably impacted primarily by federal research tax credits and excess tax benefits related to employee stock-based payment transactions, partially offset by taxes related to foreign operations.

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

	December 30, 2022	December 31, 2021
	(in millions)	
Capitalized research and development	\$ 228	\$ —
Operating lease liabilities	190	187
Accrued vacation and bonuses	87	91
Reserves	40	47
Deferred compensation	32	39
Credits and net operating losses carryovers	32	26
Vesting stock awards	27	24
Deferred revenue	—	16
Accumulated other comprehensive loss	2	—
Other	13	9
Total deferred tax assets	<u>651</u>	<u>439</u>
Valuation allowance	(24)	(21)
Deferred tax assets, net of valuation allowance	<u>\$ 627</u>	<u>\$ 418</u>
Purchased intangible assets	\$ (415)	\$ (413)
Operating lease right-of-use assets	(140)	(158)
Property, plant and equipment	(75)	(63)
Accumulated other comprehensive income	—	(1)
Deferred revenue	(4)	—
Other	(5)	(9)
Total deferred tax liabilities	<u>(639)</u>	<u>(644)</u>
Net deferred tax liabilities	<u>\$ (12)</u>	<u>\$ (226)</u>

At December 30, 2022, we had state net operating losses of \$62 million and state tax credits of \$2 million. Both will begin to expire in fiscal 2023; however, we expect to utilize \$45 million and \$2 million of these state net operating losses and state tax credits, respectively. We had foreign tax credits of \$18 million that will begin to expire in fiscal 2030. We expect to utilize \$7 million of these foreign tax credits. We also had foreign net operating losses of \$35 million, which do not expire. We expect to utilize \$2 million of these foreign net operating losses.

Our valuation allowance for deferred tax assets was \$24 million and \$21 million as of December 30, 2022 and December 31, 2021, respectively.

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

	December 30, 2022	December 31, 2021
	(in millions)	
Other current assets:		
Prepaid income taxes and tax refunds receivable	\$ 11	\$ 6
Other long-term assets:		
Deferred tax assets	\$ 28	\$ 13
Accounts payable and accrued liabilities:		
Income taxes payable	\$ 135	\$ 29
Deferred tax liabilities	\$ 40	\$ 239
Other long-term liabilities:		
Unrecognized tax benefits	\$ 92	\$ 2

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

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
	(in millions)		
Unrecognized tax benefits at beginning of year	\$ 2	\$ 6	\$ 5
Additions for tax positions related to current year	91	—	—
Additions for tax positions related to prior years	—	2	1
Reductions for tax positions related to prior years	—	(2)	—
Settlements with taxing authorities	—	(3)	—
Lapse of statute of limitations	(1)	(1)	—
Unrecognized tax benefits at end of year	\$ 92	\$ 2	\$ 6
Unrecognized tax benefits that, if recognized, would affect the effective income tax rate	\$ —	\$ 2	\$ 5

At December 30, 2022, and December 31, 2021, the balance of unrecognized tax benefits included liabilities for uncertain tax positions of \$92 million and \$2 million, respectively, which were classified as other long-term liabilities on the consolidated balance sheets. At January 1, 2021, the balance of unrecognized tax benefits included liabilities for uncertain tax positions of \$6 million, \$4 million of which were classified as other long-term liabilities on the consolidated balance sheets.

Beginning in 2022, the Tax Cuts and Jobs Act of 2017 (“TCJA”) eliminated the option to currently deduct certain research and development costs for tax purposes and requires taxpayers to capitalize and amortize research costs over five years. Based upon our interpretation of the law as currently enacted, we recorded the estimated fiscal 2022 impact, resulting in increases of \$130 million to both our income taxes payable and net deferred tax assets. Our unrecognized tax benefits also increased by \$91 million with a corresponding increase to net deferred tax assets. The actual impact will depend on the amount of research and development costs the Company will incur, whether Congress modifies or repeals this provision and whether new guidance and interpretive rules are issued by the U.S. Treasury, among other factors.

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We file income tax returns in the United States and various state and foreign jurisdictions. For the year ended December 30, 2022, we are participating in the Internal Revenue Service ("IRS") Compliance Assurance Process ("CAP"), a real-time audit of our consolidated federal corporate income tax return. The IRS has examined our consolidated federal income tax returns through the year ended January 3, 2020. For the years ended January 1, 2021 and December 31, 2021, we were selected to participate in the phase of CAP reserved for taxpayers whose risk of noncompliance does not warrant use of IRS resources. We believe that participation in CAP should reduce tax-related uncertainties, if any. Additionally, with a few exceptions, as of December 30, 2022, we are no longer subject to state, local, or foreign examinations by the tax authorities for fiscal years ended on or before December 28, 2018.

During the next 12 months, we expect our balance of unrecognized tax benefits to decrease by \$20 million related to capitalized research and development costs. While we believe we have adequate accruals for uncertain tax positions, the tax authorities may determine that we owe taxes in excess of recorded accruals or the recorded accruals may be in excess of the final settlement amounts agreed to by tax authorities.

Note 19—Retirement Plans

Defined Contribution Plans

We sponsor various defined contribution plans in which most employees are eligible to participate. These plans allow eligible participants to contribute a portion of their income through payroll deductions and Leidos may also make discretionary contributions. Company contributions were \$145 million, \$131 million and \$120 million for fiscal 2022, 2021 and 2020, respectively.

Deferred Compensation Plans

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

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

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

Defined Benefit Plans

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

On May 20, 2022, the trustee of our UK defined benefit pension plan (the "Plan") invested the assets of the Plan in a bulk purchase annuity policy to fully insure the benefits payable to the members of the Plan. As the buy-in transaction insured the defined benefit obligation, we do not anticipate material future contributions.

The bulk purchase annuity policy is structured to enable the Plan to move to a full buy-out, at which time the insurer would become directly responsible for all pension payments and we would be relieved of our obligations under the Plan. At this future date, a settlement loss will be recognized for an amount equal to any unamortized loss associated with the Plan recorded within AOCI and any remaining net plan assets of the Plan will be remitted to the Company. As of December 30, 2022, the unamortized loss within AOCI related to the Plan was \$20 million and the Plan had net assets of \$7 million.

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The projected benefit obligation of the Plans as of December 30, 2022 and December 31, 2021, was \$101 million and \$160 million, respectively. The decrease in the projected benefit obligation was primarily due to assumption changes and an actuarial gain.

The fair value of the Plans assets as of December 30, 2022, and December 31, 2021, was \$101 million and \$189 million, respectively. The decrease was primarily driven by assumption changes to reflect the fair value of the annuity contract and return on plan assets. The UK Plan funding status was overfunded \$7 million and \$37 million as of December 30, 2022, and December 31, 2021, respectively. The Gibbs & Cox defined benefit pension plan funding status was underfunded \$7 million and \$8 million as of December 30, 2022, and December 31, 2021, respectively. The fair value of Plans assets has been included within "Other long-term liabilities" on the consolidated balance sheets.

Other

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

Note 20—Business Segments

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

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

Effective July 3, 2021, certain contracts were reassigned from the Defense Solutions reportable segment to the Civil reportable segment. Impact on prior year segment results were determined to be immaterial and have not been recast to reflect this change.

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

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

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

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

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

	Year Ended		
	December 30, 2022	December 31, 2021	January 1, 2021
	(in millions)		
Revenues:			
Defense Solutions	\$ 8,244	\$ 8,032	\$ 7,341
Civil	3,464	3,157	2,994
Health	2,688	2,548	1,962
Total revenues	\$ 14,396	\$ 13,737	\$ 12,297
Operating income (loss):			
Defense Solutions	\$ 541	\$ 569	\$ 506
Civil	234	248	280
Health	421	442	235
Corporate	(108)	(107)	(23)
Total operating income	\$ 1,088	\$ 1,152	\$ 998
Amortization of intangible assets:			
Defense Solutions	\$ 130	\$ 121	\$ 92
Civil	70	73	66
Health	30	34	40
Total amortization of intangible assets	\$ 230	\$ 228	\$ 198

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

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

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We generated approximately 86% of our total revenues in fiscal 2022, and 87% in fiscal 2021 and 2020 from contracts with the U.S. government, either as a prime contractor or a subcontractor to other contractors engaged in work for the U.S. government. Revenues under contracts with the DoD and U.S. Intelligence Community, including subcontracts under which the DoD or the U.S. Intelligence Community is the ultimate purchaser, represented approximately 44% of our total revenues for fiscal 2022, 44% for fiscal 2021 and 49% for fiscal 2020.

Approximately 8% of our revenues and tangible long-lived assets are generated by or owned by entities outside of the United States. As such, additional financial information by geographic location is not presented.

Note 21—Commitments and Contingencies

Legal Proceedings

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

Contingencies

VirnetX, Inc. ("VirnetX")

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

Under our agreements with VirnetX, Leidos would receive 25% of the proceeds obtained by VirnetX after reduction for attorneys' fees and costs. However, the verdict in the Apple II case remains subject to the ongoing and potential future proceedings and appeals. In addition, the patents at issue in these cases are subject to U.S. Patent and Trademark Office post-grant inter partes review and/or reexamination proceedings and related appeals, which may result in all or part of these patents being invalidated or the claims of the patents being limited. Thus, no assurances can be given when or if we will receive any proceeds in connection with these jury awards. In addition, if Leidos receives any proceeds, we are required to pay a royalty to the customer who paid for the development of the technology.

Government Investigations and Reviews

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

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Defense Contract Audit Agency

As of December 30, 2022, active indirect cost audits by the DCAA remain open for fiscal 2021 and subsequent fiscal years. Although we have recorded contract revenues based upon an estimate of costs that we believe will be approved upon final audit or review, we cannot predict the outcome of any ongoing or future audits or reviews and adjustments and, if future adjustments exceed estimates, our profitability may be adversely affected. As of December 30, 2022, we believe we have adequately reserved for potential adjustments from audits or reviews of contract costs.

Other Government Investigations and Reviews

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

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

Commitments

We have outstanding letters of credit of \$72 million as of December 30, 2022, principally related to performance guarantees on contracts. We also have outstanding surety bonds with a notional amount of \$100 million as of December 30, 2022, principally related to performance and subcontractor payment bonds on contracts. The value of the surety bonds may vary due to changes in the underlying project status and/or contractual modifications. We also have future lease commitments of \$74 million for the use of certain aircraft.

As of December 30, 2022, the future expirations of the outstanding letters of credit, surety bonds and future lease commitments were as follows:

Fiscal year ending	(in millions)
2023	\$ 60
2024	104
2025	37
2026	19
2027	22
2028 and thereafter	4
	<u>\$ 246</u>

PART II**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 Chairman and Chief Executive Officer) and principal financial officer (our Executive Vice President and Chief Financial Officer), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934) as of December 30, 2022. Based upon that evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission ("SEC"). These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the fourth quarter of fiscal 2022, we completed our acquisition of Cobham Special Mission. As part of the ongoing integration of Cobham Special Mission, we are in the process of incorporating the controls and related procedures of these businesses. Other than incorporating controls for Cobham Special Mission, there have been no other changes in our internal control over financial reporting that occurred in the fourth quarter of the period ended December 30, 2022, covered by this Annual Report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

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

As permitted by the SEC rules, management's assessment and conclusion on the effectiveness of our internal control over financial reporting as of December 30, 2022, excludes an assessment of the internal control over financial reporting of Cobham Special Mission, acquired on October 30, 2022. Cobham Special Mission represents approximately 1.55% of our consolidated total assets, excluding the preliminary value of goodwill and intangible assets related to Cobham Special Mission, at December 30, 2022, and 0.15% and 0.28% of our consolidated revenues and operating income, respectively, for the fiscal year ended December 30, 2022.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our internal control over financial reporting as of December 30, 2022, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management has assessed the effectiveness of our internal control over financial reporting as of December 30, 2022, and has concluded that our internal control over financial reporting as of that date was effective.

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

February 14, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Reston, Virginia

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Leidos Holdings, Inc. and subsidiaries (the “Company”) as of December 30, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the fiscal year ended December 30, 2022, of the Company and our report dated February 14, 2023, expressed an unqualified opinion on those financial statements.

As described in Management’s Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Cobham Special Mission, which was acquired on October 30, 2022, and whose financial statements constitute total assets of 1.55%, excluding the preliminary value of goodwill and intangible assets, 0.15% of revenues, and 0.28% of operating income of the consolidated financial statement amounts as of and for the fiscal year ended December 30, 2022. Accordingly, our audit did not include the internal control over financial reporting at Cobham Special Mission.

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Deloitte & Touche LLP

McLean, Virginia

February 14, 2023

PART II

Item 9B. Other Information

On February 10, 2023, the Board of Directors amended our Amended and Restated Bylaws (as amended, "Bylaws"), effective immediately. The amendments update various Bylaws provisions to make technical changes reflecting Rule 14a-19 promulgated under the Securities Exchange Act of 1934, and the DGCL, including recent DGCL amendments. The amendments also update the Bylaws to use gender-neutral terms and include various immaterial modifications that provide clarification and consistency.

The foregoing description of the amendments is qualified in its entirety by reference to the Bylaws, a copy of which is filed as Exhibit 3.2 to this Annual Report on Form 10-K and incorporated by reference herein.

Item 10. Directors, Executive Officers and Corporate Governance

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

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

We intend to 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 2023 Proxy Statement, which 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 2023 Proxy Statement, which is incorporated by reference into this Annual Report on Form 10-K.

PART III

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

For information required by Item 12 with respect to the security ownership of certain beneficial owners and management, see the information set forth under the caption "Other Information" in the 2023 Proxy Statement, which is incorporated by reference into this Annual Report on Form 10-K.

Information with respect to our equity compensation plans as of December 30, 2022, is set forth below:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders ⁽¹⁾	3,541,752 ⁽²⁾	\$ 81.45 ⁽³⁾	10,584,324 ⁽⁴⁾
Equity compensation plans not approved by security holders ⁽⁵⁾	—	—	— ⁽⁵⁾
Total	3,541,752 ⁽²⁾	\$ 81.45 ⁽³⁾	10,584,324

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

⁽²⁾ Represents (i) 1,785,729 shares of Leidos common stock reserved for future issuance for service-based awards and performance and market-based awards assuming achievement of the target level of performance for unearned performance and market-based awards (does not include an additional 239,934 shares if the maximum level of performance is achieved) and other stock awards under the 2017 Omnibus Incentive Plan and 2006 Equity Incentive Plan, (ii) 7,423 shares of Leidos common stock issuable pursuant to dividend equivalent rights and (iii) 1,748,600 shares of Leidos common stock reserved for future issuance upon the exercise of outstanding options awarded under the 2017 Omnibus Incentive Plan and 2006 Equity Incentive Plan. Does not include shares to be issued pursuant to purchase rights under the 2006 Employee Stock Purchase Plan.

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

⁽⁴⁾ Represents 7,687,280 and 2,897,044 shares of Leidos common stock under the 2017 Omnibus Incentive Plan and 2006 Employee Stock Purchase Plan, respectively. The maximum number of shares initially available for issuance under the 2017 Omnibus Incentive Plan was 7.5 million. The 2006 Equity Incentive Plan was amended in June 2012 to provide that the maximum number of shares available for issuance thereunder is 12.5 million. The 2006 Employee Stock Purchase Plan was amended in September 2016 to provide that the maximum number of shares available for issuance thereunder is 5.0 million. Those shares (i) that are issued under the 2017 Omnibus Incentive Plan and 2006 Equity Incentive Plan that are forfeited or repurchased at the original purchase price or less or that are issuable upon exercise of awards granted under the plan that expire or become unexercisable for any reason after their grant date without having been exercised in full, (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 2017 Omnibus Incentive Plan.

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

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

For information required by Item 13 with respect to certain relationships and related transactions and the independence of directors and nominees, see the information set forth under the caption "Corporate Governance" in the 2023 Proxy Statement, which 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 2023 Proxy Statement, which is incorporated by reference into this Annual Report on Form 10-K.

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of the report:

1. Financial Statements

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

2. Financial Statement Schedules

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

3. Exhibits

Exhibit Number	Description of Exhibit
2.1	Distribution Agreement dated September 25, 2013. Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on October 1, 2013.
2.2	Agreement and Plan of Merger, dated January 26, 2016, among Leidos Holdings, Inc., Lockheed Martin Corporation, Abacus Innovations Corporation, and Lion Merger Co. Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on January 28, 2016.
2.3	Separation Agreement, dated January 26, 2016, between Lockheed Martin Corporation and Abacus Innovations Corporation. Incorporated by reference to Exhibit 2.2 to our Current Report on Form 8-K filed with the SEC on January 28, 2016.
2.4	Amendment to Agreement and Plan of Merger, dated as of June 27, 2016, among Lockheed Martin Corporation, Leidos Holdings, Inc., Abacus Innovations Corporation and Lion Merger Co. Incorporated by reference to Exhibit 2.7 to our Registrant Statement on Form S-4 with the SEC on June 28, 2016.
2.5	Amendment to Separation Agreement, dated as of June 27, 2016, between Lockheed Martin Corporation and Abacus Innovations Corporation. Incorporated by reference to Exhibit 2.8 to our Registration Statement on Form S-4 filed with the SEC on June 28, 2016.
2.6	Stock Purchase Agreement, dated December 17, 2019, by and among Leidos Holdings, Inc., Leidos, Inc., DYHC, Inc. and Dynetics, Inc. Employee Stock Ownership Trust, as amended (which is part of the Dynetics, Inc. Employee Stock Ownership Plan). Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on December 18, 2019.
2.7	Sale Agreement dated as of February 3, 2020, by and among L3 Harris Technologies, Inc., Leidos, Inc. and Leidos Holdings, Inc. Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on February 4, 2020.
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 May 15, 2020.
3.2	Amended and Restated Bylaws of Leidos Holdings, Inc.
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 filed with the SEC on July 3, 2002. (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 filed with the SEC on October 17, 2006. (SEC File No. 001-33072)

PART IV

Exhibit Number	Description of Exhibit
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 with the SEC on December 22, 2010.
4.4	Bridge Credit Agreement dated as of January 31, 2020, among Leidos Holdings, Inc., Leidos, Inc. and Citibank, N.A. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on January 31, 2020.
4.5	Indenture relating to the 2.950% Senior Notes due 2023, 3.625% Senior Notes due 2025 and the 4.375% Senior Notes due 2030, dated as of May 12, 2020, by and among Leidos, Inc., as issuer, Leidos Holdings, Inc., as guarantor, and Citibank, N.A., as trustee. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on May 12, 2020.
4.6	Form of 2.950% Senior Notes due 2023. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on May 12, 2020.
4.7	Form of 3.625% Senior Notes due 2025. Incorporated by reference to Exhibit 4.3 to our Current Report on Form 8-K filed with the SEC on May 12, 2020.
4.8	Form of 4.375% Senior Notes due 2030. Incorporated by reference to Exhibit 4.4 to our Current Report on Form 8-K filed with the SEC on May 12, 2020.
4.9	Indenture relating to the 2.300% Senior Notes due 2031, dated as of October 8, 2020 among Leidos, Inc., Leidos Holdings, Inc., as guarantor, and Citibank, N.A., as trustee. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on October 9, 2020.
4.10	Form of 2.300% Senior Notes due 2031. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on October 9, 2020.
4.11	Description of Common Stock. Incorporate by reference to Exhibit 4.13 to our Annual Report on Form 10-K filed with the SEC on February 23, 2021.
10.1*	Leidos Holdings, Inc.'s 2006 Equity Incentive Plan. Incorporated by reference to Exhibit 10.1 to our Annual Report on Form 10-K filed with the SEC on March 27, 2014.
10.2*	Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan
10.3*	Leidos, Inc. Stock Compensation Plan. Incorporated by reference to Exhibit 10.2 to our Annual Report on Form 10-K filed with the SEC on March 27, 2014.
10.4*	Leidos, Inc.'s Management Stock Compensation Plan. Incorporated by reference to Exhibit 10.3 to our Annual Report on Form 10-K filed with the SEC on March 27, 2014.
10.5*	Amended and Restated Leidos, Inc.'s Keystaff Deferral Plan. Incorporated by reference to Exhibit 10.4 to our Transition Report on Form 10-K filed with the SEC on February 26, 2016.
10.6*	Amended and Restated Leidos, Inc.'s Key Executive Stock Deferral Plan. Incorporated by reference to Exhibit 10.5 to our Transition Report on Form 10-K filed with the SEC on February 26, 2016.
10.7*	Amended and Restated Leidos Holdings, Inc.'s 2006 Employee Stock Purchase Plan. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on August 4, 2017.
10.8*	Leidos, Inc.'s 401(k) Excess Deferral Plan. Incorporated by reference to Exhibit 10.7 to our Annual Report on Form 10-K filed with the SEC on March 27, 2014.
10.9*	Form of Nonstatutory Stock Option Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan. Incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K filed with the SEC on March 27, 2014.
10.10*	Form of Nonstatutory Stock Option Agreement (Non-Employee Directors) of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan. Incorporated by reference to Exhibit 10.11 to our Annual Report on Form 10-K filed with the SEC on March 27, 2014.
10.11*	Form of Restricted Stock Unit Award Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan. Incorporated by reference to Exhibit 10.14 to our Annual Report on Form 10-K filed with the SEC on March 27, 2014.

PART IV

Exhibit Number	Description of Exhibit
10.12*	Form of Restricted Unit Award Agreement (Management) of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan. Incorporated by reference to Exhibit 10.16 to our Annual Report on Form 10-K filed as with the SEC on March 27, 2014.
10.13*	Form of Indemnification Agreement. Incorporated by reference to Exhibit 10.19 to our Annual Report on Form 10-K filed with the SEC on March 25, 2015.
10.14*	Amended and Restated Executive Severance Plan. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on October 29, 2019.
10.15*	Executive Employment Agreement dated June 30, 2014. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on July 2, 2014.
10.16*	Form of Performance Share Award Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan (for Performance Share Award Agreements entered into on or after April 3, 2015). Incorporated by reference to Exhibit 10.33 to our Annual Report on Form 10-K filed with the SEC on March 25, 2015.
10.17*	Form of Restricted Stock Unit Award Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan. Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed with the SEC on May 5, 2017.
10.18*	Form of Nonstatutory Stock Option Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan (for Nonstatutory Stock Option Agreements granted on March 3, 2017). Incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q filed with the SEC on May 5, 2017.
10.19*	Form of Performance Share Award Agreement of Leidos Holdings, Inc.'s 2006 Equity Incentive Plan (for Performance Share Award Agreements granted on March 3, 2017). Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q filed with the SEC on May 5, 2017.
10.20*	Form of Notice of Grant of Options for Non-Employee Directors under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan. Incorporated by reference to Exhibit 10.22 to our Annual Report on Form 10-K filed with the SEC on February 23, 2018.
10.21*	Form of Notice of Grant of Options for Employees under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan.
10.22*	Form of Notice of Grant of Restricted Stock Unit Awards (Performance-Vesting) for Employees under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan.
10.23*	Form of Notice of Grant of Performance Share Awards for Employees under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan.
10.24*	Form of Notice of Grant of Restricted Stock Unit Awards (Time-Vesting) for Employees under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan.
10.25*	Form of Notice of Grant of Restricted Stock Unit Awards (Time-Vesting) for Non-Employee Directors under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan. Incorporated by reference to Exhibit 10.27 to our Annual Report on Form 10-K filed with the SEC on February 23, 2018.
10.26	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.
10.27	Membership Interest Purchase Agreement by and among Leidos Engineering, LLC, Greenleaf Power Consolidated, LLC and Plainfield Renewable Energy, LLC dated March 24, 2015. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on March 25, 2015.
10.28	Amendment to Membership Interest Purchase Agreement by and among Leidos Engineering, LLC, Greenleaf Power Consolidated, LLC and Plainfield Renewable Energy, LLC dated July 17, 2015. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on July 23, 2015.

PART IV

Exhibit Number	Description of Exhibit
10.29	Credit Agreement dated August 16, 2016, among Leidos Holdings, Inc., Leidos, Inc., as Borrower, the lenders party thereto and Citibank, N.A., as administrative agent. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on November 4, 2016.
10.30	First Amendment, dated August 16, 2017, to the Credit Agreement dated August 16, 2016, by and among Leidos, Inc., as borrower, Leidos Holdings, Inc., Citibank, N.A., as administrative agent and the other lending institutions party to the amendment. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on November 3, 2017.
10.31	Second Amendment, dated August 22, 2018, to the Credit Agreement dated as of August 16, 2016, by and among Leidos, Inc., as borrower, Leidos Holdings, Inc., Citibank, N.A., as administrative agent and the other lending institutions party to the amendment. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on August 28, 2018.
10.32	Credit Agreement dated August 16, 2016, among Leidos Innovations Corporation (formerly Abacus Innovations Corporation) as Borrower, the lenders party thereto, and Citibank, N.A., as administrative agent. Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed with the SEC on November 4, 2016.
10.33	First Amendment, dated February 16, 2017, to the Credit Agreement dated as of August 16, 2016, by and among Leidos Innovations (f/k/a Abacus Innovations Corporation), as borrower, Leidos Holdings, Inc., Citibank, N.A., as administrative agent and the other lending institutions party to the amendment. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on February 21, 2017.
10.34	Second Amendment, dated August 16, 2017, to the Credit Agreement dated as of August 16, 2016, by and among Leidos Innovations Corporation (f/k/a Abacus Innovations Corporation), as borrower, Leidos Holdings, Inc., Citibank, N.A., as administrative agent and the other lending institutions party to the amendment. Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed with the SEC on November 3, 2017.
10.35	Third Amendment, dated March 15, 2018, to the Credit Agreement dated as of August 16, 2016, by and among Leidos Innovations (f/k/a Abacus Innovations Corporation), as borrower, Leidos Holdings, Inc., Citibank, N.A., as administrative agent and the other lending institutions party to the amendment. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on March 20, 2018.
10.36	Fourth Amendment, dated August 22, 2018, to the Credit Agreement dated as of August 16, 2016, by and among Leidos Innovations (f/k/a Abacus Innovations Corporation), as borrower, Leidos Holdings, Inc., Citibank, N.A., as administrative agent and the other lending institutions party to the amendment. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on August 28, 2018.
10.37	Fifth Amendment, dated November 19, 2018, to the Credit Agreement dated as of August 16, 2016, by and among Leidos Innovations (f/k/a Abacus Innovations Corporation), as borrower, Leidos Holdings, Inc., Citibank, N.A., as administrative agent and the other lending institutions party to the amendment. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on November 20, 2018.
10.38	Intellectual Property Matters Agreement, dated August 16, 2016, between Lockheed Martin Corporation and Abacus Innovations Corporation. Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed with the SEC on November 4, 2016.
10.39	Shared Contracts Agreement - Shared Contracts (Parent Companies), dated August 16, 2016, between Lockheed Martin Corporation and Splitco. Incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q filed with the SEC on November 4, 2016.
10.40	Shared Contracts Agreement - Shared Contracts (Splitco Companies), dated August 16, 2016, between Lockheed Martin Corporation and Splitco. Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q filed with the SEC on November 4, 2016.
10.41	Subcontract Pending Novation and Consent (Parent to Splitco), dated August 16, 2016, between Lockheed Martin Corporation and Splitco. Incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q filed with the SEC on November 4, 2016.

PART IV

Exhibit Number	Description of Exhibit
10.42	Supply Agreement (Parent to Splitco), dated August 16, 2016, between Lockheed Martin Corporation and Splitco. Incorporated by reference to Exhibit 10.7 to our Quarterly Report on Form 10-Q filed with the SEC on November 4, 2016.
10.43	Supply Agreement (Splitco to Parent), dated August 16, 2016, between Lockheed Martin Corporation and Splitco. Incorporated by reference to Exhibit 10.8 to our Quarterly Report on Form 10-Q filed with the SEC on November 4, 2016.
10.44	Transition Services Agreement (Parent to Splitco), dated August 16, 2016, between Lockheed Martin Corporation and Splitco. Incorporated by reference to Exhibit 10.9 to our Quarterly Report on Form 10-Q filed with the SEC on November 4, 2016.
10.45	Credit Agreement dated as of January 17, 2020, among Leidos Holdings, Inc., Leidos, Inc. and Citibank, N.A. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on January 17, 2020.
10.46	Term Loan Credit Agreement dated as of February 12, 2020, among Leidos Holdings, Inc., Leidos, Inc. and Citibank, N.A. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on February 14, 2020.
10.47	Form of Commercial Paper Dealer Agreement, dated July 12, 2021, between Leidos, Inc., as issuer, the Company, as guarantor, and the applicable Dealer party thereto. Incorporated by reference to Exhibit 10.1 to our Form 8-K filed with the U.S. Securities and Exchange Commission on July 12, 2021.
21	Subsidiaries of the Registrant.
22	List of Guarantors and Subsidiary Issuers of Guaranteed Securities.
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 our Annual Report on Form 10-K filed with the SEC on April 1, 2010.
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 our Annual Report on Form 10-K filed with the SEC on April 1, 2010.
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 our Form 10-K filed with the SEC on April 1, 2010.
99.4	Employee Matters Agreement, dated as of January 26, 2016, among Lockheed Martin Corporation, Abacus Innovations Corporation and Leidos Holdings, Inc. Incorporated by reference to Exhibit 99.1 to our Registration Statement on Form S-4 filed with the SEC on April 18, 2016.
99.5	Tax Matters Agreement, dated as of January 26, 2016, among Lockheed Martin Corporation, Abacus Innovations Corporation and Leidos Holdings, Inc. Incorporated by reference to Exhibit 99.2 to our Registration Statement on Form S-4 filed with the SEC on April 18, 2016.
99.6	First Amendment to Employee Matters Agreement, dated June 27, 2016, among Lockheed Martin Corporation, Abacus Innovations Corporation and Leidos Holdings, Inc. Incorporated by reference to Exhibit 99.13 to our Registration Statement on Form S-4 filed with the SEC on June 28, 2016.

PART IV

Exhibit Number	Description of Exhibit
99.7†	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 our Annual Report on Form 10-K filed with the SEC on April 1, 2010.
101	Interactive Data File.
104	Cover Page Interactive Data File. The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

* Executive Compensation Plans and Arrangements

** Paper filing

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

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Leidos Holdings, Inc.

By /s/ Christopher R. Cage
Christopher R. Cage
Executive Vice President and Chief Financial Officer

Dated: February 14, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Leidos Holdings, Inc., in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u> /s/ Roger A. Krone </u> Roger A. Krone	Principal Executive Officer	February 14, 2023
<u> /s/ Christopher R. Cage </u> Christopher R. Cage	Principal Financial Officer	February 14, 2023
<u> /s/ Carly E. Kimball </u> Carly E. Kimball	Principal Accounting Officer	February 14, 2023
<u> /s/ Gregory R. Dahlberg </u> Gregory R. Dahlberg	Director	February 14, 2023
<u> /s/ David G. Fubini </u> David G. Fubini	Director	February 14, 2023
<u> /s/ Noel B. Geer </u> Noel B. Geer	Director	February 14, 2023
<u> /s/ Miriam E. John </u> Miriam E. John	Director	February 14, 2023
<u> /s/ Robert C. Kovarik, Jr. </u> Robert C. Kovarik, Jr.	Director	February 14, 2023
<u> /s/ Harry M. J. Kraemer, Jr. </u> Harry M. J. Kraemer, Jr.	Director	February 14, 2023
<u> /s/ Gary S. May </u> Gary S. May	Director	February 14, 2023
<u> /s/ Surya N. Mohapatra </u> Surya N. Mohapatra	Director	February 14, 2023
<u> /s/ Patrick M. Shanahan </u> Patrick M. Shanahan	Director	February 14, 2023
<u> /s/ Robert S. Shapard </u> Robert S. Shapard	Director	February 14, 2023
<u> /s/ Susan M. Stalneckner </u> Susan M. Stalneckner	Director	February 14, 2023

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

February 10, 2023

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ARTICLE I. OFFICES

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

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

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

ARTICLE II. MEETINGS OF STOCKHOLDERS

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

Section 2.02 **Special Meetings.**

(a) Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time by the Board, or by a committee of the Board which has been duly designated by the Board and whose powers and authority, as provided in a resolution of the Board or in the Bylaws, include the power to call such meetings, and shall be called by the Secretary of the Corporation following the Secretary’s receipt of written requests to call a meeting of stockholders (a “Special Meeting Request”) from one stockholder of record owning at least ten percent (10%), or one or more stockholders of record of shares representing in the aggregate at least twenty-five percent (25%), in each case of the combined voting power of the then outstanding shares of all classes and series of capital stock of the Corporation entitled to vote on the matter or matters to be brought before the proposed special meeting, voting as a single class, and who have delivered such requests in accordance with and subject to the provisions of these Bylaws (as amended from time to time), including any limitations set forth in these Bylaws on the ability to make such a request for such a special meeting. Special meetings may not be called by any other person or persons; provided, however, that if and to the extent that any special meeting of stockholders may be called by any other person or persons specified in any provisions of the Certificate of Incorporation or any amendment thereto or any certificate filed under Section 151(g) of the General Corporation Law of the State of Delaware (“Delaware Law”) (or its successor statute as in effect from time to time hereafter), then such special meeting may also be called by the person or persons, in the manner, at the times and for the purposes so specified.

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

A stockholder may revoke a Special Meeting Request at any time prior to the special meeting; provided however, that if any such revocations are received by the Secretary and, as a result of such revocation, the number of un-revoked Special Meeting Requests no longer represents at least the requisite

number of shares entitling the stockholders to request the calling of a special meeting pursuant to Section 2.02(a), then the Board shall have the discretion to determine whether or not to proceed with the special meeting. If none of the stockholders who submitted the Special Meeting Request appear or send a qualified representative (as defined in these Bylaws) to present the proposal(s) or business submitted by the stockholders for consideration at the special meeting, such proposal(s) or business shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation or such stockholder(s).

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

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

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

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

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

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

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

Section 2.06 Voting.

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

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

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

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

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

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

A stockholder's notice to the Secretary of the Corporation shall set forth: (a) as to each matter the stockholder proposes to bring before the annual meeting, a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting and the text of the business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these Bylaws, the language of the proposed amendment), and (b) as to the stockholder giving notice and the beneficial owner, if any, on whose behalf the proposal is being made, (i) the name and address of such person, (ii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name of each nominee holder of shares of all stock of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation, and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; (iii) a description of all agreements, arrangements, or understandings (whether written or oral) between or among such person, or any affiliates or associates of such person, and any other person or persons (including their names) in connection with the proposal of such business and any material interest of such person or any affiliates or associates of such person, in such business, including any anticipated benefit therefrom to such person, or any affiliates or associates of such person; (iv) whether the stockholder giving notice intends, or is part of a group that intends, to solicit proxies from other stockholders in support of such proposal; (v) a representation that the stockholder giving notice intends to appear in person or by proxy at the annual meeting to bring such business before the meeting; and (vi) any other information relating to such person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies by such person with respect to the proposed business to be brought by such person before the annual meeting pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder.

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

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

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

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

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

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

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

ARTICLE III. BOARD OF DIRECTORS

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

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

Section 3.03 **Election of Directors.**

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

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

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

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

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

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

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

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

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

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

(i) Subject to the provisions of this Section 3.03(c), if expressly requested in the relevant Nomination Notice (as defined below), the Corporation shall include in its proxy statement for any annual meeting of stockholders (but not at any special meeting of stockholders): (A) the name of any person nominated for election (the "Stockholder Nominee"), which shall also be included on the Corporation's form of proxy and ballot, by any Eligible Stockholder (as defined below) or group of up to 20 Eligible Stockholders that, as determined by the Board or its designee acting in good faith, has (individually and collectively, in the case of a group) satisfied all applicable conditions and complied with all applicable procedures set forth in this Section 3.03(c) (such Eligible Stockholder or group of Eligible Stockholders being a "Nominating Stockholder"); (B) disclosure about the Stockholder Nominee and the Nominating Stockholder required under the rules of the Securities and Exchange Commission or other applicable law to be included in the proxy statement; (C) any statement included by the Nominating Stockholder in the Nomination Notice for inclusion in the proxy statement in support of the Stockholder Nominee's election to the Board (subject, without limitation, to Section 3.03(c)(v)(B)), provided that such statement does not exceed 500

words; and (D) any other information that the Corporation or the Board determines, in their discretion, to include in the proxy statement relating to the nomination of the Stockholder Nominee, including, without limitation, any statement in opposition to the nomination and any of the information provided pursuant to this Section 3.03(c).

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

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

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

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

(C) The “Minimum Number” of shares of the Corporation’s common stock means 3% of the number of outstanding shares of common stock of the Corporation as of the most recent date for which such

amount is given in any filing by the Corporation with the Securities and Exchange Commission prior to the submission of the Nomination Notice.

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

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

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

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

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

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

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

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

(F) an executed agreement pursuant to which the Nominating Stockholder (including in the case of a group, each Eligible Stockholder in that group) agrees: (1) to comply with all applicable laws, rules and regulations in connection with the nomination, solicitation and election; (2) to file any written solicitation or other communication with the Corporation's stockholders relating to one or more of the Corporation's directors or director nominees or any Stockholder Nominee with the Securities and Exchange Commission, regardless of whether any such filing is required under any rule or regulation or whether any exemption from filing is available for such materials under any rule or regulation; (3) to assume all liability stemming from an action, suit or proceeding concerning any actual or alleged legal or regulatory violation arising out of any communication by the Nominating Stockholder or the Stockholder Nominee nominated by such Nominating Stockholder with the Corporation, its stockholders or any other person in connection with the nomination or election of directors, including, without limitation, the Nomination Notice; (4) to indemnify and hold harmless (jointly with all other Eligible Stockholders, in the case of a group of Eligible Stockholders) the Corporation and each of its directors, officers and employees individually against any liability, loss, damages, expenses or other costs (including attorneys' fees) incurred in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its directors, officers or employees arising out of or relating to a failure or alleged failure of the Nominating Stockholder or Stockholder Nominee to comply with, or any breach or alleged breach of, such Nominating Stockholder's or Stockholder Nominee's, as applicable, obligations, agreements or representations under this Section 3.03(c); (5) in the event that any information included in the Nomination Notice, or any other communication by the Nominating Stockholder (including with respect to any Eligible Stockholder included in a

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

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

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

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

(B) Notwithstanding anything to the contrary contained in this Section 3.03(c), the Corporation may omit from its proxy statement, or may supplement or correct, any information, including all or any

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

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

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

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

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

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

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

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

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

Section 3.11 Notice of Meetings. Notice of all special meetings of the Board or a committee shall be mailed to each director, addressed to such director's residence or usual place of business, at least five (5) days before the day on which the meeting is to be held, or shall be personally delivered or otherwise given by such delivery means (telecopy, electronic or other) as the Secretary deems appropriate and in compliance with applicable law, at least two (2) days before the day on which the meeting is to be held. Such notice may be waived by any director and any meeting shall be a legal meeting without notice having been given if all the directors shall be present thereat or if those not present shall, either before or after the meeting, waive notice of or consent to (in writing or by electronic transmission) such meeting or shall after the meeting sign the approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or be made a part of the minutes of the meeting.

Section 3.12 **Place of Meeting, Etc.** The Board (or committee of the Board) may hold any of its meetings at such place or places within or without the State of Delaware as the Board (or the committee) may from time to time by resolution designate or as shall be designated by the person or persons calling the meeting or in the notice or a waiver of notice of any such meeting. Directors may participate in any regular or special meeting of the Board or a committee by means of conference telephone or other communications equipment pursuant to which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

Section 3.13 **Quorum and Manner of Acting.** Except as otherwise provided in these Bylaws or by Delaware Law, the presence of a majority of the total number of directors shall be required to constitute a quorum for the transaction of business at any meeting of the Board and the presence of a majority of the total number of directors then serving on a committee of the Board shall be required to constitute a quorum for the transaction of business at any meeting of such committee, and all matters shall be decided at any such meeting, a quorum being present, by the affirmative votes of a majority of the directors present. In the absence of a quorum at any meeting or any adjournment thereof, a majority of directors present may adjourn such meeting from time to time. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. Notice of any adjourned meeting need not be given. The directors shall act only as a Board or as a committee thereof, and the individual directors shall have no power as such.

Section 3.14 **Action by Consent.** Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all members of the Board or such committee consent thereto in writing or by electronic transmission. After an action is taken, such written consent or electronic transmission shall be filed with the minutes of proceedings of the Board or committee in the same paper or electronic form as the minutes are maintained.

Section 3.15 **Compensation.** The directors shall receive such compensation for their services as directors, and such additional compensation for their services as members of any committees of the Board, as may be authorized by the Board.

Section 3.16 **Board Leadership.**

(a) **Chair of the Board.** The Board may elect or appoint, from among its members, a Chair of the Board and one or more Vice Chairs of the Board, who shall not be considered by virtue of holding such position officers of the Corporation. The Chair of the Board, when present, shall preside at all meetings of the stockholders of the Corporation and of the Board. The Chair of the Board shall perform, under the direction and subject to the control of the Board, all duties incident to the office of Chair of the Board and such other duties as the Board may assign to the Chair of the Board from time to time.

(b) **Lead Director.** At any time the Chair of the Board is not independent as that term is defined in the Corporation's Corporate Governance Guidelines and any additional independence criteria established by the Board, the Securities and Exchange Commission and the New York Stock Exchange, the independent directors may designate from among them a Lead Director having the duties and responsibilities required by any applicable rules of the New York Stock Exchange and as otherwise determined by the Board from time to time.

ARTICLE IV. OFFICERS

Section 4.01 **Principal Officers.** The principal officers of the Corporation shall be a Chief Executive Officer, Chief Financial Officer, one or more Presidents of various ranks, one or more Executive Vice Presidents, a Secretary, a Controller and a Treasurer, all of whom shall serve under the direction and subject to the control of the Board.

Section 4.02 **Additional Officers and Agents.** In addition to the principal officers designated in Section 4.01, the Board may from time to time elect such other officers and agents as it may deem necessary or advisable, including one or more Vice Presidents of various rank, one or more Assistant Secretaries, one or more Assistant Treasurers, and an Assistant Controller, each of which officers and agents shall be subject to the control of the Board and have such authority and perform such duties as are provided in these Bylaws or as the Board, Chair of the Board or Chief Executive Officer may from time to time determine. Each such officer shall hold office until such officer's successor shall have been duly chosen and qualified or until such officer's earlier resignation, removal or other disqualification for service. No person shall be deemed an officer of the Corporation unless and until elected as an officer by the Board in accordance with Section 4.02 or Section 4.03.

Section 4.03 **Election.** The officers of the Corporation shall be elected annually (or at such other intervals as the Board may determine) by the Board. Each such officer shall hold office until such officer's successor shall have been duly elected and qualified or until such officer's earlier resignation, removal or other disqualification for service.

Section 4.04 **Removal.** All officers and agents of the Corporation, elected or appointed by the Board, may be removed, either with or without cause, at any time, by (a) resolution adopted by the Board or (b) if the officer or agent is not a principal officer by the Chief Executive Officer (or someone to whom the Chief Executive Officer has delegated this authority).

Section 4.05 **Resignations.** Any officer may resign at any time by giving written notice to the Board, the Chair of the Board, the Chief Executive Officer or the Secretary of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.06 **Vacancies.** A vacancy in any office because of death, resignation, removal, disqualification, or other cause, may be filled in the manner prescribed in these Bylaws for regular appointments to such office.

Section 4.07 **Chief Executive Officer.** Subject to such supervisory powers, if any, as may be given by the Board to the Chair of the Board, if any, the Chief Executive Officer, if such officer is appointed, shall, subject to the control of the Board, have general supervision, direction and control of the business and officers of the Corporation. In the event of the death, disability or other absence of the Chair of the Board, the duties of the Chair of the Board may be performed by the Chief Executive Officer, including presiding at any meeting of the Board or the stockholders of the Corporation. The Chief Executive Officer may execute (in facsimile or otherwise) and deliver certificates for shares of the Corporation, any deeds, mortgages, bonds, contracts or other instruments that the Board has authorized to be executed and delivered, except in cases where the execution and delivery thereof shall be expressly and exclusively delegated to one or more other officers or agents of the Corporation by the Board or these Bylaws, or where the execution and delivery thereof shall be required by applicable law to be executed and delivered by another person.

Section 4.08 **President(s).** Individuals appointed to the office of President shall perform, under the direction and subject to the control of the Board and the Chief Executive Officer, all duties incident to the office of President and such other duties as the Board or Chief Executive Officer may assign to such President from time to time. The President may execute (in facsimile or otherwise) and deliver certificates for shares of the Corporation, any deeds, mortgages, bonds, contracts or other instruments that the Board or the Chief Executive Officer has authorized to be executed and delivered, except in cases where the execution and delivery thereof shall be expressly and exclusively delegated to one or more other officers or agents of the Corporation by the Board or these Bylaws, or where the execution and delivery thereof shall be required by applicable law to be executed and delivered by another person. Individuals appointed to the office of President of an organizational unit of the Corporation or Group President shall perform, under the direction and subject to the control of the Board, the Chief Executive Officer and the President of the Corporation and shall have such other duties as the Board, Chief Executive Officer or President of the Corporation may assign to such officers from time to time.

Section 4.09 **Vice Presidents.** Each Vice President of the Corporation shall perform, under the direction and subject to the control of the Board, the Chief Executive Officer or President, such duties as the Board, the Chief Executive Officer, any President or such other office or officers may assign to such Vice President from time to time. Vice Presidents of the Corporation may be further designated as Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Assistant Vice Presidents or such other similar title as the Board may designate.

Section 4.10 **Secretary.** The Secretary of the Corporation or the Secretary's designee shall attend all meetings of the stockholders of the Corporation, the Board and committees established by the Board and shall record correctly the proceedings of such meetings in a book suitable for such purposes. The Secretary shall attest with a signature and the seal of the Corporation (in facsimile or otherwise) all stock certificates issued by the Corporation and shall keep or cause to be kept a stock ledger in which all transactions pertaining to shares of all classes and series of capital stock of the Corporation shall be correctly recorded. The Secretary shall also attest with a signature and the seal of the Corporation (in facsimile or otherwise) all deeds, conveyances or other instruments requiring the seal of the Corporation. The Chair of the Board, the Chief Executive Officer or the Secretary shall give, or cause to be given, notice of all meetings of the stockholders of the Corporation and special meetings of the Board or committees established by the Board. The Secretary is authorized to issue certificates, to which the corporate seal may be affixed, attesting to the incumbency of officers of the Corporation or to actions duly taken by the stockholders of the Corporation, the Board or any committee established by the Board. The Secretary shall perform, under the direction and subject to the control of the Board and the Chief Executive Officer, all duties incident to the office of Secretary and such other duties as the Board or the Chief Executive Officer may assign to the Secretary from time to time. The duties of the Secretary may also be performed by any Assistant Secretary of the Corporation.

Section 4.11 **Chief Financial Officer.** The Chief Financial Officer of the Corporation in general shall supervise all of the financial affairs of the Corporation, under the direction and subject to the control of the Board and the Chief Executive Officer. The Chief Financial Officer shall perform, under the direction and subject to the control of the Board and the Chief Executive Officer, all duties incident to the office of Chief Financial Officer and such other duties as the Board or the Chief Executive Officer may assign to the Chief Financial Officer from time to time.

Section 4.12 Treasurer. The Treasurer of the Corporation shall have the care and custody of all the funds, notes, bonds, debentures, stock and other securities of the Corporation that may come into the hands of the Treasurer, acting in such capacity. The Treasurer shall be responsible for the investment and reinvestment of funds of the Corporation in accordance with general investment policies determined from time to time by the Corporation and shall ensure that the Corporation is adequately funded at all times by arranging, under the direction and subject to the control of the Board, the Chief Executive Officer, and the Chief Financial Officer, for the issuance of debt, equity and other forms of securities that may be necessary or appropriate. The Treasurer may endorse (in facsimile or otherwise) checks, drafts, notes, bonds, debentures and other instruments for the payment of money for deposit or collection when necessary or appropriate and may deposit the same to the credit of the Corporation in such banks or depositories as the Board may designate from time to time, and the Treasurer may endorse (in facsimile or otherwise) all commercial documents requiring endorsements for or on behalf of the Corporation. The Treasurer may deliver instructions to financial institutions by facsimile or otherwise. The Treasurer may execute (in facsimile or otherwise) all receipts and vouchers for payments made to the Corporation. The Treasurer shall render an account of the Treasurer's transactions to the Board or its Audit and Finance Committee as often as the Board or its Audit and Finance Committee shall require from time to time. The Treasurer shall enter regularly in the books to be kept by the Treasurer for that purpose, a full and adequate account of all monies received and paid by the Treasurer on account of the Corporation. If requested by the Board, the Treasurer shall give a bond to the Corporation for the faithful performance of the Treasurer's duties, the expenses of which bond shall be borne by the Corporation. The Treasurer shall perform, under the direction and subject to the control of the Board, the Chief Executive Officer and the Chief Financial Officer, all duties incident to the office of Treasurer and such other duties as the Board, the Chief Executive Officer or the Chief Financial Officer may assign to the Treasurer from time to time. The duties of the Treasurer may be performed by any Assistant Treasurer of the Corporation.

Section 4.13 Controller. The Controller of the Corporation shall be the chief accounting officer of the Corporation, shall maintain adequate records of all assets, liabilities and transactions of the Corporation and shall be responsible for the design, installation and maintenance of accounting and cost control systems and procedures throughout the Corporation. The Controller also shall keep in books belonging to the Corporation full and accurate accounts of receipts of, and disbursements made by, the Corporation. The Controller shall render an account of the Controller's transactions to the Board or its Audit and Finance Committee as often as the Board or its Audit and Finance Committee shall require from time to time. The Controller shall perform, under the direction and subject to the control of the Board, the Chief Executive Officer and the Chief Financial Officer, all duties incident to the office of Controller and such other duties as the Board, the Chief Executive Officer and the Chief Financial Officer, may assign to the Controller from time to time. The duties of the Controller may also be performed by any Assistant Controller of the Corporation.

ARTICLE V. DELEGATIONS OF AUTHORITY

Section 5.01 Execution of Contracts. Except as otherwise provided in these Bylaws, the Board may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board or by these Bylaws, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 5.02 Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidence of indebtedness, issued in the name of or payable to the Corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board. Each such officer, assistant, agent or attorney shall give such bond, if any, as the Board may require.

Section 5.03 Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board may select, or as may be selected by any officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation to whom such power shall have been delegated by the Board. For the purpose of deposit and for the purpose of collection for the account of the Corporation, the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, any President, the Treasurer or any Vice President who has been authorized by the Chief Executive Officer, Chief Financial Officer or Treasurer to do so (or any other officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation who shall from time to time be determined by the Board) may endorse, assign and deliver checks, drafts and other orders for the payment of money which are payable to the order of the Corporation.

Section 5.04 General and Special Bank Accounts. The Board (or a committee of the Board to which such power is delegated) may from time to time authorize the opening and keeping of general and special bank accounts with such banks, trust companies or other depositories as the Board (or committee) may select or as may be selected by any officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation to whom such power shall have been delegated by the Board. The Board may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of these Bylaws, as it may deem expedient.

**ARTICLE VI.
SHARES AND SHARE TRANSFER**

Section 6.01 Certificates Representing Stock.

(a) **Form and Execution of Certificates.** Certificates (if any) representing shares of stock or any bond, debenture or other corporate securities of the Corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law, and shall be numbered in the order in which they shall be issued and shall be signed in the name of the Corporation by the President or a Vice President, and by the Secretary or an Assistant Secretary or by the Treasurer or an Assistant Treasurer. Any of or all of the signatures on the certificates may be a facsimile. In case any officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon, any such certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may be issued by the Corporation with the same effect as though the person who signed such certificate, or whose facsimile signature shall have been placed thereupon, were such officer, transfer agent or registrar at the date of issue.

(b) **Special Designation on Certificates.** If the Corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of Delaware Law, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

(c) **Lost Certificates.** Except as provided in this Section 6.01(c), no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Corporation and canceled at the same time. The Corporation may issue a new certificate of stock in the place of any certificate previously issued by it, alleged to have been lost, stolen, mutilated or destroyed, and the Corporation may require the owner of the lost, stolen, mutilated or destroyed certificate, or the owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft, mutilation or destruction of any such certificate or the issuance of such new certificate; provided, however, that a new certificate or uncertificated share may be issued without requiring any bond when, in the judgment of the Board, or the Secretary of the Corporation, it is proper so to do.

Section 6.02 Uncertificated Shares. Subject to any conditions imposed by Delaware Law, the Board may provide by resolution or resolutions that some or all of any or all classes or series of the stock of the Corporation shall be uncertificated shares. Within a reasonable time after the issuance or transfer of any uncertificated shares, the Corporation shall send to the registered owner thereof any written notice prescribed by Delaware Law.

Section 6.03 Transfers of Stock. Upon compliance with provisions restricting the transfer or registration of transfer of shares of stock, if any, transfers or registrations of transfers of shares of stock of the Corporation shall be made only on the books of the Corporation by the registered holder thereof, or by the attorney of the registered holder thereunto authorized by power of attorney duly executed and filed with the Secretary, or with a transfer clerk or a transfer agent, if any, and with respect to shares represented by certificates, upon surrender of the certificate or certificates for such shares properly endorsed, and with respect to uncertificated shares, upon the execution by the transferor and transferee of all transfer documents in such form as the Corporation shall reasonably require, and, with respect to all shares, upon the payment of all taxes thereon. The person in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation. Whenever any shares are pledged for collateral security such fact shall be reflected on the books of the Corporation.

Section 6.04 Regulations. The Board may make such rules and regulations as it may deem expedient, not inconsistent with these Bylaws, concerning the issue, transfer and registration of certificates for shares of the stock of the Corporation. It may appoint, or authorize any officer or officers to appoint, one or more transfer clerks or one or more transfer agents and one or more registrars, and may require all certificates for stock to bear the signature or signatures of any of them.

Section 6.05 Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any other change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. If in any case involving the determination of stockholders for any purpose other than notice of or voting at a meeting of stockholders, the Board

shall not fix such a record date, the record date for determining stockholders for such purpose shall be the close of business on the day on which the Board shall adopt the resolution relating thereto. A determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of such meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

ARTICLE VII. MISCELLANEOUS

Section 7.01 **Seal.** The Board shall provide a corporate seal, which shall be in the form of a circle and shall bear the name of the Corporation and words and figures showing that the Corporation was incorporated in the State of Delaware and the year of incorporation.

Section 7.02 **Waiver of Notices.** Whenever notice is required to be given by these Bylaws, the Certificate of Incorporation or Delaware Law, the person entitled to said notice may waive such notice (in writing or by electronic transmission), either before or after the time stated therein, and such waiver shall be deemed equivalent to notice.

Section 7.03 **Fiscal Year.** The fiscal year of the Corporation shall begin on the day after the Friday closest to December 31 in each year.

Section 7.04 **Amendments.** These Bylaws, or any of them, may be altered, amended or repealed, and new Bylaws may be made by the Board, by vote of a majority of the number of directors then in office as directors, acting at any meeting of the Board. No section of the Bylaws shall be adopted, repealed, altered, amended or rescinded by the stockholders of the Corporation except by the vote of the holders of not less than a majority of the total voting power of all outstanding shares of voting stock of the Corporation.

Section 7.05 **Designation of Engineer.** The Corporation engages in the practice of engineering in various jurisdictions which regulate such practice, including the State of Washington. In order to comply with the laws of such jurisdictions, including the State of Washington, all engineering decisions pertaining to any project or engineering activities in any such jurisdiction shall be made by a designated engineer licensed to practice in such jurisdiction who shall be appointed by the Board from time to time as vacancies occur.

LEIDOS HOLDINGS, INC.
AMENDED AND RESTATED 2017 OMNIBUS INCENTIVE PLAN

Leidos Holdings, Inc., a Delaware corporation, sets forth herein the terms of its Amended and Restated 2017 Omnibus Incentive Plan, as follows:

1. PURPOSE

The Plan is intended to enhance the Company's and its Subsidiaries' ability to attract and retain employees, Consultants and Non-Employee Directors, and to motivate such employees, Consultants and Non-Employee Directors to serve the Company and its Subsidiaries and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. To this end, the Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards and cash awards. Any of these awards may, but need not, be made as performance incentives to reward attainment of performance goals in accordance with the terms hereof. Stock options granted under the Plan may be non-qualified stock options or incentive stock options, as provided herein. Upon becoming effective, the Plan replaces, and no further awards shall be made under, the Predecessor Plan.

2. DEFINITIONS

For purposes of interpreting the Plan and related documents (including Award Agreements), the following definitions shall apply:

- 2.1. "Annual Incentive Award"** means a cash-based Performance Award with a performance period that is the Company's fiscal year or other 12-month (or shorter) performance period as specified under the terms of the Award as approved by the Committee.
- 2.2. "Award"** means a grant of an Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Other Stock-Based Award or cash award under the Plan, or any Substitute Award.
- 2.3. "Award Agreement"** means a written agreement between the Company and a Grantee, or notice from the Company or a Subsidiary to a Grantee that evidences and sets out the terms and conditions of an Award.
- 2.4. "Board"** means the Board of Directors of the Company.
- 2.5. "Change in Control"** shall have the meaning set forth in **Section 15.3.2**.
- 2.6. "Code"** means the Internal Revenue Code of 1986, as now in effect or as hereafter amended. References to the Code shall include the valid and binding governmental regulations, court decisions and other regulatory and judicial authority issued or rendered thereunder.
- 2.7. "Committee"** means the Human Resources and Compensation Committee of the Board or any committee or other person or persons designated by the Board to administer the Plan. The Board will cause the Committee to satisfy the applicable requirements of any stock exchange on which the Common Stock may then be listed. For purposes of
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Awards to Covered Employees intended to constitute “performance-based compensation” under Section 162(m), to the extent required by Section 162(m), Committee means all of the members of the Committee who are “outside directors” within the meaning of Section 162(m). For purposes of Awards to Grantees who are subject to Section 16 of the Exchange Act, Committee means all of the members of the Committee who are “non-employee directors” within the meaning of Rule 16b-3 adopted under the Exchange Act. All references in the Plan to the Board shall mean such Committee or the Board.

2.8. “Common Stock” or “Stock” means a share of common stock of the Company, par value \$.0001 per share.

2.9. “Company” means Leidos Holdings, Inc., a Delaware corporation, or any successor corporation.

2.10. “Consultant” means any person, except an employee or Non-Employee Director, engaged by the Company or any Subsidiary, to render personal services to such entity, including as an advisor, pursuant to the terms of a written agreement and who qualifies as a consultant or advisor under Form S-8.

2.11. “Corporate Transaction” means a reorganization, merger, statutory share exchange, consolidation, sale of all or substantially all of the Company’s assets, or the acquisition of assets or stock of another entity by the Company, or other corporate transaction involving the Company or any of its Subsidiaries.

2.12. “Covered Employee” means a Grantee who is a “covered employee” within the meaning of Section 162(m) as qualified by **Section 12.4** herein.

2.13. “Effective Date” means May 12, 2017, the date the Plan was approved by the Company’s stockholders.

2.14. “Exchange Act” means the Securities Exchange Act of 1934, as now in effect or as hereafter amended.

2.15. “Fair Market Value” of a share of Common Stock as of a particular date shall mean (i) if the Common Stock is listed on a national securities exchange, the closing price of the Common Stock as quoted on such exchange or other comparable reporting system for the first regular trading day immediately preceding the applicable date, or (ii) if the shares of Common Stock are not then listed on a national securities exchange, the closing price of the Common Stock quoted by an established quotation service for over-the-counter securities for the first trading day immediately preceding the applicable date, or (iii) if the shares of Common Stock are not then listed on a national securities exchange or quoted by an established quotation service for over-the-counter securities, or the value of such shares is not otherwise determinable, such value as determined by the Board in good faith in its sole discretion.

2.16. “Family Member” means a person who is a spouse, former spouse, child, stepchild, grandchild, parent, stepparent, grandparent, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother, sister, brother-in-law, or sister-in-law, including adoptive relationships, of the applicable individual, any person sharing the applicable individual’s household (other than a tenant or employee), a trust in which any one or more of these persons have more than fifty percent of the beneficial interest, a foundation in which any one or more of these persons (or the applicable individual) control the management of assets, and any other entity in which one or more of these persons (or the applicable individual) own more than fifty percent of the voting interests.

- 2.17. “**Grant Date**” means, as determined by the Board, the latest to occur of (i) the date as of which the Board approves an Award, (ii) the date on which the recipient of an Award first becomes eligible to receive an Award under **Section 6** hereof, or (iii) such other date as may be specified by the Board in the Award Agreement.
- 2.18. “**Grantee**” means a person who receives or holds an Award under the Plan.
- 2.19. “**Incentive Stock Option**” means an “incentive stock option” within the meaning of Section 422 of the Code, or the corresponding provision of any subsequently enacted tax statute, as amended from time to time.
- 2.20. “**Non-Employee Director**” means a member of the Board who is not an employee.
- 2.21. “**Non-qualified Stock Option**” means an Option that is not an Incentive Stock Option.
- 2.22. “**Option**” means an option to purchase one or more shares of Stock pursuant to the Plan.
- 2.23. “**Option Price**” means the exercise price for each share of Stock subject to an Option.
- 2.24. “**Other Stock-based Award**” means Awards consisting of Stock units, or other Awards, valued in whole or in part by reference to, or otherwise based on, Common Stock, other than Options, Stock Appreciation Rights, Restricted Stock, and Restricted Stock Units.
- 2.25. “**Outstanding Common Stock**” means, at any time, the issued and outstanding shares of Common Stock.
- 2.26. “**Performance Award**” means an Award made subject to the attainment of performance goals (as described in **Section 12**) over a performance period established by the Committee, and includes an Annual Incentive Award.
- 2.27. “**Plan**” means this Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan, as amended from time to time.
- 2.28. “**Predecessor Plan**” means the Company’s 2006 Equity Incentive Plan, as most recently amended and restated in 2012.
- 2.29. “**Purchase Price**” means the purchase price for each share of Stock pursuant to a grant of Restricted Stock.
- 2.30. “**Restricted Period**” shall have the meaning set forth in **Section 10.1**.
- 2.31. “**Restricted Stock**” means shares of Stock, awarded to a Grantee pursuant to **Section 10** hereof.
- 2.32. “**Restricted Stock Unit**” means a bookkeeping entry representing the equivalent of shares of Stock, awarded to a Grantee pursuant to **Section 10** hereof.
- 2.33. “**SAR Exercise Price**” means the per share exercise price of a SAR granted to a Grantee under **Section 9** hereof.

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- 2.34. “**Section 162(m)**” means Section 162(m) of the Code.
- 2.35. “**Section 409A**” means Section 409A of the Code.
- 2.36. “**Securities Act**” means the Securities Act of 1933, as now in effect or as hereafter amended.
- 2.37. “**Separation from Service**” means a termination of Service by a Service Provider, as determined by the Board, which determination shall be final, binding and conclusive; provided if any Award governed by Section 409A is to be distributed on a Separation from Service, then the definition of Separation from Service for such purposes shall comply with the definition provided in Section 409A.
- 2.38. “**Service**” means service as a Service Provider to the Company or a Subsidiary. Unless otherwise stated in the applicable Award Agreement, a Grantee’s change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to the Company or a Subsidiary.
- 2.39. “**Service Provider**” means an employee, Non-Employee Director or Consultant.
- 2.40. “**Stock Appreciation Right**” or “**SAR**” means a right granted to a Grantee under **Section 9** hereof.
- 2.41. “**Subsidiary**” means any corporation, partnership, joint venture, affiliate, or other entity in which the Company owns more than fifty percent (50%) of the voting stock or voting ownership interest, as applicable, or any other business entity designated by the Board as a Subsidiary for purposes of the Plan.
- 2.42. “**Substitute Award**” means any Award granted in assumption of or in substitution for an award of a company or business acquired by the Company or a Subsidiary or with which the Company or a Subsidiary combines.
- 2.43. “**Ten Percent Stockholder**” means an individual who owns more than ten percent (10%) of the total combined voting power of all classes of outstanding stock of the Company, its parent or any of its Subsidiaries. In determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.
- 2.44. “**Termination Date**” means the date that is ten (10) years after the Effective Date, unless the Plan is earlier terminated by the Board under **Section 5.2** hereof.

3. ADMINISTRATION OF THE PLAN

3.1. General.

The Board shall have such powers and authorities related to the administration of the Plan as are consistent with the Company’s articles of incorporation and bylaws and applicable law. The Board shall have the power and authority to delegate its powers and responsibilities hereunder to the Committee, which shall have full authority to act in accordance with its charter, and with respect to the authority of the Board to act hereunder, all references to the Board shall be deemed to include a reference to the Committee, to the extent such power or responsibilities have been delegated. Except as specifically provided in **Section 14** or as otherwise may be required by applicable law, regulatory requirement or the articles of incorporation or the bylaws of the Company, the Board shall have full power and authority to take all actions and to make all determinations required or provided for under the Plan, any Award or any Award Agreement,

and shall have full power and authority to take all such other actions and make all such other determinations not inconsistent with the specific terms and provisions of the Plan that the Board deems to be necessary or appropriate to the administration of the Plan. The Committee shall administer the Plan; provided that, the Board shall retain the right to exercise the authority of the Committee to the extent consistent with applicable law and the applicable requirements of any securities exchange on which the Common Stock may then be listed. The interpretation and construction by the Board of any provision of the Plan, any Award or any Award Agreement shall be final, binding and conclusive. Without limitation, the Board shall have full and final authority, subject to the other terms and conditions of the Plan, to:

- (i) designate Grantees;
- (ii) determine the type or types of Awards to be made to a Grantee;
- (iii) determine the number of shares of Stock to be subject to an Award;
- (iv) establish the terms and conditions of each Award (including, but not limited to, the Option Price of any Option, the nature and duration of any restriction or condition (or provision for lapse thereof) relating to the vesting, exercise, transfer, or forfeiture of an Award or the shares of Stock subject thereto, and any terms or conditions that may be necessary to qualify Options as Incentive Stock Options);
- (v) prescribe the form of each Award Agreement; and
- (vi) amend, modify, or supplement the terms of any outstanding Award including the authority, in order to effectuate the purposes of the Plan, to modify Awards to foreign nationals or individuals who are employed outside the United States to recognize differences in local law, tax policy, or custom.

To the extent permitted by applicable law, the Board may delegate its authority as identified herein to any individual or committee of individuals (who need not be directors), including without limitation the authority to make Awards to Grantees who are not subject to Section 16 of the Exchange Act or who are not Covered Employees. To the extent that the Board delegates its authority to make Awards as provided by this **Section 3.1**, all references in the Plan to the Board's authority to make Awards and determinations with respect thereto shall be deemed to include the Board's delegate. Any such delegate shall serve at the pleasure of, and may be removed at any time by the Board.

3.2. No Repricing.

Notwithstanding any provision herein to the contrary, the repricing of Options or SARs is prohibited without prior approval of the Company's stockholders. For this purpose, a "repricing" means any of the following (or any other action that has the same effect as any of the following): (i) changing the terms of an Option or SAR to lower its Option Price or SAR Exercise Price; (ii) any other action that is treated as a "repricing" under generally accepted accounting principles; and (iii) repurchasing for cash or canceling an Option or SAR at a time when its Option Price or SAR Exercise Price is greater than the Fair Market Value of the underlying shares in exchange for another Award, unless the actions contemplated in clauses (i), (ii) or (iii) occur in connection with a change in capitalization or similar change under **Section 15**. A cancellation and exchange under clause (iii) would be considered a "repricing" regardless of whether it is treated as a "repricing" under generally accepted accounting principles and regardless of whether it is voluntary on the part of the Grantee.

3.3. Clawbacks.

Awards shall be subject to the requirements of (i) Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) similar rules under the laws of any other jurisdiction, (iii) any compensation recovery policies adopted by the Company to implement any such requirements or (iv) any other compensation recovery policies as may be adopted from time to time by the Company, all to the extent determined by the Board in its discretion to be applicable to a Grantee.

3.4. Deferral Arrangement.

The Board may permit or require the deferral of any Award payment into a deferred compensation arrangement, subject to such rules and procedures as it may establish and in accordance with Section 409A, which may include provisions for the payment or crediting of interest or dividend equivalents, including converting such credits into deferred Stock units.

3.5. No Liability.

No member of the Board shall be liable for any action or determination made in good faith with respect to the Plan, any Award or Award Agreement.

3.6. Book Entry.

Notwithstanding any other provision of this Plan to the contrary, the Company may elect to satisfy any requirement under this Plan for the delivery of stock certificates through the use of book-entry.

3.7. Minimum Vesting.

Notwithstanding anything to the contrary herein, and subject to Section 15, Awards shall vest over a period of not less than one year following the Grant Date (the “**Minimum Vesting Requirements**”); *provided, however*, that the Company may, in its sole discretion, (i) accelerate the vesting of Awards or otherwise lapse or waive the Minimum Vesting Requirements upon (A) the Grantee’s death or disability or (B) a Change in Control (subject to the requirements of Section 15) and (ii) grant Awards that are not subject to the Minimum Vesting Requirements with respect to 5% or less of the shares available for issuance under the Plan (as set forth in Section 4, as may be adjusted pursuant to Section 15).

4. STOCK SUBJECT TO THE PLAN

4.1. Authorized Number of Shares

Subject to adjustment under **Section 15**, the total number of shares of Common Stock authorized to be awarded under the Plan shall not exceed the sum of (A) 7,500,000 and (B) the number of shares of Common Stock available for the grant of awards as of the Effective Date under the Predecessor Plan. In addition, shares of Common Stock underlying any outstanding award granted under the Predecessor Plan that, following the Effective Date, expires, or is terminated, surrendered or forfeited for any reason without issuance of such shares shall be available for the grant of new Awards under this Plan. As provided in **Section 1**, no new awards shall be granted under the Predecessor Plan following the Effective Date. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares, treasury shares, or shares purchased on the open market or otherwise, all as determined by the Company from time to time.

4.2. Share Counting

4.2.1. General

Each share of Common Stock granted in connection with an Award shall be counted as one share against the limit in **Section 4.1**, subject to the provisions of this **Section 4.2**. Share-based Performance Awards shall be counted assuming maximum performance results (if applicable) until such time as actual performance results can be determined.

4.2.2. Cash-Settled Awards

Any Award settled in cash shall not be counted as shares of Common Stock for any purpose under this Plan.

4.2.3. Expired or Terminated Awards

If any Award under the Plan expires, or is terminated, surrendered or forfeited, in whole or in part, the unissued Common Stock covered by such Award shall again be available for the grant of Awards under the Plan.

4.2.4. Substitute Awards

In the case of any Substitute Award, such Substitute Award shall not be counted against the number of shares reserved under the Plan.

4.3. Award Limits

4.3.1. Incentive Stock Options.

Subject to adjustment under **Section 15**, 7,500,000 shares of Common Stock available for issuance under the Plan shall be available for issuance under Incentive Stock Options.

4.3.2. Individual Award Limits for Section 162(m) – Share-Based Awards.

Subject to adjustment under **Section 15**, the maximum number of each type of Award (other than cash-based Performance Awards) granted to any Grantee in any calendar year shall not exceed the following number of shares of Common Stock: (i) Options and SARs: 750,000 shares; and (ii) all share-based Performance Awards intended to constitute “performance-based compensation” under Section 162(m) (including Restricted Stock, Restricted Stock Units and Other Stock-based Awards that are Performance Awards): 750,000 shares.

4.3.3. Individual Award Limits for Section 162(m) – Cash-Based Awards.

The maximum amount of cash-based Performance Awards intended to constitute “performance-based compensation” under Section 162(m) granted to any Grantee in any calendar year shall not exceed the following: (i) Annual Incentive Award: \$10,000,000; and (ii) all other cash-based Performance Awards: \$10,000,000.

4.3.4. Limits on Awards to Non-Employee Directors.

No share-based Awards may be granted under the Plan during any one calendar year to a Grantee who is a Non-Employee Director that exceed, together with any cash compensation received for such service during the applicable year, \$750,000 (based on the Fair Market Value of the shares of Common Stock underlying the Award as of the applicable Grant Date in the case

of Restricted Stock, Restricted Stock Units or Other Stock-based Awards, and based on the applicable grant date fair value for accounting purposes in the case of Options or SARs).

5. EFFECTIVE DATE, DURATION AND AMENDMENTS

5.1. Term.

The Plan shall be effective as of the Effective Date, provided that it has been approved by the Company's stockholders. The Plan shall terminate automatically on the ten (10) year anniversary of the Effective Date and may be terminated on any earlier date as provided in **Section 5.2**.

5.2. Amendment and Termination of the Plan.

The Board may, at any time and from time to time, amend, suspend, or terminate the Plan as to any Awards which have not been made. An amendment shall be contingent on approval of the Company's stockholders to the extent stated by the Board, required by applicable law or required by applicable stock exchange listing requirements. Notwithstanding the foregoing, any amendment to **Section 3.2** shall be contingent upon the approval of the Company's stockholders. No Awards shall be made after the Termination Date. The applicable terms of the Plan, and any terms and conditions applicable to Awards granted prior to the Termination Date shall survive the termination of the Plan and continue to apply to such Awards. No amendment, suspension, or termination of the Plan shall, without the consent of the Grantee, materially impair rights or obligations under any Award theretofore awarded.

6. AWARD ELIGIBILITY AND LIMITATIONS

6.1. Service Providers.

Subject to this **Section 6.1**, Awards may be made to any Service Provider as the Board shall determine and designate from time to time in its discretion.

6.2. Successive Awards.

An eligible person may receive more than one Award, subject to such restrictions as are provided herein.

6.3. Stand-Alone, Additional, Tandem, and Substitute Awards.

Awards may, in the discretion of the Board, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any Subsidiary, or any business entity to be acquired by the Company or a Subsidiary, or any other right of a Grantee to receive payment from the Company or any Subsidiary. Such additional, tandem, and substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another Award, the Board shall have the right to require the surrender of such other Award in consideration for the grant of the new Award. Subject to **Section 3.2**, the Board shall have the right, in its discretion, to make Awards in substitution or exchange for any other award under another plan of the Company, any Subsidiary, or any business entity to be acquired by the Company or a Subsidiary. In addition, Awards may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of the Company or any Subsidiary, in which the value of Stock subject to the Award is equivalent in value to the cash compensation (for example, Restricted Stock Units or Restricted Stock).

7. AWARD AGREEMENT

Each Award shall be evidenced by an Award Agreement, in such form or forms as the Board shall from time to time determine. Without limiting the foregoing, an Award Agreement may be provided in the form of a notice which provides that acceptance of the Award constitutes acceptance of all terms of the Plan and the notice. Award Agreements granted from time to time or at the same time need not contain similar provisions but shall be consistent with the terms of the Plan. Each Award Agreement evidencing an Award of Options shall specify whether such Options are intended to be Non-qualified Stock Options or Incentive Stock Options, and in the absence of such specification such options shall be deemed Non-qualified Stock Options.

8. TERMS AND CONDITIONS OF OPTIONS

8.1. Option Price.

The Option Price of each Option shall be fixed by the Board and stated in the related Award Agreement. The Option Price of each Option (except those that constitute Substitute Awards) shall be at least the Fair Market Value on the Grant Date of a share of Stock; *provided, however*, that in the event that a Grantee is a Ten Percent Stockholder as of the Grant Date, the Option Price of an Option granted to such Grantee that is intended to be an Incentive Stock Option shall be not less than 110 percent of the Fair Market Value of a share of Stock on the Grant Date. In no case shall the Option Price of any Option be less than the par value of a share of Stock.

8.2. Vesting.

Subject to **Section 8.3** hereof, each Option shall become exercisable at such times and under such conditions (including, without limitation, performance requirements) as shall be determined by the Board and stated in the Award Agreement.

8.3. Term.

Each Option shall terminate, and all rights to purchase shares of Stock thereunder shall cease, upon the expiration of a period not to exceed ten (10) years from the Grant Date, or under such circumstances and on such date prior thereto as is set forth in the Plan or as may be fixed by the Board and stated in the related Award Agreement; *provided, however*, that in the event that the Grantee is a Ten Percent Stockholder, an Option granted to such Grantee that is intended to be an Incentive Stock Option at the Grant Date shall not be exercisable after the expiration of five (5) years from its Grant Date.

8.4. Limitations on Exercise of Option.

Notwithstanding any other provision of the Plan, in no event may any Option be exercised, in whole or in part, (i) prior to the date the Plan is approved by the stockholders of the Company as provided herein or (ii) after the occurrence of an event which results in termination of the Option.

8.5. Method of Exercise.

An Option that is exercisable may be exercised by the Grantee's delivery of a notice of exercise to the Company, setting forth the number of shares of Stock with respect to which the Option is to be exercised, accompanied by full payment for the shares. To be effective, notice of exercise must be made in accordance with procedures established by the Company from time to time.

8.6. Rights of Holders of Options.

Unless otherwise stated in the related Award Agreement, an individual holding or exercising an Option shall have none of the rights of a stockholder (for example, the right to receive cash or dividend payments or distributions attributable to the subject shares of Stock or to direct the voting of the subject shares of Stock) until the shares of Stock covered thereby are fully paid and issued to him. Except as provided in **Section 15** hereof or the related Award Agreement, no adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date of such issuance.

8.7. Limitations on Incentive Stock Options.

An Option shall constitute an Incentive Stock Option only (i) if the Grantee of such Option is an employee of the Company or any Subsidiary of the Company; (ii) to the extent specifically provided in the related Award Agreement; and (iii) to the extent that the aggregate Fair Market Value (determined at the time the Option is granted) of the shares of Stock with respect to which all Incentive Stock Options held by such Grantee become exercisable for the first time during any calendar year (under the Plan and all other plans of the Grantee's employer and its Affiliates) does not exceed \$100,000. This limitation shall be applied by taking Options into account in the order in which they were granted.

9. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS

9.1. Right to Payment.

A SAR shall confer on the Grantee a right to receive, upon exercise thereof, the excess of (i) the Fair Market Value of one share of Stock on the date of exercise over (ii) the SAR Exercise Price, as determined by the Board. The Award Agreement for a SAR (except those that constitute Substitute Awards) shall specify the SAR Exercise Price, which shall be fixed on the Grant Date as not less than the Fair Market Value of a share of Stock on that date. SARs may be granted alone or in conjunction with all or part of an Option or at any subsequent time during the term of such Option or in conjunction with all or part of any other Award. A SAR granted in tandem with an outstanding Option following the Grant Date of such Option shall have a SAR Exercise Price that is equal to the Option Price; *provided, however*, that the SAR Exercise Price may not be less than the Fair Market Value of a share of Stock on the Grant Date of the SAR to the extent required by Section 409A.

9.2. Other Terms.

The Board shall determine at the Grant Date, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the time or times at which SARs shall cease to be or become exercisable following Separation from Service or upon other conditions, the method of exercise, whether or not a SAR shall be in tandem or in combination with any other Award, and any other terms and conditions of any SAR.

9.3. Term of SARs.

The term of a SAR granted under the Plan shall be determined by the Board, in its sole discretion; *provided, however*, that such term shall not exceed ten (10) years.

9.4. Payment of SAR Amount.

Upon exercise of a SAR, a Grantee shall be entitled to receive payment from the Company (in cash or Stock, as determined by the Board) in an amount determined by multiplying:

- (i) the difference between the Fair Market Value of a share of Stock on the date of exercise over the SAR Exercise Price; by
- (ii) the number of shares of Stock with respect to which the SAR is exercised.

10. TERMS AND CONDITIONS OF RESTRICTED STOCK AND RESTRICTED STOCK UNITS

10.1. Restrictions.

At the time of grant, the Board may, in its sole discretion, establish a period of time (a “**Restricted Period**”) and any additional restrictions including the satisfaction of corporate or individual performance objectives applicable to an Award of Restricted Stock or Restricted Stock Units in accordance with **Section 12.1** and **12.2**. Each Award of Restricted Stock or Restricted Stock Units may be subject to a different Restricted Period and additional restrictions. Neither Restricted Stock nor Restricted Stock Units may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the Restricted Period or prior to the satisfaction of any other applicable restrictions.

10.2. Restricted Stock Certificates.

The Company shall issue stock, in the name of each Grantee to whom Restricted Stock has been granted, stock certificates or other evidence of ownership representing the total number of shares of Restricted Stock granted to the Grantee, as soon as reasonably practicable after the Grant Date.

10.3. Rights of Holders of Restricted Stock.

Unless the Board otherwise provides in an Award Agreement and subject to **Section 17.12**, holders of Restricted Stock shall have rights as stockholders of the Company, including voting and dividend rights.

10.4. Rights of Holders of Restricted Stock Units.

10.4.1. Settlement of Restricted Stock Units.

Restricted Stock Units may be settled in cash or Stock, as determined by the Board and set forth in the Award Agreement. The Award Agreement shall also set forth whether the Restricted Stock Units shall be settled (i) within the time period specified for “short term deferrals” under Section 409A or (ii) otherwise within the requirements of Section 409A, in which case the Award Agreement shall specify upon which events such Restricted Stock Units shall be settled.

10.4.2. Voting and Dividend Rights.

Unless otherwise stated in the applicable Award Agreement and subject to **Section 17.12**, holders of Restricted Stock Units shall not have rights as stockholders of the Company, including no voting or dividend or dividend equivalents rights.

10.4.3. Creditor’s Rights.

A holder of Restricted Stock Units shall have no rights other than those of a general creditor of the Company. Restricted Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement.

10.5. Purchase of Restricted Stock.

The Grantee shall be required, to the extent required by applicable law, to purchase the Restricted Stock from the Company at a Purchase Price equal to the greater of (i) the aggregate par value of the shares of Stock represented by such Restricted Stock or (ii) the Purchase Price, if any, specified in the related Award Agreement. If specified in the Award Agreement, the Purchase Price may be deemed paid by Services already rendered. The Purchase Price shall be payable in a form described in **Section 11** or, in the discretion of the Board, in consideration for past Services rendered.

10.6. Delivery of Stock.

Upon the expiration or termination of any Restricted Period and the satisfaction of any other conditions prescribed by the Board, the restrictions applicable to shares of Restricted Stock or Restricted Stock Units settled in Stock shall lapse, and, unless otherwise provided in the Award Agreement, a stock certificate for such shares shall be delivered, free of all such restrictions, to the Grantee or the Grantee's beneficiary or estate, as the case may be.

11. FORM OF PAYMENT FOR OPTIONS AND RESTRICTED STOCK

11.1. General Rule.

Payment of the Option Price for the shares purchased pursuant to the exercise of an Option or the Purchase Price for Restricted Stock shall be made in cash or in cash equivalents acceptable to the Company, except as provided in this **Section 11**.

11.2. Surrender of Stock.

To the extent the Award Agreement so provides, payment of the Option Price for shares purchased pursuant to the exercise of an Option or the Purchase Price for Restricted Stock may be made all or in part through the tender to, or withholding by, the Company of shares of Stock, which shares shall be valued, for purposes of determining the extent to which the Option Price or Purchase Price for Restricted Stock has been paid thereby, at their Fair Market Value on the date of exercise or surrender. Notwithstanding the foregoing, in the case of an Incentive Stock Option, the right to make payment in the form of already owned shares of Stock may be authorized only at the time of grant.

11.3. Cashless Exercise.

With respect to an Option only (and not with respect to Restricted Stock), to the extent permitted by law and to the extent the Award Agreement so provides, payment of the Option Price may be made all or in part by delivery (on a form acceptable to the Company) of an irrevocable direction to a licensed securities broker acceptable to the Company to sell shares of Stock and to deliver all or part of the sales proceeds to the Company in payment of the Option Price and any withholding taxes described in **Section 17.3**.

11.4. Other Forms of Payment.

To the extent the Award Agreement so provides, payment of the Option Price or the Purchase Price for Restricted Stock may be made in any other form that is consistent with

applicable laws, regulations and rules, including, but not limited to, the Company's withholding of shares of Stock otherwise due to the exercising Grantee.

12. TERMS AND CONDITIONS OF PERFORMANCE AWARDS

12.1. Performance Conditions.

The right of a Grantee to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Board. The Board may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions.

12.2. Performance Awards Granted to Designated Covered Employees.

If and to the extent that the Committee determines that a Performance Award to be granted to a Grantee who is designated by the Committee as having the potential to be a Covered Employee should qualify as "performance-based compensation" for purposes of Section 162(m), the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of pre-established performance goals and other terms set forth in this **Section 12.2**. Notwithstanding anything herein to the contrary, the Committee in its discretion may provide for Performance Awards to Covered Employees that are not intended to qualify as "performance-based compensation" for purposes of Section 162(m).

12.2.1. Performance Goals Generally.

The performance goals for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this **Section 12.2**. Performance goals shall be objective and shall otherwise meet the requirements of Section 162(m) and regulations thereunder including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being "substantially uncertain." The Committee may determine that such Performance Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance Awards. Performance goals may, in the discretion of the Committee, be established on a Company-wide basis, or with respect to one or more business units, divisions, subsidiaries or business segments, as applicable. Performance goals may be absolute or relative (to the performance of one or more comparable companies or indices or based on year-over-year growth). To the extent consistent with the requirements of Section 162(m), the Committee may determine at the time that goals under this **Section 12** are established, the extent to which measurement of performance goals may include or exclude certain unusual or nonrecurring events, including, without limitation, the following: the impact of charges for restructuring, discontinued operations, debt redemption or retirement, asset write downs, litigation or claim judgments or settlements, acquisitions or divestitures, foreign exchange gains and losses, and other unusual non-recurring items, and the cumulative effects of tax or accounting changes. Performance goals may differ for Performance Awards granted to any one Grantee or to different Grantees.

12.2.2. Business Criteria.

One or more of the following business criteria for the Company, on a consolidated basis, and/or specified subsidiaries or business units of the Company (except with respect to the total stockholder return and earnings per share criteria), shall be used exclusively by the Committee in establishing performance goals for such Performance Awards: (i) cash flow; (ii) earnings per

share; (iii) earnings or income measures (including EBITDA)); (iv) return measures (including return on assets, capital, invested capital, equity, sales, or revenue); (v) total stockholder return; (vi) share price performance; (vii) revenue; (viii) profit margin; (ix) net order dollars; (x) contract bookings; (xi) contract awards; (xii) book-to-bill; (xiii) backlog; (xiv) customer metrics (including customer satisfaction, customer retention, or customer profitability); (xv) productivity; (xvi) expense targets; (xvii) market share; (xviii) cost control measures; (xix) balance sheet metrics; (xx) strategic initiatives; (xxi) implementation, completion or attainment of measurable objectives with respect to recruitment or retention of personnel or employee satisfaction; (xxii) successful completion of, or achievement of milestones or objectives related to, financing or capital raising transactions, strategic acquisitions or divestitures, joint ventures, partnerships, collaborations, or other transactions; (xxiii) debt levels or reduction or debt ratios; (xxiv) operating efficiency; (xxv) working capital targets, including days working capital; (xxvi) quantifiable, objective measures of individual performance relevant to the particular individual's job responsibilities or (xxvii) any combination of the forgoing business criteria; *provided, however*, that such business criteria shall include any derivations of business criteria listed above (e.g., income shall include pre-tax income, net income, or operating income). Any business criteria that are financial metrics may be determined in accordance with United States Generally Accepted Accounting Principles ("GAAP") or may be adjusted when established (or to the extent permitted under Section 162(m), at any time thereafter) to include or exclude any items otherwise includable or excludable under GAAP.

12.2.3. Timing for Establishing Performance Goals.

Performance goals shall be established not later than 90 days after the beginning of any performance period applicable to such Performance Awards, or at such other date as may be required or permitted for "performance-based compensation" under Section 162(m).

12.2.4. Settlement of Performance Awards; Other Terms.

Settlement of Performance Awards shall be in cash, Stock, other Awards or other property, in the discretion of the Committee. The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance Awards.

12.3. Written Determinations.

All determinations by the Committee as to the establishment of performance goals, the amount of any Performance Award pool or potential individual Performance Awards and as to the achievement of performance goals relating to Performance Awards, shall be made in writing in the case of any Award intended to qualify under Section 162(m) to the extent required by Section 162(m). To the extent permitted by Section 162(m), the Committee may delegate any responsibility relating to such Performance Awards.

12.4. Status of Section 12.2 Awards under Section 162(m).

It is the intent of the Company that Performance Awards under **Section 12.2** hereof granted to persons who are designated by the Committee as having the potential to be Covered Employees within the meaning of Section 162(m) and regulations thereunder shall, if so designated by the Committee, constitute "qualified performance-based compensation" within the meaning of Section 162(m) and regulations thereunder. Accordingly, the terms of **Section 12.2**, including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Section 162(m) and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Grantee will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term Covered Employee as used herein shall mean only a person designated by

the Committee, at the time of grant of Performance Awards, as having the potential to be a Covered Employee with respect to that fiscal year or any subsequent fiscal year. If any provision of the Plan or any agreement relating to such Performance Awards does not comply or is inconsistent with the requirements of Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements.

13. OTHER STOCK-BASED AWARDS

13.1. Grant of Other Stock-based Awards.

Other Stock-based Awards may be granted either alone or in addition to or in conjunction with other Awards under the Plan. Other Stock-based Awards may be granted in lieu of other cash or other compensation to which a Service Provider is entitled from the Company or may be used in the settlement of amounts payable in shares of Common Stock under any other compensation plan or arrangement of the Company. Subject to the provisions of the Plan, the Board shall have the sole and complete authority to determine the persons to whom and the time or times at which such Awards shall be made, the number of shares of Common Stock to be granted pursuant to such Awards, and all other conditions of such Awards. Unless the Board determines otherwise, any such Award shall be confirmed by an Award Agreement, which shall contain such provisions as the Board determines to be necessary or appropriate to carry out the intent of this Plan with respect to such Award.

13.2. Terms of Other Stock-based Awards.

Any Common Stock subject to Awards made under this **Section 13** may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

14. REQUIREMENTS OF LAW

14.1. General.

The Company shall not be required to sell or issue any shares of Stock under any Award if the sale or issuance of such shares would constitute a violation by the Grantee, any other individual exercising an Option, or the Company of any provision of any law or regulation of any governmental authority, including without limitation any federal or state securities laws or regulations. If at any time the Company shall determine, in its discretion, that the listing, registration or qualification of any shares subject to an Award upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of shares hereunder, no shares of Stock may be issued or sold to the Grantee or any other individual exercising an Option pursuant to such Award unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company, and any delay caused thereby shall in no way affect the date of termination of the Award. Specifically, in connection with the Securities Act, upon the exercise of any Option or the delivery of any shares of Stock underlying an Award, unless a registration statement under such Act is in effect with respect to the shares of Stock covered by such Award, the Company shall not be required to sell or issue such shares unless the Board has received evidence satisfactory to it that the Grantee or any other individual exercising an Option may acquire such shares pursuant to an exemption from registration under the Securities Act. Any determination in this connection by the Board shall be final, binding, and conclusive. The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Company shall not be obligated to take any affirmative action in order to cause the exercise of an Option or the issuance of shares of Stock

pursuant to the Plan to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option shall not be exercisable until the shares of Stock covered by such Option are registered or are exempt from registration, the exercise of such Option (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

14.2. Rule 16b-3.

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act, it is the intent of the Company that Awards and the exercise of Options granted to officers and directors hereunder will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Board does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative to the extent permitted by law and deemed advisable by the Board, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Board may exercise its discretion to modify this Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

15. EFFECT OF CHANGES IN CAPITALIZATION

15.1. Changes in Stock.

If (i) the number of outstanding shares of Stock is increased or decreased or the shares of Stock are changed into or exchanged for a different number or kind of shares or other securities of the Company on account of any recapitalization, reclassification, stock split, reverse split, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock, or other increase or decrease in such shares effected without receipt of consideration by the Company occurring after the Effective Date or (ii) there occurs any spin-off, split-up, extraordinary cash dividend or other distribution of assets by the Company, (x) the number and kinds of shares for which grants of Awards may be made under the Plan (including the per-Grantee maximums set forth in **Section 4**), (y) the number and kinds of shares for which outstanding Awards may be exercised or settled and (z) the performance goals relating to outstanding Awards, shall be equitably adjusted by the Company; provided that any such adjustment shall comply with Section 409A. In addition, in the event of any such increase or decrease in the number of outstanding shares or other transaction described in clause (ii) above, the number and kind of shares for which Awards are outstanding and the Option Price per share of outstanding Options and SAR Exercise Price per share of outstanding SARs shall be equitably adjusted; provided that any such adjustment shall comply with Section 409A.

15.2. Effect of Certain Transactions.

Except as otherwise provided in an Award Agreement, in the event of a Corporate Transaction, the Plan and the Awards issued hereunder shall continue in effect in accordance with their respective terms, except that following a Corporate Transaction either (i) each outstanding Award shall be treated as provided for in the agreement entered into in connection with the Corporate Transaction or (ii) if not so provided in such agreement, each Grantee shall be entitled to receive in respect of each share of Common Stock subject to any outstanding Awards, upon exercise or payment or transfer in respect of any Award, the same number and kind of stock, securities, cash, property or other consideration that each holder of a share of Common Stock was entitled to receive in the Corporate Transaction in respect of a share of Common stock; *provided, however*, that, unless otherwise determined by the Board, such stock, securities, cash, property or other consideration shall remain subject to all of the conditions, restrictions and performance criteria which were applicable to the Awards prior to such Corporate Transaction.

Without limiting the generality of the foregoing, the treatment of outstanding Options and SARs pursuant to this **Section 15.2** in connection with a Corporate Transaction in which the consideration paid or distributed to the Company's stockholders is not entirely shares of common stock of the acquiring or resulting corporation may include the cancellation of outstanding Options and SARs upon consummation of the Corporate Transaction as long as, at the election of the Board, (i) the holders of affected Options and SARs have been given a period of at least fifteen days prior to the date of the consummation of the Corporate Transaction to exercise the Options or SARs (to the extent otherwise exercisable) or (ii) the holders of the affected Options and SARs are paid (in cash or cash equivalents) in respect of each Share covered by the Option or SAR being canceled an amount equal to the excess, if any, of the per share price paid or distributed to stockholders in the Corporate Transaction (the value of any non-cash consideration to be determined by the Board in its sole discretion) over the Option Price or SAR Exercise Price, as applicable. For avoidance of doubt, (1) the cancellation of Options and SARs pursuant to clause (ii) of the preceding sentence may be effected notwithstanding anything to the contrary contained in this Plan or any Award Agreement and (2) if the amount determined pursuant to clause (ii) of the preceding sentence is zero or less, the affected Option or SAR may be cancelled without any payment therefore. The treatment of any Award as provided in this **Section 15.2** shall be conclusively presumed to be appropriate for purposes of **Section 15.1**.

15.3. Change in Control

15.3.1. Consequences of a Change in Control

For any Awards outstanding as of the date of a Change in Control, either of the following provisions shall apply, depending on whether, and the extent to which, Awards are assumed, converted or replaced by the resulting entity in a Change in Control, unless otherwise provided by the Award Agreement:

- (i) To the extent such Awards are not assumed, converted or replaced by the resulting entity in the Change in Control, then upon the Change in Control such outstanding Awards that may be exercised shall become fully exercisable, all restrictions with respect to such outstanding Awards, other than for Performance Awards, shall lapse and become vested and non-forfeitable, and for any outstanding Performance Awards the target payout opportunities attainable under such Awards shall be deemed to have been fully earned as of the Change in Control based upon the greater of: (A) an assumed achievement of all relevant performance goals at the "target" level, or (B) the actual level of achievement of all relevant performance goals against target as of the Company's fiscal quarter end preceding the Change in Control.
- (ii) To the extent such Awards are assumed, converted or replaced by the resulting entity in the Change in Control, if, within 24 months after the date of the Change in Control, the Service Provider has a Separation from Service by the Company other than for "cause" (which may include a Separation from Service by the Service Provider for "good reason" if provided in the applicable Award Agreement), as such terms are defined in the Award Agreement, then such outstanding Awards that may be exercised shall become fully exercisable, all restrictions with respect to such outstanding Awards, other than for Performance Awards, shall lapse and become vested and non-forfeitable, and for any outstanding Performance Awards the target payout opportunities attainable under such Awards shall be deemed to have been fully earned as of the Separation from Service based upon the greater of: (A) an assumed achievement of all relevant performance goals at the "target" level, or (B) the actual level of achievement of

all relevant performance goals against target as of the Company's fiscal quarter end preceding the Change in Control.

15.3.2. Change in Control Defined

Except as may otherwise be defined in an Award Agreement, a "**Change in Control**" shall mean the occurrence of any of the following events:

- (i) 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 (i): (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 (A), (B) and (C) of subparagraph (iii) below; or
- (ii) 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 (A) approved by a vote of at least a majority of the directors then comprising the Incumbent Board or (B) 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
- (iii) 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, (A) 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 (A) 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); (B) 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 (C) 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

(iv) Approval by the Company's stockholders of a complete liquidation or dissolution of the Company.

For purposes of subparagraph (iii), 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.

Solely to the extent required by Section 409A, an event described above shall not constitute a Change in Control for purposes of the payment (but not vesting) provisions of any Award subject to Section 409A unless such event also constitutes a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the Company's assets within the meaning of Section 409A.

15.4. Adjustments

Adjustments under this **Section 15** related to shares of Stock or securities of the Company shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. No fractional shares or other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share.

16. NO LIMITATIONS ON COMPANY

The making of Awards pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets.

17. TERMS APPLICABLE GENERALLY TO AWARDS GRANTED UNDER THE PLAN

17.1. Disclaimer of Rights.

No provision in the Plan or in any Award Agreement shall be construed to confer upon any individual the right to remain in the employ or service of the Company or any Subsidiary, or to interfere in any way with any contractual or other right or authority of the Company either to increase or decrease the compensation or other payments to any individual at any time, or to

terminate any employment or other relationship between any individual and the Company. In addition, notwithstanding anything contained in the Plan to the contrary, unless otherwise stated in the applicable Award Agreement, no Award granted under the Plan shall be affected by any change of duties or position of the Grantee, so long as such Grantee continues to be a Service Provider. The obligation of the Company to pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Company to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any Grantee or beneficiary under the terms of the Plan.

17.2. Nonexclusivity of the Plan.

Neither the adoption of the Plan nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations upon the right and authority of the Board to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals), including, without limitation, the granting of stock options as the Board in its discretion determines desirable.

17.3. Withholding Taxes.

The Company or a Subsidiary, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Grantee any federal, state, or local taxes of any kind required by law to be withheld (i) with respect to the vesting of or other lapse of restrictions applicable to an Award, (ii) upon the issuance of any shares of Stock upon the exercise of an Option or SAR, or (iii) otherwise due in connection with an Award. At the time of such vesting, lapse, or exercise, the Grantee shall pay to the Company or the Subsidiary, as the case may be, any amount that the Company or the Subsidiary may reasonably determine to be necessary to satisfy such withholding obligation. The Company or the Subsidiary, as the case may be, may in its sole discretion, require or permit the Grantee to satisfy such obligations, in whole or in part, (i) by causing the Company or the Subsidiary to withhold the up to the maximum required number of shares of Stock otherwise issuable to the Grantee as may be necessary to satisfy such withholding obligation or (ii) by delivering to the Company or the Subsidiary shares of Stock already owned by the Grantee. The shares of Stock so delivered or withheld shall have an aggregate Fair Market Value equal to such withholding obligations. The Fair Market Value of the shares of Stock used to satisfy such withholding obligation shall be determined by the Company or the Subsidiary as of the date that the amount of tax to be withheld is to be determined. To the extent applicable, a Grantee may satisfy his or her withholding obligation only with shares of Stock that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements.

17.4. Captions.

The use of captions in this Plan or any Award Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or any Award Agreement.

17.5. Other Provisions.

Each Award Agreement may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Board, in its sole discretion. In the event of any conflict between the terms of an employment agreement and the Plan, the terms of the employment agreement govern.

17.6. Number and Gender.

With respect to words used in this Plan, the singular form shall include the plural form, the masculine gender shall include the feminine gender, etc., as the context requires.

17.7. Severability.

If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

17.8. Governing Law.

The Plan shall be governed by and construed in accordance with the laws of the State of Pennsylvania without giving effect to the principles of conflicts of law, and applicable Federal law.

17.9. Section 409A.

The Plan is intended to comply with Section 409A to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted and administered to be in compliance therewith. Any payments described in the Plan that are due within the "short-term deferral period" as defined in Section 409A shall not be treated as deferred compensation unless applicable laws require otherwise. Notwithstanding anything to the contrary in the Plan, to the extent required to avoid accelerated taxation and tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Plan during the six (6) month period immediately following the Grantee's Separation from Service shall instead be paid on the first payroll date after the six-month anniversary of the Grantee's Separation from Service (or the Grantee's death, if earlier). Notwithstanding the foregoing, neither the Company nor the Board shall have any obligation to take any action to prevent the assessment of any excise tax or penalty on any Grantee under Section 409A and neither the Company nor the Board will have any liability to any Grantee for such tax or penalty.

17.10. Separation from Service.

The Board shall determine the effect of a Separation from Service upon Awards, and such effect shall be set forth in the appropriate Award Agreement. Without limiting the foregoing, the Board may provide in the Award Agreements at the time of grant, or any time thereafter with the consent of the Grantee, the actions that will be taken upon the occurrence of a Separation from Service, including, but not limited to, accelerated vesting or termination, depending upon the circumstances surrounding the Separation from Service.

17.11. Transferability of Awards.

17.11.1. Transfers in General.

Except as provided in **Section 17.11.2**, no Award shall be assignable or transferable by the Grantee to whom it is granted, other than by will or the laws of descent and distribution, and, during the lifetime of the Grantee, only the Grantee personally (or the Grantee's personal representative) may exercise rights under the Plan.

17.11.2. Family Transfers.

If authorized in the applicable Award Agreement, a Grantee may transfer, not for value, all or part of an Award (other than Incentive Stock Options) to any Family Member. For the purpose of this **Section 17.11.2**, a “not for value” transfer is a transfer which is (i) a gift, (ii) a transfer under a domestic relations order in settlement of marital property rights; or (iii) a transfer to an entity in which more than fifty percent of the voting interests are owned by Family Members (or the Grantee) in exchange for an interest in that entity. Following a transfer under this **Section 17.11.2**, any such Award shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. Subsequent transfers of transferred Awards are prohibited except to Family Members of the original Grantee in accordance with this **Section 17.11.2** or by will or the laws of descent and distribution.

17.12. Dividend Equivalent Rights.

If specified in the Award Agreement, the recipient of an Award under this Plan may be entitled to receive dividend equivalent rights with respect to the Common Stock or other securities covered by an Award. The terms and conditions of a dividend equivalent right may be set forth in the Award Agreement. Dividend equivalents credited to a Grantee may be paid in cash or deemed to be reinvested in additional shares of Stock or other securities of the Company at a price per unit equal to the Fair Market Value of a share of Stock on the date that such dividend was paid to stockholders, as determined in the sole discretion of the Board. Notwithstanding the foregoing, in no event will dividends or dividend equivalents be paid on any Award or portion thereof that is unvested, nor on any Award that is subject to the achievement of performance criteria before the Award has become earned and payable.



**LEIDOS HOLDINGS, INC.
2017 OMNIBUS INCENTIVE PLAN**

NOTICE OF GRANT OF OPTION AWARD (EMPLOYEES)

Leidos Holdings, Inc. (the “**Company**”) hereby grants this Option Award (the “**Award**”) as set forth in this Notice of Grant of Option Award (the “**Notice**”) to the Grantee designated in this Notice, pursuant to the provisions of the Company’s 2017 Omnibus Incentive Plan (the “**Plan**”) and subject to certain restrictions as outlined below in this Notice and the additional provisions set forth in the attached Terms and Conditions of Option Award (the “**Terms**”). Together, this Notice, the attached Terms and all exhibits and appendices hereto constitute the “**Agreement**.” The terms and conditions of the Plan are incorporated by reference in their entirety into this Agreement. When used in this Agreement, the terms that are defined in the Plan shall have the meanings given to them in the Plan, as modified herein (if applicable).

Award Details: The Grantee’s name, the number of shares of Stock with respect to which the Option is awarded, the Option Price and the Grant Date can be found in the Grant Summary located in the electronic stock plan award administration system maintained by the Company or its designee that contains a link to this Agreement (which summary information is set forth in the appropriate records of the Company authorizing such award). The Option is a Non-qualified Stock Option.

Vesting Schedule: Subject to the terms of the Plan and this Agreement, the Option shall become vested and exercisable in accordance with the following schedule, in the event the Grantee does not have a Separation from Service prior to the applicable vesting date(s):

[add applicable vesting date(s)]

The Option may be exercisable only as to a whole number of shares of Stock as of any given vesting date. If the number of shares of Stock with respect to which the Option becomes vested and exercisable determined as of a vesting date is a fractional number, the number vesting will be rounded down to the nearest whole number with any fractional portion carried forward. Exhibit A to this Notice sets forth the terms and provisions regarding treatment of the Award upon Separation from Service. The Option shall not become vested and exercisable following the Grantee’s Separation from Service except as otherwise expressly provided in Exhibit A to this Notice or as otherwise provided pursuant to the terms of the Plan.

Expiration Date: The expiration date of the Option (the “**Expiration Date**”) is the [●] anniversary of the Grant Date. The Option may terminate earlier than the Expiration Date as set forth in Exhibit A to the Notice in connection with the Grantee’s Separation from Service.

Award Acceptance: The Grantee must accept the Agreement electronically pursuant to the online acceptance procedure established by the Company by no later than three months following the Grant Date. If the Grantee does not accept the Agreement through the online acceptance process by that date, or such other date that may be communicated, the Grantee will be deemed to have accepted the Agreement and the Company will automatically accept the Agreement on the Grantee’s behalf. If the Grantee declines the Agreement, the Award will be canceled and the Grantee will not be entitled to any benefits from the Award nor any compensation or benefits in lieu of the canceled award.

EXHIBIT A

Separation from Service and Change in Control

(a) Impact on Vesting of Separation from Service; Change in Control. If the Grantee has a Separation from Service before any of the vesting date(s) specified under “Vesting Schedule” in the Notice, then any unvested portion of the Option shall become vested and exercisable or shall be canceled depending on the reason for Separation from Service as follows:

(i) Death or Disability. If the Grantee has a Separation from Service due to the Grantee’s death or Disability, any unvested portion of the Option shall become immediately vested and exercisable as of the date of such Separation from Service. In addition, in the event of the Grantee’s death after Separation from Service due to Special Retirement, any portion of the Option that had not yet become vested and exercisable in accordance with the schedule set forth under “Vesting Schedule” in the Notice shall become immediately vested and exercisable as of the date of such death. Following the Grantee’s death, the Option may be exercised only by the executor or administrator of the Grantee’s estate or, if there is none, the person entitled to exercise the Option under the Grantee’s will or the laws of descent and distribution. Following the Grantee’s Separation from Service due to Disability, if a guardian or conservator has been appointed to act for the Grantee and been granted this authority as part of that appointment, that guardian or conservator may exercise the Option on behalf of the Grantee.

(ii) Involuntary Termination without Cause. If the Grantee has an Involuntary Termination without Cause at least six months after the Grant Date, a prorated portion of any unvested portion of the Option shall become immediately vested and exercisable as of the date of such Involuntary Termination without Cause. Such prorated vesting shall be determined as follows: (A) the total number of shares of Stock covered by the Option shall be multiplied by the Pro Rata Fraction, rounded up to the next whole number, and (B) such resulting amount shall be reduced by the portion of the Option (if any) that previously vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice. In addition, the Grantee must execute, deliver and not revoke, no later than sixty (60) days following Separation from Service, a general release of claims if requested by, and in a form satisfactory to, the Company.

(iii) Special Retirement. If the Grantee has a Separation from Service due to Special Retirement, the Option shall continue to become vested and exercisable in accordance with the schedule set forth under “Vesting Schedule” in the Notice as if the Grantee had not had a Separation from Service, but provided that the Grantee complies with the requirements of Section 6 of the Terms (regarding compliance with post-employment covenants). In addition, the Grantee must execute, deliver and not revoke, no later than sixty (60) days following Separation from Service, a general release of claims if requested by, and in a form satisfactory to, the Company. Notwithstanding the preceding sentences, if the Company receives an opinion of counsel that there has been a legal judgment and/or legal development in the Grantee’s jurisdiction that likely would result in the favorable Special Retirement treatment that otherwise would apply to the Option pursuant to this Section (a)(iii) being deemed unlawful and/or discriminatory, then the Company will not apply this favorable Special Retirement treatment at the time of the Grantee’s Separation from Service and the Option will be treated as it would under the rules that otherwise would have applied if the Grantee’s Separation from Service did not qualify as a Special Retirement.

(iv) Change in Control. Notwithstanding anything in this Agreement to the contrary but subject to the provisions of Section 15.3.1(i) of the Plan, if (A) a Change in Control occurs and (B) the Grantee has a Change in Control Termination, then any unvested portion of the Option shall become immediately vested and exercisable as of the date of such Change in Control Termination.

(v) Any other Separation from Service. If the Grantee has a Separation from Service for any reason other than as specified in subparagraphs (i) through (iv) above, any portion of the Option that was not vested and exercisable pursuant to the schedule specified under “Vesting Schedule” in the Notice as of the date of the Separation from Service shall be immediately canceled as of the date of Separation from Service.

(b) Impact on Exercise Period of Separation from Service.

(i) **General Rule.** Subject to clauses (ii) and (iii) below, to the extent the Option is vested and exercisable as of the date of the Grantee's Separation from Service, it shall remain exercisable until the earlier of (A) the 90th day after the date of Separation from Service or (B) the Expiration Date.

(ii) **Special Retirement.** Notwithstanding the foregoing and subject to the provisions of clause (iii) below, in the event of Separation from Service by reason of Special Retirement, the Option, to the extent vested and exercisable, shall remain exercisable until the Expiration Date, provided that the Grantee complies with the requirements of Section 6 of the Terms (regarding compliance with post-employment covenants). Notwithstanding the foregoing but subject to the provisions of clause (iii) below, if the Grantee fails to comply with the requirements of Section 6 of the Terms, the portion of the Option that was vested and exercisable as of the date of the Grantee's Separation from Service shall remain exercisable until the earlier of (A) the 90th day after the date of Separation from Service or (B) the Expiration Date.

(iii) **Cause.** Notwithstanding the foregoing, in the event that the Grantee's Separation from Service is for Cause (including a determination by the Company after the date of the Separation from Service that circumstances constituting Cause existed at the time of Separation from Service), any outstanding portion of the Option, whether or not previously vested, shall be immediately cancelled as of the date of such Separation from Service.

(c) **Definitions.** For purposes of this Agreement, the following terms shall have the following meanings:

“Cause” for the termination of Service will be deemed to exist if the Grantee:

- (i) has been convicted, or entered a plea of nolo contendere, for committing an act of fraud, embezzlement, theft or other act constituting a felony or crime of similar magnitude under applicable law (other than traffic related offenses or as a result of vicarious liability);
- (ii) willfully engages in illegal conduct or gross misconduct that is significantly injurious to the Company or a Subsidiary, including the Grantee's material breach of his or her obligations under any written Company policy, including any code of ethics or conduct, which is not cured, if curable, within ten (10) days after the Company or a Subsidiary notifies the Grantee of such breach; however, no act or failure to act on the Grantee's part shall be considered “willful” unless done or omitted to be done by the Grantee not in good faith and without reasonable belief that his or her action or omission was in the best interest of the Company or a Subsidiary; or
- (iii) fails to perform his or her duties in a reasonably satisfactory manner after the receipt of a notice from the Company or a Subsidiary detailing such failure if the failure is incapable of cure, and if the failure is capable of cure, upon the failure to cure such failure within 30 days of such notice or upon its recurrence.

“**Change in Control Termination**” means the Grantee's Separation from Service on or within two years after a Change in Control if such Separation from Service is either (i) by action of the Company, or, if different, the Grantee's employing Subsidiary (the “**Employer**”) without Cause or (ii) by action of the Grantee with Good Reason.

“**Disability**” means the status of disability determined conclusively by the Company based upon certification of disability by the Social Security Administration or and equivalent authority outside the U.S., to the extent compliant with Section 409A, upon such other proof as the Company may require, effective upon receipt of such certification or other proof by the Company.

“**Good Reason**” means the occurrence of any of the following events or conditions without the Grantee's prior written consent:

- (i) any material adverse change in the Grantee's authority, duties or responsibilities (including reporting responsibilities) from the Grantee's authority, duties or

responsibilities as in effect at any time within 90 days preceding the date of the Change in Control or at any time thereafter;

- (ii) a material reduction in Grantee's base salary or any failure to pay the Grantee any cash compensation to which the Grantee is entitled within 15 days after the date when due;
- (iii) the imposition of a requirement (other than for reasonably required travel on Company business which is not materially greater in frequency or duration than prior to the Change in Control) that the Grantee be based at any place outside a 50-mile radius from the Grantee's principal place of employment immediately prior to the Change in Control and which has a material adverse effect on the Grantee's commuting requirements;
- (iv) if the Grantee is a participant in the Company's Executive Severance Plan, any other event that constitutes "Good Reason" under that plan.

Notwithstanding anything to the contrary in this Agreement, no termination will be deemed to be for Good Reason hereunder unless (i) the Grantee provides written notice to the Company identifying the applicable event or condition within 120 days of the occurrence of the event or the initial existence of the condition, (ii) the Company or its Subsidiary fails to remedy the event or condition within a period of 30 days following such notice, and (iii) the Grantee's Separation from Service occurs within 90 days after the date the Company or a Subsidiary fails to remedy the event or condition.

"Involuntary Termination without Cause" means a Grantee's Separation from Service by action of the Company or the Employer without Cause, including due to divestiture by the Company of the business unit with which the Grantee is employed. Notwithstanding the foregoing, if the Grantee is eligible for Special Retirement as of the date of such Involuntary Termination without Cause, the Separation from Service will be treated as Special Retirement and not Involuntary Termination without Cause.

"Pro Rata Fraction" means a fraction, the numerator of which is the number of days from the Grant Date of the Option through the date of Involuntary Termination without Cause, and the denominator of which is the number of days from the Grant Date of the Option through the last vesting date set forth under "Vesting Schedule" in the Notice.

"Special Retirement" means a Grantee's Separation from Service on or after the first anniversary of the Grant Date for any reason other than death or by the Company or Employer for Cause after the Grantee has attained at least age 59-1/2 and either (i) the Grantee has at least ten years of Service or (ii) the Grantee's combined age and years of Service equals at least 70. The Company's determination of years of Service for such purpose shall be final and binding on all parties. Notwithstanding the foregoing, if the Grantee's Separation from Service during the two-year period following a Change in Control could be treated as either a Special Retirement or a Change in Control Termination, it shall be treated as a Change in Control Termination to the extent permitted by Section 409A.



LEIDOS HOLDINGS, INC.

2017 OMNIBUS INCENTIVE PLAN TERMS AND CONDITIONS OF

OPTION AWARD

The Option Award (the “**Award**”) granted by Leidos Holdings, Inc. (the “**Company**”) to the Grantee specified in the Notice of Grant of Option Award (the “**Notice**”) to which these Terms and Conditions of Option Award, including any additional terms and conditions for Grantees outside the United States set forth in Appendices A and B (collectively, the (the “**Terms**”) are attached, is subject to the terms and conditions of the Plan, the Notice, these Terms. The terms and conditions of the Plan are incorporated by reference in their entirety into these Terms. The Notice and these Terms together constitute the “**Agreement**.” A Prospectus describing the Plan has been delivered to the Grantee. The Plan itself is available upon request. When used in this Agreement, the terms which are defined in the Plan shall have the meanings given to them in the Plan, as modified herein (if applicable).

1. Grant of Option.

- (a) As of the Grant Date set forth in the Notice, the Company grants to the Grantee an Option to purchase a number of shares of Stock set forth in the Notice and Grant Summary, subject to the terms and conditions of the Plan and this Agreement.
- (b) The Option shall become vested and exercisable in accordance with the schedule set forth in the Notice.
- (c) The Option shall terminate upon the earlier to occur of: (i) the Expiration Date set forth in the Notice; or (ii) the expiration of the applicable period following Separation from Service as set forth in the Notice. The Company shall have no obligation to provide the Grantee with notice of termination or expiration of the Option.
- (d) Unless otherwise expressly provided in the Notice, the Option shall be a Non-qualified Stock Option.

2. Exercise of Option. Subject to the terms of the Plan and this Agreement, the Option, to the extent vested and exercisable, shall be exercised pursuant to procedures established by the Committee, which may include electronic or voice procedures as may be specified by the Committee and which may include a requirement to acknowledge this Agreement prior to exercise. Acceptable forms and methods of payment to exercise the Option may include (i) by cashier’s check, money order or wire transfer; (ii) by a cashless exercise procedure; or (iii) by tendering shares of Stock acceptable to the Committee valued at their Fair Market Value as of the date of exercise. No shares of Stock shall be issued pursuant to the exercise of the Option unless the issuance and exercise comply with applicable laws. Assuming such compliance, for income tax purposes the shares of Stock shall be considered transferred to the Grantee on the date on which the Option is exercised with respect to such shares. Until such time as the Option has been duly exercised and shares of Stock have been delivered, the Grantee shall not be entitled to exercise any voting rights with respect to such shares and shall not be entitled to receive dividends or other distributions with respect thereto.

3. Responsibility for Taxes.

- (a) Regardless of any action the Company or, if different, the Subsidiary which employs the Grantee (the “**Employer**”) takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable or deemed legally applicable to the Grantee (“**Tax-Related Items**”), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee’s responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and the Employer (i) make no representations or undertakings regarding the

treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the grant or exercise of the Option, the subsequent sale of shares of Stock acquired upon exercise, or the payment of any dividends on the shares of Stock; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result.

(b) In connection with any relevant taxable or tax withholding event, as applicable, the Grantee shall pay or make adequate arrangements satisfactory to the Company and/or Employer to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Company and/or the Employer, or their respective agents, in their sole discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following methods:

- (i) withholding from the Grantee's wages or other cash compensation payable to the Grantee by the Company, the Employer, or any other Subsidiary;
- (ii) withholding from proceeds of the sale of shares of Stock acquired at exercise either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization without further consent);
- (iii) withholding shares of Stock otherwise issuable to the Grantee upon exercise of the Option; or
- (iv) any other method or withholding determined by the Company, to the extent permitted under the Plan and applicable laws.

The Company may withhold or account for Tax-Related Items by considering statutory withholding amounts or other applicable withholding rates, including maximum rates applicable in the Grantee's jurisdiction(s), in which case the Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent amount in shares of Stock. In the event of over-withholding, the Grantee may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent amount in shares of Stock), from the Company or the Employer; otherwise, the Grantee may be able to seek a refund from the local tax authorities. In the event of under-withholding, the Grantee may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Company and/or the Employer. If the obligation for Tax-Related Items is satisfied by withholding shares of Stock, for tax purposes, the Grantee is deemed to have been issued the full number of shares of Stock subject to the exercised Option, notwithstanding that a number of the shares are held back solely for the purpose of paying the Tax-Related Items.

Finally, the Grantee agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue and deliver shares of Stock upon exercise of the Option, or the proceeds from the sale of shares of Stock, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as described in this Section 3.

4. Grantee Representations. The Grantee hereby represents that the Grantee has read and fully understands the provisions of this Agreement, the Prospectus and the Plan, and the Grantee's decision to participate in the Plan is completely voluntary. Further, the Grantee acknowledges that the Grantee is relying solely on his or her own advisors with respect to the tax consequences of this Award.
5. Regulatory Restrictions on the Shares Issued Upon Exercise. Notwithstanding the other provisions of this Agreement, the Committee shall have the sole discretion to impose such conditions, restrictions and limitations on the issuance of shares of Stock with respect to this Award unless and until the Committee determines that such issuance complies with (i) any applicable registration requirements under the Securities Act or the Committee has determined that an exemption therefrom is available, (ii) any applicable listing requirement of any stock exchange on which the Stock is listed, (iii) any applicable Company policy or

administrative rules, and (iv) any other applicable provision of U.S. or non-U.S. federal, state or local law.

6. Non-Solicitation and Non-Competition.

(a) Applicability. The provisions of this Section 6 apply to Awards made to employees of the Company and its Subsidiaries, and not Awards made to Non-Employee Directors. The Grantee acknowledges that the Company conducts business throughout the United States and that the Company has a legitimate business interest in protecting this business, including but not limited its interest in its employees, programs, and projects below, against unfair competition through the promises in this Section 6.

(b) Solicitation of Employees. The Grantee agrees that, both while in Service and for one year after Separation from Service, the Grantee will not solicit or attempt to solicit any employee of the Company or any Subsidiary with whom the Grantee has worked on a program or project during the 12 months prior to Separation from Service to leave his or her employment or to violate the terms of any agreement or understanding that employee may have with the Company or any Subsidiary. The foregoing obligations apply to both the Grantee's direct and indirect actions, and apply to actions intended to benefit the Grantee or any other person, business or entity. Solicitation of Customers. The Grantee agrees that, for one year after Separation from Service, the Grantee will not participate in any solicitation of any customer or prospective customer of the Company or any Subsidiary concerning any business that:

(i) involves the same programs or projects for that customer in which the Grantee was personally and/or substantially involved during the 12 months prior to Separation from Service; or

(ii) has been, at any time during the 12 months prior to Separation from Service, the subject of any capture effort, bid, offer or proposal activity by the Company or any Subsidiary in respect of that customer or prospective customer, or any negotiations or discussions about the possible performance of services by the Company or any Subsidiary to that customer or potential customer, in which the Grantee was personally and/or substantially involved.

For purposes of (c)(i) and (ii), in the case of a governmental, regulatory or administrative agency, commission, department or other governmental authority, the customer or prospective customer will be determined by reference to the specific program offices or activities for which the Company or any Subsidiary provides (or may reasonably provide) goods or services.

(c) Non-Disclosure and Non-Use of Proprietary Information. During the term of the Grantee's employment and following the voluntary or involuntary termination of that employment for any reason, and with or without cause, Grantee will not, except as authorized and required to perform the Grantee's duties for the Company or any Subsidiary, directly or indirectly: use, disclose, reproduce, distribute, or otherwise disseminate the Company or any Subsidiary's Proprietary Information, or take any action causing, or fail to take any action necessary, to prevent any such information to lose its character or cease to qualify as Proprietary Information. Grantee agrees to ask the Company or any Subsidiary, both during and after employment, if Grantee has any questions about whether particular information is Proprietary Information before using or disclosing such information.

The term "**Proprietary Information**" will mean any and all confidential knowledge, data or information of the Company, its affiliates, parents and subsidiaries, which has economic value as a result of its remaining confidential, whether having existed, now existing, or to be developed during Grantee's employment, including information developed by Grantee. By way of illustration but not limitation, "Proprietary Information" includes (1) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, algorithms, software programs, schematics, improvements, discoveries, developments, designs and techniques and any other proprietary technology and all Proprietary Rights therein (collectively, "**Inventions**"); (2) information regarding research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, margins, discounts, credit terms, pricing and billing policies, quoting procedures, methods of obtaining business, forecasts, future plans and potential

strategies, financial projections and business strategies, operational plans, financing and capital-raising plans, activities and agreements, internal services and operational manuals, methods of conducting Company business, suppliers and supplier information, and purchasing; (3) information regarding Customers and potential Customers of the Company and its Subsidiaries, including customer lists, names, representatives, their needs or desires with respect to the types of products or services offered by the Company, proposals, bids, contracts and their contents and parties, the type and quantity of products and services provided or sought to be provided to Customers and potential Customers of the Company and other non-public information relating to Customers and potential Customers; (4) information regarding any of the Company's business partners and their services, including names; representatives, proposals, bids, contracts and their contents and parties, the type and quantity of products and services received by the Company, and other non-public information relating to business partners that Grantee acquires as a result of Grantee's employment; (5) information regarding personnel, employee lists, compensation, and employee skills; and (6) any other non-public information which a competitor of the Company could use to the competitive disadvantage of the Company.

(d) Non-Competition. To the extent allowed by and consistent with applicable law, the Grantee agrees that, for one year after Separation from Service, the Grantee will not, directly or indirectly, on behalf of the Grantee or any other person or entity other than the Company, perform on or support any program, or provide oversight on any program, product, or service in which the Grantee was personally and/or substantially involved during the 12 months prior to Separation from Service:

(i) that would more likely than not cause the Grantee to use, disclose, or access Proprietary Information of any such program, product, or service; or

(ii) that is competitive with any such program, product, or service and where the Grantee's new responsibilities and duties will be similar to those previously held with the Company or any Subsidiary; or

(iii) that is associated with any program, product or service that was the subject of any capture effort, bid, offer or proposal activity by the Company or any Subsidiary in which the Grantee was personally and substantially involved during the 12 months prior to Separation from Service and of which the Grantee possesses Proprietary Information.

(e) Remedies. The Grantee acknowledges and agrees that a breach of any of the promises or agreements contained in this Section 6 will result in immediate, irreparable and continuing damage to the Company and its Subsidiaries for which there is no adequate remedy at law, and the Company and its Subsidiaries will be entitled to injunctive relief, a decree for specific performance, and other relief as may be proper, including money damages such as, but not limited to, the disgorgement of any profits, commissions, or fees realized by the Grantee, any subsequent employers, any business owned or operated by the Grantee, or any of Grantee's agents, heirs, or assigns because of any such breach. Furthermore, to the extent allowed by and consistent with applicable law and any applicable limitations period, if it is determined at any time by the Company or any Subsidiary that the Grantee has materially breached any employment-related covenants, including the covenants in this Section 6, the Company will be entitled to (i) cause any unvested portion of the Award to be immediately canceled without any payment of consideration by the Company and/or (ii) cause, upon written demand by the Company to the Grantee, that the Grantee promptly return to the Company some or all of the shares of Stock (or proceeds received by the Grantee from such shares of Stock) paid to the Grantee pursuant to this Agreement. If the Company must resort to litigation to enforce the Grantee's obligation in (ii), the Company will be entitled to an award of reasonable attorneys' fees and costs should it prevail in the litigation.

7. No Interference with Rights. Grantee understands that Grantee shall not be held criminally or civilly liable under any U.S. or non-U.S. federal or state trade secret law for the disclosure of a trade secret that: (1) is made in confidence to a U.S. or non-U.S. federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The Grantee also understands that disclosure of trade secrets to attorneys, made under seal, or

pursuant to court order is also protected under 18 U.S. Code § 1833 in a retaliation lawsuit based on the reporting of a suspected violation of law.

8. Miscellaneous.

(a) Notices. Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as the Company may notify the Grantee from time to time; and to the Grantee at the Grantee's electronic mail or postal address as shown on the records of the Company from time to time, or at such other electronic mail or postal address as the Grantee, by notice to the Company, may designate in writing from time to time.

(b) Waiver. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach.

(c) Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties with respect to the subject matter hereof. Any prior agreements, commitments or negotiations concerning the Award are superseded.

(d) Binding Effect; Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto and to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in this Agreement, express or implied, is intended to confer on any person other than the parties hereto and as provided above, their respective heirs, successors, assigns and representatives any rights, remedies, obligations or liabilities.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law, and applicable U.S. federal law.

(f) Venue. Any legal or equitable action or any proceeding arising directly, indirectly, or otherwise in connection with, out of, related to or from the Agreement, or any provision hereof, shall exclusively be filed and adjudicated in the Circuit Court for Fairfax County, Virginia, or the United States District Court for the Eastern District of Virginia, Alexandria Division, and no other venue. Any arbitration will be conducted according to the terms of the applicable arbitration agreement.

(g) Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

(h) Conflicts; Amendment. The provisions of the Plan are incorporated in this Agreement in their entirety. In the event of any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan shall control. This Agreement may be amended at any time by the Committee, provided that no amendment may, without the consent of the Grantee, materially impair the Grantee's rights with respect to the Award, except as otherwise required pursuant to Section 8(1) below. The Committee shall have full authority and discretion, subject only to the terms of the Plan, to decide all matters relating to the administration or interpretation of the Plan, the Award, and the Agreement, and all such action by the Committee shall be final, conclusive, and binding upon the Company and the Grantee.

(i) No Right to Continued Employment. Nothing in this Agreement shall confer upon the Grantee any right to continue in the Service of the Company or any Subsidiary or affect the right of the Company or any Subsidiary to terminate the Grantee's Service at any time.

(j) Further Assurances. The Grantee agrees, upon demand of the Company or the Committee, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Company or the Committee, as the case may be, to implement the provisions and purposes of this Agreement and the Plan.

(k) Appendices. By accepting this Award, the Grantee acknowledges and agrees that, should the Grantee reside and/or work in a country outside the United States at any time during the life of the Award, this Award is subject to the additional terms set forth in the Appendices A and B hereto. Appendices A and B constitute part of this Agreement. Please review the provisions of Appendices A and B carefully, as this Award will be null and void absent the Grantee's acceptance of such provisions.

(l) Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Award to the extent that the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Award and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(m) Recovery of Compensation. In accordance with Section 3.3 of the Plan, the Award is subject to the requirements of (i) Section 954 of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) any policies adopted by the Company to implement such requirements, and (iii) the Company's compensation recoupment policy adopted on June 18, 2009, as in effect from time to time (the "**Compensation Recoupment Policy**"), all to the extent determined by the Committee to be applicable to the Grantee.

(n) Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(o) Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

9. No Advice Regarding Grant. The Company is not providing any tax, legal, or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan or the Grantee's acquisition of any shares of Stock under the Plan or subsequent sale of such shares of Stock. The Grantee should consult with the Grantee's personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action in relation thereto.
10. Insider Trading/Market Abuse Laws. The Grantee acknowledges that he or she may be subject to insider trading restrictions and/or market abuse laws which may affect the Grantee's ability to accept, acquire, sell or otherwise dispose of shares of Stock, rights to shares of Stock (e.g., the Award) or rights linked to the value of Stock during such times as the Grantee is considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Grantee placed before the Grantee possessed inside information. Furthermore, the Grantee could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's insider trading policy as may be in effect from time to time. The Grantee acknowledges that it is the Grantee's responsibility to comply with any applicable insider trading restrictions and/or market abuse laws, and the Grantee should speak to his or her personal advisor on this matter.

APPENDIX A
TO THE TERMS AND CONDITIONS OF OPTION AWARD

General Additional Terms Applicable to Awards Held by Grantees Outside the U.S.

1. Data Privacy.

(a) Data Collection and Usage. *The Company and the Employer collect, process and use certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all Awards under the Plan or any other entitlement to shares of Stock or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in the Grantee favor ("Data"), for the legitimate purpose of implementing, administering and managing the Grantee's participation in the Plan. The legal basis, where required, for the processing of Data by the Company and the third-party service providers described below is the Grantee's consent.*

(b) Stock Plan Administration Service Providers. *The Company transfers Data to Computershare, Inc. and certain of its affiliated companies (collectively, "Computershare"), an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan. The Grantee acknowledges and understands that Computershare will open an account for the Grantee to receive and trade shares of Stock acquired under the Plan and that the Grantee will be asked to agree on separate terms and data processing practices with Computershare, with such agreement being a condition to the ability to participate in the Plan. The legal basis, where required, for the transfer of Data by the Company to Computershare is the Grantee's consent.*

(c) International Data Transfers. *The Company is based in the United States. The Grantee's country or jurisdiction may have different data privacy laws and protections than the United States. As a result, in the absence of appropriate safeguards such as standard data protection clauses, the processing of the Grantee's Data in the United States or, as the case may be, other countries might not be subject to substantive data processing principles or supervision by data protection authorities. In addition, the Grantee might not have enforceable rights regarding the processing of the Grantee's Data in such countries. The Company's legal basis, where required, for the transfer of Data is the Grantee's consent.*

(d) Data Retention. *The Company will hold and use Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan, or as required to comply with applicable law, exercise or defense of legal rights, and archiving, back-up and deletion processes. This means Data may be held even after the Grantee's employment or service is terminated.*

(e) Voluntariness and Consequences of Consent Denial or Withdrawal. *Participation in the Plan is voluntary and the Grantee is providing any consents herein on a purely voluntary basis. The Grantee understands that the Grantee may withdraw his or her consent at any time with future effect for any or no reason. If the Grantee does not consent, or if the Grantee later seeks to revoke his or her consent, the Grantee's Service with the Employer will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant the Awards under the Plan or other equity awards to the Grantee or administer or maintain the Grantee's participation in the Plan.*

(f) Data Subject Rights. *The Grantee may have a number of rights under data privacy laws in the Grantee's jurisdiction. Depending on where the Grantee is based and subject to the conditions under applicable law, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in the Grantee's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Grantee can contact his or her local human resources representative.*

2. Nature of Grant. By entering into this Agreement and accepting the grant of the Option evidenced hereby, the Grantee acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be terminated, suspended or amended by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the Option is exceptional, voluntary and occasional and does not create any contractual or other right to receive future awards of the Option or benefits in lieu of the Option, even if such awards have been awarded in the past;

(c) all decisions with respect to future awards, if any, will be at the sole discretion of the Company;

(d) the grant of the Option shall not create a right to Service or be interpreted as forming an employment or Service contract with the Company or any other Subsidiary and shall not interfere with the ability of the Employer to terminate the Grantee's Service relationship (if any) at any time;

(e) the Grantee is voluntarily participating in the Plan;

(f) the Option and any payment made pursuant to the exercise of the Option, and the income from and value of same, are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, long-service awards, leave-related payments, pension or retirement benefits or welfare benefits or similar payments;

(g) unless otherwise agreed with the Company, the Option and any shares of Stock subject to the Option, and the income from and value of same, are not granted as consideration for, or in connection with, any service the Grantee may provide as a director of any Subsidiary;

(h) the future value of the shares of Stock which may be delivered upon exercise of the Option is unknown, indeterminable and cannot be predicted with certainty;

(i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from the Grantee's Separation from Service (for any reason whatsoever, whether or not such termination is later found to be invalid or in breach of applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any) or recoupment of all or any portion of any payment made pursuant to the Option as provided by the Company's Compensation Recoupment Policy;

(j) for purposes of the Option, the date of the Grantee's Separation from Service (for any reason whatsoever, whether or not such termination is later found to be invalid or in breach of applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any) will be deemed to occur as of the date the Grantee is no longer actively providing Service to the Company or any of its Subsidiaries, and unless otherwise expressly provided in this Agreement or otherwise determined by the Company, the Grantee's right to vest in any portion of the Option under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., the Grantee's active employment or period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any); the Company, in its sole discretion, shall determine when the Grantee is no longer actively providing Service for purposes of the Option (including whether the Grantee may still be considered to be actively providing Service while on an approved leave of absence);

(k) unless otherwise provided in the Plan or by the Company in its discretion, the Option and the benefits evidenced by this Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Stock; and

(l) neither the Company, the Employer, nor any other Subsidiary shall not be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United

States Dollar that may affect the value of the Option, any payment made pursuant to the exercise of the Option or the subsequent sale of any shares of Stock acquired under the Plan.

3. Language. The Grantee acknowledges and represents that the Grantee is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow the Grantee to understand the terms of this Agreement and any other documents related to the Plan. If the Grantee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version differs from the English version, the English version shall control.
4. Foreign Asset/Account, Exchange Control, and Tax Reporting. The Grantee may be subject to certain foreign asset and/or account reporting requirements and/or exchange controls which may affect the Grantee's ability to acquire or hold shares of Stock acquired under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of shares of Stock) in a brokerage or bank account outside the Grantee's country. The Grantee may be required to report such accounts, assets or transactions to the tax or other authorities in the Grantee's country. The Grantee also may be required to repatriate sale proceeds or other funds received as a result of the Grantee's participation in the Plan to the Grantee's country through a designated bank or broker and/or within a certain time after receipt. The Grantee further acknowledges that it is the Grantee's responsibility to comply with such regulations and that the Grantee should consult the Grantee's personal legal advisor for any details.

**APPENDIX B
TO THE TERMS AND CONDITIONS OF OPTION AWARD**

Country-Specific Additional Terms Applicable to Awards Held by Grantees Outside the U.S.

Capitalized terms used but not otherwise defined herein shall have the meaning given to such terms in the Plan and/or this Agreement.

Terms and Conditions

This Appendix B includes additional terms and conditions that govern the Grantee's participation in the Plan if the Grantee resides and/or works in one of the countries listed below. If the Grantee is a citizen or resident of a country other than the one in which he or she is currently residing and/or working (or if the Grantee is considered as such for local law purposes), or if the Grantee moves or transfers Service to another country after the Grant Date, the Company will, in its sole discretion, determine the extent to which the terms and conditions herein will be applicable to the Grantee.

Notifications

This Appendix B also includes information regarding securities laws, exchange controls and certain other issues of which the Grantee should be aware with respect to the Grantee's participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of January 2022. Such laws are often complex and change frequently. As a result, the Company recommends that the Grantee not rely on the information in this Appendix B as the only source of information relating to the consequences of the Grantee's participation in the Plan because the information included herein may be out of date at the time that the Option vests, the Grantee exercises the Option, or the Grantee subsequently sells the shares of Stock acquired at exercise.

In addition, the Grantee understands that the information contained herein is general in nature and may not apply to the Grantee's particular situation and the Company is not in a position to assure the Grantee of any particular result. Accordingly, the Grantee acknowledges that he or she should seek appropriate professional advice as to how the relevant laws in the Grantee's country may apply to the Grantee's situation.

If the Grantee is a citizen or resident of a country other than the one in which the Grantee is currently residing and/or working (or if the Grantee is considered as such for local law purposes), or if the Grantee moves or transfers residency and/or Service to another country after the Option is granted, the Grantee understands that the information contained herein may not be applicable to the Grantee in the same manner.

AUSTRALIA

Notifications

Securities Law Information. If the Grantee acquires shares of Stock under the Plan and offers the shares of Stock for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. The Grantee should obtain legal advice regarding any applicable disclosure obligations before making any such offer in Australia.

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding AUD10,000 and for international fund transfers. If an Australian bank is assisting with the international

fund transfer transaction, the bank will file the report on behalf of the Grantee. If there is no Australian bank involved in the transfer, the Grantee will be required to file the report.

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in that Act).

BELGIUM

Notifications

Foreign Asset/Account Reporting Information. Belgian residents are required to report any securities accounts (*e.g.*, those related to shares of Stock acquired under the Plan) or bank accounts (including brokerage accounts) maintained outside Belgium on their annual tax return. In a separate report, they must provide the National Bank of Belgium with certain details regarding such foreign accounts (including the account number, bank name and country in which any such account was opened). The forms to complete this report are available at the website of the National Bank of Belgium. Belgian residents should consult with their personal tax advisors to determine their reporting obligations.

Stock Exchange Tax. A stock exchange tax applies to transactions executed by a Belgian resident through a non-Belgian financial intermediary, such as a U.S. bank or broker. If the transaction is conducted through a Belgian financial intermediary, it may withhold the stock exchange tax, but if the transaction is conducted through a non-Belgian financial intermediary, the Belgian resident may need to report and pay the stock exchange tax directly. The stock exchange tax may apply when shares of Stock acquired under the Plan are sold. Belgian residents should consult with a personal tax or financial advisor for additional details on their obligations with respect to the stock exchange tax.

Annual Securities Accounts Tax. An annual securities accounts tax may be payable if the total value of securities held in a Belgian or foreign securities account (*e.g.*, shares of Stock) exceeds a certain threshold on four reference dates within the relevant reporting period (*i.e.*, December 31, March 31, June 30 and September 30). Different payment obligations may apply, depending on whether the securities account is held with a Belgian or foreign financial institution. The Grantee should consult with his or her personal tax or financial advisor for additional details.

UNITED KINGDOM

Terms and Conditions

Responsibility for Taxes. This provision supplements the Section 3 of the Terms and Conditions of Option Award:

Without limitation to Section 3 of the Terms and Conditions of Option Award, the Grantee agrees that the Grantee is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company, the Employer or by Her Majesty's Revenue and Customs ("**HMRC**") (or any other tax authority or any other relevant authority). The Grantee also agrees to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Grantee's behalf.

Notwithstanding the foregoing, if the Grantee becomes a director or executive officer (within the meaning of Section 13(k) of the Exchange Act), the Grantee understands that the Grantee may not be able to indemnify the Company or the Employer for the amount of any Tax-Related Items not collected from or paid by the Grantee, in case the indemnification could be considered to be a loan. In this case, the Tax-Related Items not collected or paid within 90 days of the end of the U.K. tax year in which the taxable event occurs may constitute a benefit to the Grantee on which additional income tax and National Insurance contributions ("**NICs**") may be payable. The Grantee understands that the Grantee will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying to the Company and/or the Employer (as appropriate) the amount of any employee NICs due on this additional benefit, which may also be recovered from the Grantee by the Company or the Employer at any time thereafter by any of the means referred to in Section 3 of the Terms and Conditions of Option Award.



**LEIDOS HOLDINGS, INC.
2017 OMNIBUS INCENTIVE PLAN**

NOTICE OF GRANT OF RESTRICTED STOCK UNIT AWARD (PERFORMANCE-VESTING)

Leidos Holdings, Inc. (the “**Company**”) hereby grants this Restricted Stock Unit Award (the “**Award**”) of the number of Restricted Stock Units set forth in this Notice of Grant of Restricted Stock Unit Award (the “**Notice**”) to the Grantee designated in this Notice, pursuant to the provisions of the Company’s 2017 Omnibus Incentive Plan (the “**Plan**”) and subject to certain restrictions as outlined below in this Notice and the additional provisions set forth in the attached Terms and Conditions of Restricted Stock Units Award (the “**Terms**”). Together, this Notice, the attached Terms and all exhibits and appendices hereto constitute the “**Agreement**.” The terms and conditions of the Plan are incorporated by reference in their entirety into this Agreement. When used in this Agreement, the terms that are defined in the Plan shall have the meanings given to them in the Plan, as modified herein (if applicable).

Award Details: The Grantee’s name, the number of Restricted Stock Units awarded and the Grant Date can be found in the Grant Summary located in the electronic stock plan award administration system maintained by the Company or its designee that contains a link to this Agreement (which summary information is set forth in the appropriate records of the Company authorizing such award).

Vesting Schedule: Subject to the terms of the Plan and this Agreement, the Restricted Stock Units shall become earned and vested as follows:

(a) Performance-Vesting Condition. The vesting of the Restricted Stock Units is conditioned on achievement of the Performance Goals during the Performance Period in accordance with the provisions of Exhibit A. If the Performance Goals are not met, the Restricted Stock Units shall be immediately cancelled and forfeited as of the Determination Date.

(b) Time-Vesting Conditions. In addition to the performance-vesting condition stated above, subject to the terms of the Plan and this Agreement, the Restricted Stock Units shall become earned and vested, and shares of Stock shall be issued in settlement of vested Restricted Stock Units, in accordance with the following schedule, in the event the Grantee does not have a Separation from Service prior to the applicable vesting date(s):

<u>Vesting Date</u>	<u>% Vesting</u>
[add applicable vesting date(s)]	

Only a whole number of Restricted Stock Units will become vested as of any given vesting date. If the number of Restricted Stock Units determined as of a vesting date is a fractional number, the number vesting will be rounded down to the nearest whole number with any fractional portion carried forward. Exhibit B to this Notice sets forth the terms and provisions regarding treatment of the Award upon Separation from Service. No Restricted Stock Units shall become earned and vested following the Grantee’s Separation from Service except as otherwise expressly provided in Exhibit B to this Notice or as otherwise provided pursuant to the terms of the Plan.

Award Acceptance: The Grantee must accept the Agreement electronically pursuant to the online acceptance procedure established by the Company by no later than three months following the Grant Date. If the Grantee does not accept the Agreement through the online acceptance process by that date, or such other date that may be communicated, the Grantee will be deemed to have accepted the

Agreement and the Company will automatically accept the Agreement on the Grantee's behalf. If the Grantee declines the Agreement, the Award will be canceled and the Grantee will not be entitled to any benefits from the Award nor any compensation or benefits in lieu of the canceled award.

EXHIBIT A

Performance-Vesting Condition

(a) Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“**Determination Date**” means the date on which the Committee certifies whether and to what extent the Performance Goals have been achieved, which shall be no later than March 15 following the end of the Performance Period.

“**Performance Goals**” means the performance goals specified in paragraph (b) below.

“**Performance Period**” means the fiscal year of the Company in which the Grant Date occurs.

[add defined terms as needed of the specific performance metrics]

(b) Performance Goals. As a condition to vesting of the Restricted Stock Units, the following Performance Goals must be achieved during the Performance Period, as certified in writing by the Committee on the Determination Date.

EXHIBIT B

Separation from Service and Change in Control

(a) Impact of Separation from Service; Change in Control. If the Grantee has a Separation from Service before any of the vesting date(s) specified under “Vesting Schedule” in the Notice, then any unearned and unvested Restricted Stock Units shall become earned and vested or be canceled depending on the reason for Separation from Service as follows:

(i) Death or Disability. If the Grantee has a Separation from Service due to the Grantee’s death or Disability, any unearned and unvested Restricted Stock Units shall become immediately earned and vested as of the date of such Separation from Service. If such Separation from Service occurs during the Performance Period, such vesting shall occur without regard to achievement of the Performance Goals. In addition, in the event of the Grantee’s death after Separation from Service due to Special Retirement, any Restricted Stock Units that had not yet become earned and vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice shall become immediately earned and vested as of the date of such death.

(ii) Involuntary Termination without Cause. If the Grantee has an Involuntary Termination without Cause at least six months after the Grant Date, a prorated portion of any unearned and unvested Restricted Stock Units shall become immediately earned and vested as of the date of such Involuntary Termination without Cause; provided, however, that if the Grantee is a Covered Employee, such vesting shall be conditioned on achievement of the Performance Goals and any such vested Restricted Stock Units shall not be paid until the Determination Date. Such prorated vesting shall be determined as follows: (A) the total number of Restricted Stock Units granted shall be multiplied by the Pro Rata Fraction, rounded up to the next whole number, and (B) such resulting amount shall be reduced by the number of Restricted Stock Units (if any) that previously vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice. In addition, the Grantee must execute, deliver and not revoke, no later than sixty (60) days following Separation from Service, a general release of claims if requested by, and in a form satisfactory to, the Company.

(iii) Special Retirement. If the Grantee has a Separation from Service due to Special Retirement, the Restricted Stock Units shall continue to become earned and vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice as if the Grantee had not had a Separation from Service, including without limitation the achievement of the performance condition, but provided that the Grantee complies with the requirements of Section 7 of the Terms (regarding compliance with post- employment covenants). In addition, the Grantee must execute, deliver and not revoke, no later than sixty (60) days following Separation from Service, a general release of claims if requested by, and in a form satisfactory to, the Company. Notwithstanding the preceding sentences, if the Company receives an opinion of counsel that there has been a legal judgment and/or legal development in the Grantee’s jurisdiction that likely would result in the favorable Special Retirement treatment that otherwise would apply to the Restricted Stock Units pursuant to this Section (a)(iii) being deemed unlawful and/or discriminatory, then the Company will not apply this favorable Special Retirement treatment at the time of the Grantee’s Separation from Service and the Restricted Stock Units will be treated as they would under the rules that otherwise would have applied if the Grantee’s Separation from Service did not qualify as a Special Retirement.

(iv) Change in Control. Notwithstanding anything in this Agreement to the contrary but subject to the provisions of Section 15.3.1(i) of the Plan, if (A) a Change in Control occurs and (B) the Grantee has a Change in Control Termination, then any unearned and unvested Restricted Stock Units shall become immediately earned and vested as of the date of such Change in Control Termination.

(v) Any other Separation from Service. If the Grantee has a Separation from Service for any reason other than as specified in subparagraphs (i) through (iv) above, any Restricted Stock Units that were not already earned and vested pursuant to the schedule specified under “Vesting Schedule” in the Notice as of the date of the Separation from Service shall be immediately canceled as of the date of Separation from Service.

(b) Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“Cause” for the termination of Service will be deemed to exist if the Grantee:

- (i) has been convicted, or entered a plea of nolo contendere, for committing an act of fraud, embezzlement, theft or other act constituting a felony or crime of similar magnitude under applicable law (other than traffic related offenses or as a result of vicarious liability);
- (ii) willfully engages in illegal conduct or gross misconduct that is significantly injurious to the Company or a Subsidiary, including the Grantee’s material breach of his or her obligations under any written Company policy, including any code of ethics or conduct, which is not cured, if curable, within ten (10) days after the Company or a Subsidiary notifies the Grantee of such breach; however, no act or failure to act on the Grantee’s part shall be considered “willful” unless done or omitted to be done by the Grantee not in good faith and without reasonable belief that his or her action or omission was in the best interest of the Company or a Subsidiary; or
- (iii) fails to perform his or her duties in a reasonably satisfactory manner after the receipt of a notice from the Company or a Subsidiary detailing such failure if the failure is incapable of cure, and if the failure is capable of cure, upon the failure to cure such failure within 30 days of such notice or upon its recurrence.

“Change in Control Termination” means the Grantee’s Separation from Service on or within two years after a Change in Control if such Separation from Service is either (i) by action of the Company or, if different, the Grantee’s employing Subsidiary (the “Employer”) without Cause or (ii) by action of the Grantee with Good Reason.

“Disability” means the status of disability determined conclusively by the Company based upon certification of disability by the Social Security Administration or an equivalent authority outside the U.S. or, to the extent compliant with Section 409A, upon such other proof as the Company may require, effective upon receipt of such certification or other proof by the Company. Notwithstanding the foregoing, if the Grantee is eligible for Special Retirement as of the date of a Separation from Service due to Disability, the Separation from Service will be treated as Special Retirement and not Separation from Service due to Disability.

“Good Reason” means the occurrence of any of the following events or conditions without the Grantee’s prior written consent:

- (i) any material adverse change in the Grantee’s authority, duties or responsibilities (including reporting responsibilities) from the Grantee’s authority, duties or responsibilities as in effect at any time within 90 days preceding the date of the Change in Control or at any time thereafter;
- (ii) a material reduction in Grantee’s base salary or any failure to pay the Grantee any cash compensation to which the Grantee is entitled within 15 days after the date when due;
- (iii) the imposition of a requirement (other than for reasonably required travel on Company business which is not materially greater in frequency or duration than prior to the Change in Control) that the Grantee be based at any place outside a 50-mile radius from the Grantee’s principal place of employment immediately
- (iv) prior to the Change in Control and which has a material adverse effect on the Grantee’s commuting requirements; or
- (v) if the Grantee is a participant in the Company’s Executive Severance Plan, any other event that constitutes “Good Reason” under that plan.

Notwithstanding anything to the contrary in this Agreement, no termination will be deemed to be for Good Reason hereunder unless (i) the Grantee provides written notice to the Company identifying the applicable event or condition within 120 days of the occurrence of the

event or the initial existence of the condition, (ii) the Company or a Subsidiary fails to remedy the event or condition within a period of 30 days following such notice, and (iii) the Grantee's Separation from Service occurs within 90 days after the date the Company or a Subsidiary fails to remedy the event or condition.

"Involuntary Termination without Cause" means a Grantee's Separation from Service by action of the Company or the Employer without Cause, including due to divestiture by the Company of the business unit with which the Grantee is employed. Notwithstanding the foregoing, if the Grantee is eligible for Special Retirement as of the date of such Involuntary Termination without Cause, the Separation from Service will be treated as Special Retirement and not Involuntary Termination without Cause.

"Pro Rata Fraction" means a fraction, the numerator of which is the number of days from the Grant Date of the Restricted Stock Units through the date of Involuntary Termination without Cause, and the denominator of which is the number of days from the Grant Date of the Restricted Stock Units through the last vesting date set forth under "Vesting Schedule" in the Notice.

"Special Retirement" means a Grantee's Separation from Service on or after the first anniversary of the Grant Date for any reason other than death or by the Company or the Employer for Cause after the Grantee has attained at least age 59-1/2 and either (i) the Grantee has at least ten years of Service or (ii) the Grantee's combined age and years of Service equals at least 70. The Company's determination of years of Service for such purpose shall be final and binding on all parties. Notwithstanding the foregoing, if the Grantee's Separation from Service during the two-year period following a Change in Control could be treated as either a Special Retirement or a Change in Control Termination, it shall be treated as a Change in Control Termination to the extent permitted by Section 409A.



LEIDOS HOLDINGS, INC.
2017 OMNIBUS INCENTIVE PLAN

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

The Restricted Stock Unit Award (the “**Award**”) granted by Leidos Holdings, Inc. (the “**Company**”) to the Grantee specified in the Notice of Grant of Restricted Stock Unit Award (the “**Notice**”) to which these Terms and Conditions of Restricted Stock Unit Award, including any additional terms and conditions for Grantees outside the United States set forth in Appendices A and B (collectively, the “**Terms**”) are attached, is subject to the terms and conditions of the Plan, the Notice, and these Terms. The terms and conditions of the Plan are incorporated by reference in their entirety into these Terms. The Notice and these Terms together constitute the “**Agreement**.” A Prospectus describing the Plan has been delivered to the Grantee. The Plan itself is available upon request. When used in this Agreement, the terms which are defined in the Plan shall have the meanings given to them in the Plan, as modified herein (if applicable).

1. Grant of Units.

(a) As of the Grant Date set forth in the Notice, the Company grants to the Grantee the number of Restricted Stock Units (“**Units**”) set forth in the Notice. Each Unit represents the right to receive one share of Stock at a future date after the Unit has become earned and vested, subject to the terms and conditions of this Agreement.

(b) The Units covered by this Award shall become earned and vested in accordance with the schedule set forth in the Notice. Each earned and vested Unit shall be settled on the date(s) specified in the Notice by issuance of one share of Stock on or as soon as administratively practicable (but no more than 75 days) after the applicable vesting date specified in the Notice, subject to the requirements of the Plan and this Agreement.

(c) Units constitute an unfunded and unsecured obligation of the Company. The Grantee shall not have any rights of a stockholder of the Company with respect to the shares of Stock underlying the Units unless and until the Units become earned and vested and are settled by the issuance of shares of Stock. Upon issuance of shares of Stock in connection with the settlement of vested Units, the Grantee shall be the record owner of the shares of Stock unless and until such shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a stockholder of the Company (including voting rights).

(d) Units earned and vested will receive dividend equivalents paid in cash (without interest) based on the dividend rates in effect during the vesting period applied to the number of Units in which the Grantee vests, subject to the vesting provisions set forth in the Notice. Cash dividend equivalents accrued on the earned and vested Units will be paid in cash on or about the same time the earned and vested Units are settled and paid.

(e) Notwithstanding any provision herein to the contrary, if the Grantee is a U.S. taxpayer, payment of Units that become earned and vested under this Agreement may be deferred under the terms of the Company’s Key Executive Stock Deferral Plan (or any similar plan or program) in which the Grantee is eligible to participate, subject to the terms and conditions of such plan and the requirements of Section 409A. Any Units deferred under any such plan shall be administered in accordance with the terms and provisions of such plan.

2. Restrictions. Subject to any exceptions set forth in this Agreement, until such time as the Units become earned and vested and are settled in shares of Stock in accordance with Section 1, the Units or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Units or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Units will be forfeited by the Grantee and all of the Grantee's rights to such Units shall immediately terminate without any payment of consideration by the Company.
3. Cancellation of Rights. If any portion of the Units fail to become earned and vested (for example, because the Grantee fails to satisfy the vesting conditions specified in the Notice prior to a Separation from Service), then such Units shall be immediately forfeited as of the date of such failure and all of the Grantee's rights to such Units shall immediately terminate without any payment of consideration by the Company.
4. Responsibility for Taxes.

(a) Regardless of any action the Company or, if different, the Subsidiary which employs the Grantee (the "**Employer**") takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable or deemed legally applicable to the Grantee ("**Tax-Related Items**"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the grant or vesting of the Units, the subsequent sale of shares of Stock acquired upon vesting, the payment of any dividend equivalents on the Units or the payment of any dividends on the shares of Stock; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result.

(b) In connection with any relevant taxable or tax withholding event, as applicable, the Grantee shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Company and/or the Employer, or their respective agents, in their sole discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following methods:

- (i) withholding from the Grantee's wages or other cash compensation payable to the Grantee by the Company, the Employer, or any other Subsidiary;
- (ii) withholding from proceeds of the sale of shares of Stock acquired at vesting either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization without further consent);
- (iii) withholding shares of Stock otherwise issuable to the Grantee upon vesting of the Units; or
- (iv) any other method of withholding determined by the Company, to the extent permitted under the Plan and applicable laws.

The Company may withhold or account for Tax-Related Items by considering statutory withholding amounts or other applicable withholding rates, including maximum rates applicable in the Grantee's jurisdiction(s), in which case the Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent amount in shares of Stock. In the event of over-withholding, the Grantee may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent amount in shares of Stock), from the Company or the Employer; otherwise, the Grantee may be able to seek a refund from the local tax authorities. In the event of under-withholding, the Grantee may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Company and/or the Employer. If the obligation for Tax-Related Items is satisfied by withholding shares of Stock, for tax purposes, the Grantee is

deemed to have been issued the full number of shares of Stock subject to the vested Units, notwithstanding that a number of the shares is held back solely for the purpose of paying the Tax-Related Items.

Finally, the Grantee agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue and deliver shares of Stock in payment of any earned and vested Units, or the proceeds from the sale of shares of Stock, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as described in this Section 4.

5. Grantee Representations. The Grantee hereby represents that the Grantee has read and fully understands the provisions of this Agreement, the Prospectus and the Plan, and the Grantee's decision to participate in the Plan is completely voluntary. Further, the Grantee acknowledges that the Grantee is relying solely on his or her own advisors with respect to the tax consequences of this Award.
6. Regulatory Restrictions on the Shares Issued Upon Settlement. Notwithstanding the other provisions of this Agreement, the Committee shall have the sole discretion to impose such conditions, restrictions and limitations on the issuance of shares of Stock with respect to this Award unless and until the Committee determines that such issuance complies with (i) any applicable registration requirements under the Securities Act or the Committee has determined that an exemption therefrom is available, (ii) any applicable listing requirement of any stock exchange on which the Stock is listed, (iii) any applicable Company policy or administrative rules, and (iv) any other applicable provision of U.S. or non-U.S. federal, state or local law.
7. Non-Solicitation and Non-Competition.

(a) Applicability. The provisions of this Section 7 apply to Awards made to employees of the Company and its Subsidiaries, and not Awards made to Non-Employee Directors. The Grantee acknowledges that the Company conducts business throughout the United States and that the Company has a legitimate business interest in protecting this business, including but not limited its interest in its employees, programs, and projects below, against unfair competition through the promises in this Section 7.

(b) Solicitation of Employees. The Grantee agrees that, both while in Service and for one year after Separation from Service, the Grantee will not solicit or attempt to solicit any employee of the Company or any Subsidiary with whom the Grantee has worked on a program or project during the 12 months prior to Separation from Service to leave his or her employment or to violate the terms of any agreement or understanding that employee may have with the Company or any Subsidiary. The foregoing obligations apply to both the Grantee's direct and indirect actions, and apply to actions intended to benefit the Grantee or any other person, business or entity.

(c) Solicitation of Customers. The Grantee agrees that, for one year after Separation from Service, the Grantee will not participate in any solicitation of any customer or prospective customer of the Company or any Subsidiary concerning any business that:

- (i) involves the same programs or projects for that customer in which the Grantee was personally and/or substantially involved during the 12 months prior to Separation from Service; or
- (ii) has been, at any time during the 12 months prior to Separation from Service, the subject of any capture effort, bid, offer or proposal activity by the Company or any Subsidiary in respect of that customer or prospective customer, or any negotiations or discussions about the possible performance of services by the Company or any Subsidiary to that customer or potential customer, in which the Grantee was personally and/or substantially involved.

For purposes of (c)(i) and (ii), in the case of a governmental, regulatory or administrative agency, commission, department or other governmental authority, the customer or prospective

customer will be determined by reference to the specific program offices or activities for which the Company or any Subsidiary provides (or may reasonably provide) goods or services.

(d) Non-Disclosure and Non-Use of Proprietary Information. During the term of the Grantee's employment and following the voluntary or involuntary termination of that employment for any reason, and with or without cause, Grantee will not, except as authorized and required to perform the Grantee's duties for the Company or any Subsidiary, directly or indirectly: use, disclose, reproduce, distribute, or otherwise disseminate the Company or any Subsidiary's Proprietary Information, or take any action causing, or fail to take any action necessary, to prevent any such information to lose its character or cease to qualify as Proprietary Information. Grantee agrees to ask the Company or any Subsidiary, both during and after employment, if Grantee has any questions about whether particular information is Proprietary Information before using or disclosing such information.

The term "**Proprietary Information**" will mean any and all confidential knowledge, data or information of the Company, its affiliates, parents and subsidiaries, which has economic value as a result of its remaining confidential, whether having existed, now existing, or to be developed during Grantee's employment, including information developed by Grantee. By way of illustration but not limitation, "Proprietary Information" includes (1) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, algorithms, software programs, schematics, improvements, discoveries, developments, designs and techniques and any other proprietary technology and all Proprietary Rights therein (collectively, "**Inventions**"); (2) information regarding research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, margins, discounts, credit terms, pricing and billing policies, quoting procedures, methods of obtaining business, forecasts, future plans and potential strategies, financial projections and business strategies, operational plans, financing and capital-raising plans, activities and agreements, internal services and operational manuals, methods of conducting Company business, suppliers and supplier information, and purchasing; (3) information regarding Customers and potential Customers of the Company and its Subsidiaries, including customer lists, names, representatives, their needs or desires with respect to the types of products or services offered by the Company, proposals, bids, contracts and their contents and parties, the type and quantity of products and services provided or sought to be provided to Customers and potential Customers of the Company and other non-public information relating to Customers and potential Customers; (4) information regarding any of the Company's business partners and their services, including names, representatives, proposals, bids, contracts and their contents and parties, the type and quantity of products and services received by the Company, and other non-public information relating to business partners that Grantee acquires as a result of their employment; (5) information regarding personnel, employee lists, compensation, and employee skills; and (6) any other non-public information which a competitor of the Company could use to the competitive disadvantage of the Company.

(e) Non-Competition. To the extent allowed by and consistent with applicable law, the Grantee agrees that, for one year after Separation from Service, the Grantee will not, directly or indirectly, on behalf of the Grantee or any other person or entity other than the Company, perform on or support any program, or provide oversight on any program, product, or service in which the Grantee was personally and/or substantially involved during the 12 months prior to Separation from Service:

- (i) that would more likely than not cause the Grantee to use, disclose, or access Proprietary Information of any such program, product, or service; or
- (ii) that is competitive with any such program, product, or service and where the Grantee's new responsibilities and duties will be similar to those previously held with the Company or any Subsidiary; or
- (iii) that is associated with any program, product or service that was the subject of any capture effort, bid, offer or proposal activity by the Company or any Subsidiary in which the Grantee was personally and substantially involved during the 12 months prior to Separation from Service and of which the Grantee possesses Proprietary Information.

(f) Remedies. The Grantee acknowledges and agrees that a breach of any of the promises or agreements contained in this Section 7 will result in immediate, irreparable and continuing damage to the Company and its Subsidiaries for which there is no adequate remedy at law, and the Company and its Subsidiaries will be entitled to injunctive relief, a decree for specific performance, and other relief as may be proper, including money damages such as, but not limited to, the disgorgement of any profits, commissions, or fees realized by the Grantee, any subsequent employers, any business owned or operated by the Grantee, or any of Grantee's agents, heirs, or assigns because of any such breach. Furthermore, to the extent allowed by and consistent with applicable law and any applicable limitations period, if it is determined at any time by the Company or any Subsidiary that the Grantee has materially breached any employment-related covenants, including the covenants in this Section 7, the Company will be entitled to (i) cause any unvested portion of the Award to be immediately canceled without any payment of consideration by the Company and/or (ii) cause, upon written demand by the Company to the Grantee, that the Grantee promptly return to the Company some or all of the shares of Stock (or proceeds received by the Grantee from such shares of Stock) paid to the Grantee pursuant to this Agreement. If the Company must resort to litigation to enforce the Grantee's obligation in (ii), the Company will be entitled to an award of reasonable attorneys' fees and costs should it prevail in the litigation.

8. No Interference with Rights. Grantee understands that Grantee shall not be held criminally or civilly liable under any U.S. or non-U.S. federal or state trade secret law for the disclosure of a trade secret that: (1) is made in confidence to a U.S. or non-U.S. federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The Grantee also understands that disclosure of trade secrets to attorneys, made under seal, or pursuant to court order is also protected under 18 U.S. Code § 1833 in a retaliation lawsuit based on the reporting of a suspected violation of law.

9. Miscellaneous.

(a) Notices. Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as the Company may notify the Grantee from time to time; and to the Grantee at the Grantee's electronic mail or postal address as shown on the records of the Company from time to time, or at such other electronic mail or postal address as the Grantee, by notice to the Company, may designate in writing from time to time.

(b) Waiver. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach.

(c) Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties with respect to the subject matter hereof. Any prior agreements, commitments or negotiations concerning the Award are superseded.

(d) Binding Effect; Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto and to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in this Agreement, express or implied, is intended to confer on any person other than the parties hereto and as provided above, their respective heirs, successors, assigns and representatives any rights, remedies, obligations or liabilities.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law, and applicable U.S. federal law.

(f) Venue. Any legal or equitable action or any proceeding arising directly, indirectly, or otherwise in connection with, out of, related to or from the Agreement, or any provision hereof, shall exclusively be filed and adjudicated in the Circuit Court for Fairfax County, Virginia, or the

United States District Court for the Eastern District of Virginia, Alexandria Division, and no other venue. Any arbitration will be conducted according to the terms of the applicable arbitration agreement.

(g) Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

(h) Conflicts; Amendment. The provisions of the Plan are incorporated in this Agreement in their entirety. In the event of any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan shall control. This Agreement may be amended at any time by the Committee, provided that no amendment may, without the consent of the Grantee, materially impair the Grantee's rights with respect to the Award, except as otherwise required pursuant to Section 9(l) below. The Committee shall have full authority and discretion, subject only to the terms of the Plan, to decide all matters relating to the administration or interpretation of the Plan, the Award, and the Agreement, and all such action by the Committee shall be final, conclusive, and binding upon the Company and the Grantee.

(i) No Right to Continued Employment. Nothing in this Agreement shall confer upon the Grantee any right to continue in the Service of the Company or any Subsidiary or affect the right of the Company or any Subsidiary to terminate the Grantee's Service at any time.

(j) Further Assurances. The Grantee agrees, upon demand of the Company or the Committee, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Company or the Committee, as the case may be, to implement the provisions and purposes of this Agreement and the Plan.

(k) Appendices. By accepting this Award, the Grantee acknowledges and agrees that, should the Grantee reside and/or work in a country outside the United States at any time during the life of the Award, this Award is subject to the additional terms set forth in the Appendices A and B hereto. Appendices A and B constitute part of this Agreement. Please review the provisions of Appendices A and B carefully, as this Award will be null and void absent the Grantee's acceptance of such provisions.

(l) Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Award to the extent that the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Award and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(m) Recovery of Compensation. In accordance with Section 3.3 of the Plan, the Award is subject to the requirements of (i) Section 954 of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) any policies adopted by the Company to implement such requirements, and (iii) the Company's compensation recoupment policy adopted on June 18, 2009, as in effect from time to time (the "**Compensation Recoupment Policy**"), all to the extent determined by the Committee to be applicable to the Grantee.

(n) Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(o) Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

10. No Advice Regarding Grant. The Company is not providing any tax, legal, or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan or the Grantee's acquisition of any shares of Stock under the Plan or subsequent sale of such shares of

Stock. The Grantee should consult with the Grantee's personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action in relation thereto.

11. Insider Trading/Market Abuse Laws. The Grantee acknowledges that he or she may be subject to insider trading restrictions and/or market abuse laws which may affect the Grantee's ability to accept, acquire, sell or otherwise dispose of shares of Stock, rights to shares of Stock (e.g., the Award) or rights linked to the value of Stock during such times as the Grantee is considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Grantee placed before the Grantee possessed inside information. Furthermore, the Grantee could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's insider trading policy as may be in effect from time to time. The Grantee acknowledges that it is the Grantee's responsibility to comply with any applicable insider trading restrictions and/or market abuse laws, and the Grantee should speak to his or her personal advisor on this matter.

APPENDIX A

TO THE TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

General Additional Terms Applicable to Awards Held by Grantees Outside the U.S.

1. Data Privacy.

(a) Data Collection and Usage. *The Company and the Employer collect, process and use certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all Awards under the Plan or any other entitlement to shares of Stock or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in the Grantee favor ("Data"), for the legitimate purpose of implementing, administering and managing the Grantee's participation in the Plan. The legal basis, where required, for the processing of Data by the Company and the third-party service providers described below is the Grantee's consent.*

(b) Stock Plan Administration Service Providers. *The Company transfers Data to Computershare and certain of its affiliated companies (collectively, "Computershare"), an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan. The Grantee acknowledges and understands that Computershare will open an account for the Grantee to receive and trade shares of Stock acquired under the Plan and that the Grantee will be asked to agree on separate terms and data processing practices with Computershare, with such agreement being a condition to the ability to participate in the Plan. The legal basis, where required, for the transfer of Data by the Company to Computershare is the Grantee's consent.*

(c) International Data Transfers. *The Company is based in the United States. The Grantee's country or jurisdiction may have different data privacy laws and protections than the United States. As a result, in the absence of appropriate safeguards such as standard data protection clauses, the processing of the Grantee's Data in the United States or, as the case may be, other countries might not be subject to substantive data processing principles or supervision by data protection authorities. In addition, the Grantee might not have enforceable rights regarding the processing of the Grantee's Data in such countries. The Company's legal basis, where required, for the transfer of Data is the Grantee's consent.*

(d) Data Retention. *The Company will hold and use Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan, or as required to comply with applicable law, exercise or defense of legal rights, and archiving, back-up and deletion processes. This means Data may be held even after the Grantee's employment or service is terminated.*

(e) Voluntariness and Consequences of Consent Denial or Withdrawal. *Participation in the Plan is voluntary and the Grantee is providing any consents herein on a purely voluntary basis. The Grantee understands that the Grantee may withdraw his or her consent at any time with future effect for any or no reason. If the Grantee does not consent, or if the Grantee later seeks to revoke his or her consent, the Grantee's Service with the Employer will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant the Awards under the Plan or other equity awards to the Grantee or administer or maintain the Grantee's participation in the Plan.*

(f) Data Subject Rights. *The Grantee may have a number of rights under data privacy laws in the Grantee's jurisdiction. Depending on where the Grantee is based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in the Grantee's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Grantee can contact his or her local human resources representative.*

2. Nature of Grant. By entering into this Agreement and accepting the grant of Units evidenced hereby, the Grantee acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be terminated, suspended or amended by the Company at any time, to the extent permitted by the Plan;

(b) the grant of Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future awards of Units or benefits in lieu of Units, even if such awards have been awarded in the past;

(c) all decisions with respect to future awards, if any, will be at the sole discretion of the Company;

(d) the grant of Units shall not create a right to Service or be interpreted as forming an employment or service contract with the Company or any other Subsidiary and shall not interfere with the ability of the Employer to terminate the Grantee's Service relationship (if any) at any time;

(e) the Grantee is voluntarily participating in the Plan;

(f) the Units and any payment made pursuant to the Units, and the income from and value of same, are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, long-service awards, leave-related payments, pension or retirement benefits or welfare benefits or similar payments;

(g) unless otherwise agreed with the Company, the Award and any shares of Stock subject to the Award, and income from and value of same, are not granted as consideration for, or in connection with, any service the Grantee may provide as a director of any Subsidiary;

(h) the future value of the shares of Stock which may be delivered in settlement of vested Units is unknown, indeterminable and cannot be predicted with certainty;

(i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Units resulting from the Grantee's Separation from Service (for any reason whatsoever, whether or not such termination is later found to be invalid or in breach of applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any) or recoupment of all or any portion of any payment made pursuant to the Units as provided by the Company's Compensation Recoupment Policy;

(j) for purposes of the Units, the date of the Grantee's Separation from Service (for any reason whatsoever, whether or not such termination is later found to be invalid or in breach of applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any) will be deemed to occur as of the date the Grantee is no longer actively providing Service to the Company or any of its Subsidiaries, and unless otherwise expressly provided in this Agreement or otherwise determined by the Company, the Grantee's right to vest in any portion of the Units (and any related dividend equivalents) under the Plan, if any, will terminate as of such date and will not be extended by any notice period (*e.g.*, the Grantee's active employment or period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any). For the avoidance of doubt, actively providing Service during only a portion of the vesting period prior to a vesting date shall not entitle the Grantee to vest in a pro-rata portion of the unvested Units that would have vested as of such vesting date, nor will it entitle the Grantee to any compensation for lost vesting. The Company, in its sole discretion, shall determine when the Grantee is no longer actively providing Service for purposes of the Units (including whether the Grantee may still be considered to be actively providing Service while on an approved leave of absence);

(k) unless otherwise provided in the Plan or by the Company in its discretion, the Units and the benefits evidenced by this Agreement do not create any entitlement to have the Units or any

such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Stock; and

(l) neither the Company, the Employer, nor any other Subsidiary shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the Units, any payment made pursuant to the Units or the subsequent sale of any shares of Stock acquired under the Plan.

3. Language. The Grantee acknowledges and represents that the Grantee is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow the Grantee to understand the terms of this Agreement and any other documents related to the Plan. If the Grantee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version differs from the English version, the English version shall control.
4. Foreign Asset/Account, Exchange Control, and Tax Reporting. The Grantee may be subject to certain foreign asset and/or account reporting requirements and/or exchange controls which may affect the Grantee's ability to acquire or hold shares of Stock acquired under the Plan or cash received from participating in the Plan (including from any dividend equivalents or dividends received or sale proceeds arising from the sale of shares of Stock) in a brokerage or bank account outside the Grantee's country. The Grantee may be required to report such accounts, assets or transactions to the tax or other authorities in the Grantee's country. The Grantee also may be required to repatriate sale proceeds or other funds received as a result of the Grantee's participation in the Plan to the Grantee's country through a designated bank or broker and/or within a certain time after receipt. The Grantee further acknowledges that it is the Grantee's responsibility to comply with such regulations and that the Grantee should consult the Grantee's personal legal advisor for any details.

APPENDIX B

TO THE TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

Country-Specific Additional Terms Applicable to Awards Held by Grantees Outside the U.S.

Capitalized terms used but not otherwise defined herein shall have the meaning given to such terms in the Plan and/or this Agreement.

Terms and Conditions

This Appendix B includes additional terms and conditions that govern the Grantee's participation in the Plan if the Grantee resides and/or works in one of the countries listed below. If the Grantee is a citizen or resident of a country other than the one in which he or she is currently residing and/or working (or if the Grantee is considered as such for local law purposes), or if the Grantee moves or transfers Service to another country after the Grant Date, the Company will, in its sole discretion, determine the extent to which the terms and conditions herein will be applicable to the Grantee.

Notifications

This Appendix B also includes information regarding securities laws, exchange controls and certain other issues of which the Grantee should be aware with respect to the Grantee's participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of January 2022. Such laws are often complex and change frequently. As a result, the Company recommends that the Grantee not rely on the information in this Appendix B as the only source of information relating to the consequences of the Grantee's participation in the Plan because the information included herein may be out of date at the time that the Units vest or the Grantee subsequently sells the shares of Stock acquired at vesting.

In addition, the Grantee understands that the information contained herein is general in nature and may not apply to the Grantee's particular situation and the Company is not in a position to assure the Grantee of any particular result. Accordingly, the Grantee acknowledges that he or she should seek appropriate professional advice as to how the relevant laws in the Grantee's country may apply to the Grantee's situation.

If the Grantee is a citizen or resident of a country other than the one in which the Grantee is currently residing and/or working (or if the Grantee is considered as such for local law purposes), or if the Grantee moves or transfers Service to another country after the Units are granted, the Grantee understands that the information contained herein may not be applicable to the Grantee in the same manner.

AUSTRALIA

Notifications

Securities Law Information. This offer of Units is being made under Division 1A, Part 7.12 of the *Corporations Act 2001 (Cth)*. Please note that if the Grantee offers shares of Stock for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. The Grantee should obtain legal advice on applicable disclosure obligations prior to making any such offer.

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding A\$10,000 and international fund transfers. The Australian bank assisting with the transaction may file the report for the Grantee. If there is no Australian bank involved in the transfer, the Grantee will have to file the report. The Grantee should consult with his or her personal advisor to ensure that the Grantee is properly complying with applicable reporting requirements in Australia.

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in the Act).

BELGIUM

Notifications

Foreign Asset/Account Reporting Information. Belgian residents are required to report any securities accounts (e.g., those related to shares of Stock acquired under the Plan) or bank accounts (including brokerage accounts) maintained outside Belgium on their annual tax return. In a separate report, they must provide the National Bank of Belgium with certain details regarding such foreign accounts (including the account number, bank name and country in which any such account was opened). The forms to complete this report are available at the website of the National Bank of Belgium. Belgian residents should consult with their personal tax advisors to determine their reporting obligations.

Stock Exchange Tax. A stock exchange tax applies to transactions executed by a Belgian resident through a non-Belgian financial intermediary, such as a U.S. broker. The stock exchange tax may apply when shares of Stock acquired under the Plan are sold. Belgian residents should consult with a personal tax or financial advisor for additional details on their obligations with respect to the stock exchange tax.

Annual Securities Accounts Tax. An annual securities accounts tax may be payable if the total value of securities held in a Belgian or foreign securities account (e.g., shares of Stock) exceeds a certain threshold on four reference dates within the relevant reporting period (i.e., December 31, March 31, June 30 and September 30). Different payment obligations may apply, depending on whether the securities account is held with a Belgian or foreign financial institution. The Grantee should consult with his or her personal tax or financial advisor for additional details.

ISRAEL

Terms and Conditions

Tax Consent. On January 20, 2020, the Israeli Tax Authority issued a tax ruling to the Company in connection with the non-trustee track of Section 102 of the Income Tax Ordinance [New Version], 1961 (the “**Tax Ruling**”) regarding the taxation of Units granted under the Plan. The Grantee may review a copy of the Tax Ruling by contacting stockprograms@leidos.com. In accordance with the Tax Ruling and by accepting the Units granted under the Plan, the Grantee hereby declares that the Grantee understands the provisions of the Tax Ruling and the obligation to report and pay any capital gains tax due upon the sale of the shares of Stock issued under the Plan (including filing an annual tax return).

Further, the Grantee agrees to act in accordance with the Tax Ruling and will not request to amend, cancel, and/or replace it with a different ruling and/or demand any additional tax benefit beyond the provisions of the Tax Ruling.

Notifications

Securities Law Information. This offer of Awards under the Plan does not constitute a public offering under the Securities Law, 1968.

SINGAPORE

Terms and Conditions

Restriction on Sale of Shares of Stock. The Units are subject to section 257 of the SFA and the Grantee will not be able to make any subsequent sale of shares of Stock in Singapore or any offer of such subsequent sale of the Stock in Singapore, unless such offer or sale is made (i) after six (6) months from the Grant Date, (ii) pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) (“**SFA**”), or (iii) pursuant to, and in accordance with, any other applicable exemption in the SFA.

Notifications

Securities Law Information. The grant of the Units is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the SFA. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.

Director Notification Information. If the Grantee is the or a director (including an alternate, substitute or shadow director¹) of a Subsidiary in Singapore, the Grantee is subject to certain notification requirements under the Singapore Companies Act, regardless of whether the Grantee is a Singapore resident or employed in Singapore. Among these requirements is an obligation to notify the Singapore Subsidiary of an interest (e.g., Units, shares of Stock) in the Company or a related company within two business days of (i) acquiring or disposing of such interest, (ii) any change in a previously disclosed interest (e.g., vesting of Units, sale of shares of Stock), or (iii) becoming or a director if such an interest exists at the time. If the Grantee is the chief executive officer (“CEO”) of a Subsidiary in Singapore and the above notification requirements are determined to apply to the CEO of a Singapore Subsidiary, the above notification requirements also may apply to the Grantee.

UNITED KINGDOM

Terms and Conditions

Units Payable Only in Stock. Notwithstanding anything to the contrary in the Plan, the Units shall be paid in shares of Stock only and do not provide the Grantee with any right to receive a cash payment. This provision is without prejudice to the application of Section 4 of the Terms and Conditions of Restricted Stock Unit Award.

Responsibility for Taxes. The following provision supplements Section 4 of the Terms and Conditions of Restricted Stock Unit Award:

Without limitation to Section 4 of the Terms and Conditions of Restricted Stock Unit Award, the Grantee agrees that the Grantee is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company or the Employer or by Her Majesty’s Revenue and Customs (“HMRC”) (or any other tax authority or any other relevant authority). The Grantee also agrees to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Grantee’s behalf.

Notwithstanding the foregoing, if the Grantee is a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), the Grantee understands that he or she may not be able to indemnify the Company or the Employer for the amount of income tax not collected from or paid by the Grantee, as it may be considered a loan. In this case, the amount of any income tax not collected within 90 days of the end of the U.K. tax year in which the event giving rise to the Tax-Related Item(s) occurs may constitute an additional benefit to the Grantee on which additional income tax and National Insurance Contributions (“NICs”) may be payable. The Grantee will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying the Company or the Employer, as applicable, for the amount of any employee NICs due on this additional benefit which may be recovered from the Grantee by the Company or the Employer at any time thereafter by any of the means referred to in Section 4 of the Terms and Conditions of Restricted Stock Unit Award.

¹ A shadow director is an individual who is not on the board of the Singapore Subsidiary but who has sufficient control so that the board of directors acts in accordance with the “directions or instructions” of the individual.



**LEIDOS HOLDINGS, INC.
2017 OMNIBUS INCENTIVE PLAN**

**NOTICE OF GRANT OF RESTRICTED STOCK UNIT AWARD (PERFORMANCE SHARE AWARD)
[FY23-FY25]**

Leidos Holdings, Inc. (the “**Company**”) hereby grants this Restricted Stock Unit Award (the “**Award**”) of the number of Restricted Stock Units set forth in this Notice of Grant of Restricted Stock Unit Award (the “**Notice**”) to the Grantee designated in this Notice, pursuant to the provisions of the Company’s 2017 Omnibus Incentive Plan (the “**Plan**”) and subject to certain restrictions as outlined below in this Notice and the additional provisions set forth in the attached Terms and Conditions of Restricted Stock Units Award (the “**Terms**”). Together, this Notice, the attached Terms and all exhibits and appendices hereto constitute the “**Agreement**.” The terms and conditions of the Plan are incorporated by reference in their entirety into this Agreement. When used in this Agreement, the terms that are defined in the Plan shall have the meanings given to them in the Plan, as modified herein (if applicable).

Award Details: The Grantee’s name, the number of Restricted Stock Units awarded and the Grant Date can be found in the Grant Summary located in the electronic stock plan award administration system maintained by the Company or its designee that contains a link to this Agreement (which summary information is set forth in the appropriate records of the Company authorizing such award).

Vesting Schedule: Subject to the terms of the Plan and this Agreement, the Restricted Stock Units shall become earned and vested as follows:

- (a) Performance-Vesting Condition. The number of Restricted Stock Units that become earned and vested (if any) will be determined based on performance during the Performance Period in accordance with the provisions of Exhibit A.
- (b) Time-Vesting Conditions. In addition to the performance-vesting condition stated above, subject to the terms of the Plan and this Agreement, the Restricted Stock Units shall become earned and vested, and shares of Stock shall be issued in settlement of vested Restricted Stock Units, in accordance with the following schedule, in the event the Grantee does not have a Separation from Service prior to the applicable vesting date(s):

<u>Vesting Date</u>	<u>% Vesting</u>
[add applicable vesting date(s)]	

Only a whole number of Restricted Stock Units will become vested as of any given vesting date. If the number of Restricted Stock Units determined as of a vesting date is a fractional number, the number vesting will be rounded down to the nearest whole number with any fractional portion carried forward. Exhibit B to this Notice sets forth the terms and provisions regarding treatment of the Award upon Separation from Service. No Restricted Stock Units shall become earned and vested following the Grantee’s Separation from Service except as otherwise expressly provided in Exhibit B to this Notice or as otherwise provided pursuant to the terms of the Plan.

Award Acceptance: The Grantee must accept the Agreement electronically pursuant to the online acceptance procedure established by the Company by no later than three months following the Grant Date. If the Grantee does not accept the Agreement through the online acceptance process by that date,

or such other date that may be communicated, the Grantee will be deemed to have accepted the Agreement and the Company will automatically accept the Agreement on the Grantee's behalf. If the Grantee declines the Agreement, the Award will be canceled and the Grantee will not be entitled to any benefits from the Award nor any compensation or benefits in lieu of the canceled award.

EXHIBIT A

Performance-Vesting Condition –Performance Period FY23-FY25

(a) Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“**Determination Date**” means the date on which the Committee certifies whether and to what extent the Performance Goals have been achieved, which shall be no later than March 15 following the end of the Performance Period.

“**Performance Goals**” means the performance goals specified in paragraph (b) below. “**Performance Period**”

means the period of three consecutive fiscal years of the

Company, with the first such fiscal year being the year in which the Grant Date occurs.

[add defined terms as needed of the specific performance metrics]

(b) Performance Goals. Pursuant to this Award, the number of shares of Stock, if any, that the Grantee may be entitled to receive will be based on the performance level achieved for **[insert relevant performance measures]** over the Performance Period. Each performance measure is weighted as follows: **[insert weighting if multiple]**. The payout for each measure will be determined separately based on the performance level achieved for each measure at the end of the Performance Period. The following sets forth the specific performance goals and payout scales:

EXHIBIT B

Separation from Service and Change in Control

(a) Impact of Separation from Service; Change in Control. If the Grantee has a Separation from Service before any of the vesting date(s) specified under “Vesting Schedule” in the Notice, then any unvested Restricted Stock Units shall become earned and vested or be canceled depending on the reason for Separation from Service as follows:

(i) Death. If the Grantee has a Separation from Service due to the Grantee’s death, any unearned and unvested Restricted Stock Units shall become immediately earned and vested as of the date of such Separation from Service assuming target performance. In addition, in the event of the Grantee’s death after Separation from Service due to Disability, Involuntary Termination without Cause or Special Retirement, any Restricted Stock Units that had not yet become earned and vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice shall become immediately vested as of the date of such death assuming target performance.

(ii) Disability, Involuntary Termination without Cause or Special Retirement. If the Grantee has Separation from Service due to (A) Disability, (B) Involuntary Termination without Cause that occurs at least six months after the Grant Date, or (C) Special Retirement, a prorated portion of any unearned Restricted Stock Units shall become earned and vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice (including the performance condition) as if the Grantee had not had a Separation from Service. Any such vested Restricted Stock Units shall not be paid until the Determination Date. Such prorated vesting shall be determined as follows: (A) the total target number of Restricted Stock Units granted shall be multiplied by the Pro Rata Fraction, rounded up to the next whole number, and (B) such prorated target Restricted Stock Units shall be adjusted for performance results as provided under Exhibit A. Any such continued vesting shall be subject to the following additional requirements: (x) the Grantee must execute, deliver and not revoke, no later than sixty (60) days following Separation from Service, a general release of claims if requested by, and in a form satisfactory to, the Company, and (y) the Grantee complies with the requirements of Section 7 of the Terms (regarding compliance with post-employment covenants). Notwithstanding the preceding sentences, if the Company receives an opinion of counsel that there has been a legal judgment and/or legal development in the Grantee’s jurisdiction that likely would result in the favorable Special Retirement treatment that otherwise would apply to the Restricted Stock Units pursuant to this Section (a)(ii) being deemed unlawful and/or discriminatory, then the Company will not apply this favorable Special Retirement treatment at the time of the Grantee’s Separation from Service and the Restricted Stock Units will be treated as they would under the rules that otherwise would have applied if the Grantee’s Separation from Service did not qualify as a Special Retirement.

(iii) Change in Control. Notwithstanding anything in this Agreement to the contrary but subject to the provisions of Section 15.3.1(i) of the Plan, if (A) a Change in Control occurs and (B) the Grantee has a Change in Control Termination, then any unearned and unvested Restricted Stock Units then the Restricted Stock Units shall become immediately earned and vested as of the date of such Change in Control Termination at the greater of (y) target or (z) the actual level of performance under Exhibit A determined as if the Performance Period had ended as of the Company’s fiscal quarter end preceding the Change in Control.

(iv) Any other Separation from Service. If the Grantee has a Separation from Service for any reason other than as specified in subparagraphs (i) through (iii) above, any Restricted Stock Units that were not already earned and vested pursuant to the schedule specified under “Vesting Schedule” in the Notice as of the date of the Separation from Service shall be immediately canceled as of the date of Separation from Service.

(b) Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“Cause” for the termination of Service will be deemed to exist if the Grantee:

- (i) has been convicted, or entered a plea of nolo contendere, for committing an act of fraud, embezzlement, theft or other act constituting a felony or crime of similar magnitude under applicable law (other than traffic related offenses or as a result of vicarious liability);

- (ii) willfully engages in illegal conduct or gross misconduct that is significantly injurious to the Company or a Subsidiary, including the Grantee's material breach of his or her obligations under any written Company policy, including any code of ethics or conduct, which is not cured, if curable, within ten (10) days after the Company or a Subsidiary notifies the Grantee of such breach; however, no act or failure to act on the Grantee's part shall be considered "willful" unless done or omitted to be done by the Grantee not in good faith and without reasonable belief that his or her action or omission was in the best interest of the Company or a Subsidiary; or
- (iii) fails to perform his or her duties in a reasonably satisfactory manner after the receipt of a notice from the Company or a Subsidiary detailing such failure if the failure is incapable of cure, and if the failure is capable of cure, upon the failure to cure such failure within 30 days of such notice or upon its recurrence.

"Change in Control Termination" means the Grantee's Separation from Service on or within two years after a Change in Control if such Separation from Service is either (i) by action of the Company or, if different, the Grantee's employing Subsidiary (the **"Employer"**) without Cause or (ii) by action of the Grantee with Good Reason.

"Disability" means the status of disability determined conclusively by the Company based upon certification of disability by the Social Security Administration or an equivalent authority outside the U.S. or, to the extent compliant with Section 409A, upon such other proof as the Company may require, effective upon receipt of such certification or other proof by the Company.

"Good Reason" means the occurrence of any of the following events or conditions without the Grantee's prior written consent:

- (i) any material adverse change in the Grantee's authority, duties or responsibilities (including reporting responsibilities) from the Grantee's authority, duties or responsibilities as in effect at any time within 90 days preceding the date of the Change in Control or at any time thereafter;
- (ii) a material reduction in Grantee's base salary or any failure to pay the Grantee any cash compensation to which the Grantee is entitled within 15 days after the date when due;
- (iii) the imposition of a requirement (other than for reasonably required travel on Company business which is not materially greater in frequency or duration than prior to the Change in Control) that the Grantee be based at any place outside a 50-mile radius from the Grantee's principal place of employment immediately prior to the Change in Control and which has a material adverse effect on the Grantee's commuting requirements; or
- (iv) if the Grantee is a participant in the Company's Executive Severance Plan, any other event that constitutes "Good Reason" under that plan.

Notwithstanding anything to the contrary in this Agreement, no termination will be deemed to be for Good Reason hereunder unless (i) the Grantee provides written notice to the Company identifying the applicable event or condition within 120 days of the occurrence of the event or the initial existence of the condition, (ii) the Company or a Subsidiary fails to remedy the event or condition within a period of 30 days following such notice, and (iii) the Grantee's Separation from Service occurs within 90 days after the date the Company or a Subsidiary fails to remedy the event or condition.

"Involuntary Termination without Cause" means a Grantee's Separation from Service by action of the Company or the Employer without Cause, including due to divestiture by the Company of the business unit with which the Grantee is employed.

“Pro Rata Fraction” means a fraction, the numerator of which is the number of days from the first day of the Performance Period through the date of Involuntary Termination without Cause, and the denominator of which is the total number of days in the Performance Period.

“Special Retirement” means a Grantee’s Separation from Service on or after the first anniversary of the Grant Date for any reason other than death or by the Company or the Employer for Cause after the Grantee has attained at least age 59-1/2 and either (i) the Grantee has at least ten years of Service or (ii) the Grantee’s combined age and years of Service equals at least 70. The Company’s determination of years of Service for such purpose shall be final and binding on all parties. Notwithstanding the foregoing, if the Grantee’s Separation from Service during the two-year period following a Change in Control could be treated as either a Special Retirement or a Change in Control Termination, it shall be treated as a Change in Control Termination to the extent permitted by Section 409A.



LEIDOS HOLDINGS, INC.
2017 OMNIBUS INCENTIVE PLAN

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

The Restricted Stock Unit Award (the “**Award**”) granted by Leidos Holdings, Inc. (the “**Company**”) to the Grantee specified in the Notice of Grant of Restricted Stock Unit Award (the “**Notice**”) to which these Terms and Conditions of Restricted Stock Unit Award, including any additional terms and conditions for Grantees outside the United States set forth in Appendices A and B (collectively, the “**Terms**”) are attached, is subject to the terms and conditions of the Plan, the Notice, and these Terms. The terms and conditions of the Plan are incorporated by reference in their entirety into these Terms. The Notice and these Terms together constitute the “**Agreement**.” A Prospectus describing the Plan has been delivered to the Grantee. The Plan itself is available upon request. When used in this Agreement, the terms which are defined in the Plan shall have the meanings given to them in the Plan, as modified herein (if applicable).

1. Grant of Units.

(a) As of the Grant Date set forth in the Notice, the Company grants to the Grantee the number of Restricted Stock Units (“**Units**”) set forth in the Notice. Each Unit represents the right to receive one share of Stock at a future date after the Unit has become earned and vested, subject to the terms and conditions of this Agreement.

(b) The Units covered by this Award shall become earned and vested in accordance with the schedule set forth in the Notice. Each earned and vested Unit shall be settled on the date(s) specified in the Notice by issuance of one share of Stock on or as soon as administratively practicable (but no more than 75 days) after the applicable vesting date specified in the Notice, subject to the requirements of the Plan and this Agreement.

(c) Units constitute an unfunded and unsecured obligation of the Company. The Grantee shall not have any rights of a stockholder of the Company with respect to the shares of Stock underlying the Units unless and until the Units become earned and vested and are settled by the issuance of shares of Stock. Upon issuance of shares of Stock in connection with the settlement of vested Units, the Grantee shall be the record owner of the shares of Stock unless and until such shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a stockholder of the Company (including voting rights).

(d) Units earned will receive dividend equivalents paid in cash (without interest) based on the dividend rates in effect during the vesting period applied to the number of Units in which the Grantee vests, subject to the vesting provisions set forth in the Notice. Cash dividend equivalents accrued on the earned Units will be paid in cash on or about the same time the earned Units are settled and paid.

(e) Notwithstanding any provision herein to the contrary, if the Grantee is a U.S. taxpayer, payment of Units that become earned and vested under this Agreement may be deferred under the terms of the Company’s Key Executive Stock Deferral Plan (or any similar plan or program) in which the Grantee is eligible to participate, subject to the terms and conditions of such plan and the requirements of Section 409A. Any Units deferred under any such plan shall be administered in accordance with the terms and provisions of such plan.

2. Restrictions. Subject to any exceptions set forth in this Agreement, until such time as the Units become earned and vested and are settled in shares of Stock in accordance with Section 1, the Units or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Units or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Units will be forfeited by the Grantee and all of the Grantee's rights to such Units shall immediately terminate without any payment of consideration by the Company.
3. Cancellation of Rights. If any portion of the Units fail to become earned and vested (for example, because the Grantee fails to satisfy the vesting conditions specified in the Notice prior to a Separation from Service), then such Units shall be immediately forfeited as of the date of such failure and all of the Grantee's rights to such Units shall immediately terminate without any payment of consideration by the Company.
4. Responsibility for Taxes.

(a) Regardless of any action the Company or, if different, the Subsidiary which employs the Grantee (the "**Employer**") takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable or deemed legally applicable to the Grantee ("**Tax-Related Items**"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the grant or vesting of the Units, the subsequent sale of shares of Stock acquired upon vesting, the payment of any dividend equivalents on the Units or the payment of any dividends on the shares of Stock; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result.

(b) In connection with any relevant taxable or tax withholding event, as applicable, the Grantee shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Company and/or the Employer, or their respective agents, in their sole discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following methods:

- (i) withholding from the Grantee's wages or other cash compensation payable to the Grantee by the Company, the Employer, or any other Subsidiary;
- (ii) withholding from proceeds of the sale of shares of Stock acquired at vesting either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization without further consent);
- (iii) withholding shares of Stock otherwise issuable to the Grantee upon vesting of the Units; or
- (iv) any other method of withholding determined by the Company, to the extent permitted under the Plan and applicable laws.

The Company may withhold or account for Tax-Related Items by considering statutory withholding amounts or other applicable withholding rates, including maximum rates applicable in the Grantee's jurisdiction(s), in which case the Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent amount in shares of Stock. In the event of over-withholding, the Grantee may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent amount in shares of Stock), from the Company or the Employer; otherwise, the Grantee may be able to seek a refund from the local tax authorities. In the event of under-withholding, the Grantee may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Company and/or the Employer. If the obligation for Tax-Related Items is satisfied by withholding shares of Stock, for tax purposes, the Grantee is

deemed to have been issued the full number of shares of Stock subject to the vested Units, notwithstanding that a number of the shares is held back solely for the purpose of paying the Tax-Related Items.

Finally, the Grantee agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue and deliver shares of Stock in payment of any earned and vested Units, or the proceeds from the sale of shares of Stock, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as described in this Section 4.

5. Grantee Representations. The Grantee hereby represents that the Grantee has read and fully understands the provisions of this Agreement, the Prospectus and the Plan, and the Grantee's decision to participate in the Plan is completely voluntary. Further, the Grantee acknowledges that the Grantee is relying solely on his or her own advisors with respect to the tax consequences of this Award.
6. Regulatory Restrictions on the Shares Issued Upon Settlement. Notwithstanding the other provisions of this Agreement, the Committee shall have the sole discretion to impose such conditions, restrictions and limitations on the issuance of shares of Stock with respect to this Award unless and until the Committee determines that such issuance complies with (i) any applicable registration requirements under the Securities Act or the Committee has determined that an exemption therefrom is available, (ii) any applicable listing requirement of any stock exchange on which the Stock is listed, (iii) any applicable Company policy or administrative rules, and (iv) any other applicable provision of U.S. or non-U.S. federal, state or local law.
7. Non-Solicitation and Non-Competition.

(a) Applicability. The provisions of this Section 7 apply to Awards made to employees of the Company and its Subsidiaries, and not Awards made to Non-Employee Directors. The Grantee acknowledges that the Company conducts business throughout the United States and that the Company has a legitimate business interest in protecting this business, including but not limited its interest in its employees, programs, and projects below, against unfair competition through the promises in this Section 7.

(b) Solicitation of Employees. The Grantee agrees that, both while in Service and for one year after Separation from Service, the Grantee will not solicit or attempt to solicit any employee of the Company or any Subsidiary with whom the Grantee has worked on a program or project during the 12 months prior to Separation from Service to leave his or her employment or to violate the terms of any agreement or understanding that employee may have with the Company or any Subsidiary. The foregoing obligations apply to both the Grantee's direct and indirect actions, and apply to actions intended to benefit the Grantee or any other person, business or entity.

(c) Solicitation of Customers. The Grantee agrees that, for one year after Separation from Service, the Grantee will not participate in any solicitation of any customer or prospective customer of the Company or any Subsidiary concerning any business that:

- (i) involves the same programs or projects for that customer in which the Grantee was personally and/or substantially involved during the 12 months prior to Separation from Service; or
- (ii) has been, at any time during the 12 months prior to Separation from Service, the subject of any capture effort, bid, offer or proposal activity by the Company or any Subsidiary in respect of that customer or prospective customer, or any negotiations or discussions about the possible performance of services by the Company or any Subsidiary to that customer or potential customer, in which the Grantee was personally and/or substantially involved.

For purposes of (c)(i) and (ii), in the case of a governmental, regulatory or administrative agency, commission, department or other governmental authority, the customer or prospective

customer will be determined by reference to the specific program offices or activities for which the Company or any Subsidiary provides (or may reasonably provide) goods or services.

(d) Non-Disclosure and Non-Use of Proprietary Information. During the term of the Grantee's employment and following the voluntary or involuntary termination of that employment for any reason, and with or without cause, Grantee will not, except as authorized and required to perform the Grantee's duties for the Company or any Subsidiary, directly or indirectly: use, disclose, reproduce, distribute, or otherwise disseminate the Company or any Subsidiary's Proprietary Information, or take any action causing, or fail to take any action necessary, to prevent any such information to lose its character or cease to qualify as Proprietary Information. Grantee agrees to ask the Company or any Subsidiary, both during and after employment, if Grantee has any questions about whether particular information is Proprietary Information before using or disclosing such information.

The term "**Proprietary Information**" will mean any and all confidential knowledge, data or information of the Company, its affiliates, parents and subsidiaries, which has economic value as a result of its remaining confidential, whether having existed, now existing, or to be developed during Grantee's employment, including information developed by Grantee. By way of illustration but not limitation, "Proprietary Information" includes (1) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, algorithms, software programs, schematics, improvements, discoveries, developments, designs and techniques and any other proprietary technology and all Proprietary Rights therein (collectively, "**Inventions**"); (2) information regarding research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, margins, discounts, credit terms, pricing and billing policies, quoting procedures, methods of obtaining business, forecasts, future plans and potential strategies, financial projections and business strategies, operational plans, financing and capital-raising plans, activities and agreements, internal services and operational manuals, methods of conducting Company business, suppliers and supplier information, and purchasing; (3) information regarding Customers and potential Customers of the Company and its Subsidiaries, including customer lists, names, representatives, their needs or desires with respect to the types of products or services offered by the Company, proposals, bids, contracts and their contents and parties, the type and quantity of products and services provided or sought to be provided to Customers and potential Customers of the Company and other non-public information relating to Customers and potential Customers; (4) information regarding any of the Company's business partners and their services, including names, representatives, proposals, bids, contracts and their contents and parties, the type and quantity of products and services received by the Company, and other non-public information relating to business partners that Grantee acquires as a result of their employment; (5) information regarding personnel, employee lists, compensation, and employee skills; and (6) any other non-public information which a competitor of the Company could use to the competitive disadvantage of the Company.

(e) Non-Competition. To the extent allowed by and consistent with applicable law, the Grantee agrees that, for one year after Separation from Service, the Grantee will not, directly or indirectly, on behalf of the Grantee or any other person or entity other than the Company, perform on or support any program, or provide oversight on any program, product, or service in which the Grantee was personally and/or substantially involved during the 12 months prior to Separation from Service:

- (i) that would more likely than not cause the Grantee to use, disclose, or access Proprietary Information of any such program, product, or service; or
- (ii) that is competitive with any such program, product, or service and where the Grantee's new responsibilities and duties will be similar to those previously held with the Company or any Subsidiary; or
- (iii) that is associated with any program, product or service that was the subject of any capture effort, bid, offer or proposal activity by the Company or any Subsidiary in which the Grantee was personally and substantially involved during the 12 months prior to Separation from Service and of which the Grantee possesses Proprietary Information.

(f) Remedies. The Grantee acknowledges and agrees that a breach of any of the promises or agreements contained in this Section 7 will result in immediate, irreparable and continuing damage to the Company and its Subsidiaries for which there is no adequate remedy at law, and the Company and its Subsidiaries will be entitled to injunctive relief, a decree for specific performance, and other relief as may be proper, including money damages such as, but not limited to, the disgorgement of any profits, commissions, or fees realized by the Grantee, any subsequent employers, any business owned or operated by the Grantee, or any of Grantee's agents, heirs, or assigns because of any such breach. Furthermore, to the extent allowed by and consistent with applicable law and any applicable limitations period, if it is determined at any time by the Company or any Subsidiary that the Grantee has materially breached any employment-related covenants, including the covenants in this Section 7, the Company will be entitled to (i) cause any unvested portion of the Award to be immediately canceled without any payment of consideration by the Company and/or (ii) cause, upon written demand by the Company to the Grantee, that the Grantee promptly return to the Company some or all of the shares of Stock (or proceeds received by the Grantee from such shares of Stock) paid to the Grantee pursuant to this Agreement. If the Company must resort to litigation to enforce the Grantee's obligation in (ii), the Company will be entitled to an award of reasonable attorneys' fees and costs should it prevail in the litigation.

8. No Interference with Rights. Grantee understands that Grantee shall not be held criminally or civilly liable under any U.S. or non-U.S. federal or state trade secret law for the disclosure of a trade secret that: (1) is made in confidence to a U.S. or non-U.S. federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The Grantee also understands that disclosure of trade secrets to attorneys, made under seal, or pursuant to court order is also protected under 18 U.S. Code § 1833 in a retaliation lawsuit based on the reporting of a suspected violation of law.

9. Miscellaneous.

(a) Notices. Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as the Company may notify the Grantee from time to time; and to the Grantee at the Grantee's electronic mail or postal address as shown on the records of the Company from time to time, or at such other electronic mail or postal address as the Grantee, by notice to the Company, may designate in writing from time to time.

(b) Waiver. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach.

(c) Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties with respect to the subject matter hereof. Any prior agreements, commitments or negotiations concerning the Award are superseded.

(d) Binding Effect; Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto and to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in this Agreement, express or implied, is intended to confer on any person other than the parties hereto and as provided above, their respective heirs, successors, assigns and representatives any rights, remedies, obligations or liabilities.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law, and applicable U.S. federal law.

(f) Venue. Any legal or equitable action or any proceeding arising directly, indirectly, or otherwise in connection with, out of, related to or from the Agreement, or any provision hereof, shall exclusively be filed and adjudicated in the Circuit Court for Fairfax County, Virginia, or the

United States District Court for the Eastern District of Virginia, Alexandria Division, and no other venue. Any arbitration will be conducted according to the terms of the applicable arbitration agreement.

(g) Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

(h) Conflicts; Amendment. The provisions of the Plan are incorporated in this Agreement in their entirety. In the event of any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan shall control. This Agreement may be amended at any time by the Committee, provided that no amendment may, without the consent of the Grantee, materially impair the Grantee's rights with respect to the Award, except as otherwise required pursuant to Section 9(l) below. The Committee shall have full authority and discretion, subject only to the terms of the Plan, to decide all matters relating to the administration or interpretation of the Plan, the Award, and the Agreement, and all such action by the Committee shall be final, conclusive, and binding upon the Company and the Grantee.

(i) No Right to Continued Employment. Nothing in this Agreement shall confer upon the Grantee any right to continue in the Service of the Company or any Subsidiary or affect the right of the Company or any Subsidiary to terminate the Grantee's Service at any time.

(j) Further Assurances. The Grantee agrees, upon demand of the Company or the Committee, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Company or the Committee, as the case may be, to implement the provisions and purposes of this Agreement and the Plan.

(k) Appendices. By accepting this Award, the Grantee acknowledges and agrees that, should the Grantee reside and/or work in a country outside the United States at any time during the life of the Award, this Award is subject to the additional terms set forth in the Appendices A and B hereto. Appendices A and B constitute part of this Agreement. Please review the provisions of Appendices A and B carefully, as this Award will be null and void absent the Grantee's acceptance of such provisions.

(l) Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Award to the extent that the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Award and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(m) Recovery of Compensation. In accordance with Section 3.3 of the Plan, the Award is subject to the requirements of (i) Section 954 of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) any policies adopted by the Company to implement such requirements, and (iii) the Company's compensation recoupment policy adopted on June 18, 2009, as in effect from time to time (the "**Compensation Recoupment Policy**"), all to the extent determined by the Committee to be applicable to the Grantee.

(n) Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(o) Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

10. No Advice Regarding Grant. The Company is not providing any tax, legal, or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan or the Grantee's acquisition of any shares of Stock under the Plan or subsequent sale of such shares of

Stock. The Grantee should consult with the Grantee's personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action in relation thereto.

11. Insider Trading/Market Abuse Laws. The Grantee acknowledges that he or she may be subject to insider trading restrictions and/or market abuse laws which may affect the Grantee's ability to accept, acquire, sell or otherwise dispose of shares of Stock, rights to shares of Stock (e.g., the Award) or rights linked to the value of Stock during such times as the Grantee is considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Grantee placed before the Grantee possessed inside information. Furthermore, the Grantee could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's insider trading policy as may be in effect from time to time. The Grantee acknowledges that it is the Grantee's responsibility to comply with any applicable insider trading restrictions and/or market abuse laws, and the Grantee should speak to his or her personal advisor on this matter.

APPENDIX A

TO THE TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

General Additional Terms Applicable to Awards Held by Grantees Outside the U.S.

1. Data Privacy.

(a) **Data Collection and Usage.** *The Company and the Employer collect, process and use certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all Awards under the Plan or any other entitlement to shares of Stock or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in the Grantee favor ("Data"), for the legitimate purpose of implementing, administering and managing the Grantee's participation in the Plan. The legal basis, where required, for the processing of Data by the Company and the third-party service providers described below is the Grantee's consent.*

(b) **Stock Plan Administration Service Providers.** *The Company transfers Data to Computershare and certain of its affiliated companies (collectively, "Computershare"), an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan. The Grantee acknowledges and understands that Computershare will open an account for the Grantee to receive and trade shares of Stock acquired under the Plan and that the Grantee will be asked to agree on separate terms and data processing practices with Computershare, with such agreement being a condition to the ability to participate in the Plan. The legal basis, where required, for the transfer of Data by the Company to Computershare is the Grantee's consent.*

(c) **International Data Transfers.** *The Company is based in the United States. The Grantee's country or jurisdiction may have different data privacy laws and protections than the United States. As a result, in the absence of appropriate safeguards such as standard data protection clauses, the processing of the Grantee's Data in the United States or, as the case may be, other countries might not be subject to substantive data processing principles or supervision by data protection authorities. In addition, the Grantee might not have enforceable rights regarding the processing of the Grantee's Data in such countries. The Company's legal basis, where required, for the transfer of Data is the Grantee's consent.*

(d) **Data Retention.** *The Company will hold and use Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan, or as required to comply with applicable law, exercise or defense of legal rights, and archiving, back-up and deletion processes. This means Data may be held even after the Grantee's employment or service is terminated.*

(e) **Voluntariness and Consequences of Consent Denial or Withdrawal.** *Participation in the Plan is voluntary and the Grantee is providing any consents herein on a purely voluntary basis. The Grantee understands that the Grantee may withdraw his or her consent at any time with future effect for any or no reason. If the Grantee does not consent, or if the Grantee later seeks to revoke his or her consent, the Grantee's Service with the Employer will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant the Awards under the Plan or other equity awards to the Grantee or administer or maintain the Grantee's participation in the Plan.*

(f) **Data Subject Rights.** *The Grantee may have a number of rights under data privacy laws in the Grantee's jurisdiction. Depending on where the Grantee is based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in the Grantee's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Grantee can contact his or her local human resources representative.*

2. Nature of Grant. By entering into this Agreement and accepting the grant of Units evidenced hereby, the Grantee acknowledges, understands and agrees that:
- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be terminated, suspended or amended by the Company at any time, to the extent permitted by the Plan;
 - (b) the grant of Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future awards of Units or benefits in lieu of Units, even if such awards have been awarded in the past;
 - (c) all decisions with respect to future awards, if any, will be at the sole discretion of the Company;
 - (d) the grant of Units shall not create a right to Service or be interpreted as forming an employment or service contract with the Company or any other Subsidiary and shall not interfere with the ability of the Employer to terminate the Grantee's Service relationship (if any) at any time;
 - (e) the Grantee is voluntarily participating in the Plan;
 - (f) the Units and any payment made pursuant to the Units, and the income from and value of same, are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, long-service awards, leave-related payments, pension or retirement benefits or welfare benefits or similar payments;
 - (g) unless otherwise agreed with the Company, the Award and any shares of Stock subject to the Award, and income from and value of same, are not granted as consideration for, or in connection with, any service the Grantee may provide as a director of any Subsidiary;
 - (h) the future value of the shares of Stock which may be delivered in settlement of vested Units is unknown, indeterminable and cannot be predicted with certainty;
 - (i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Units resulting from the Grantee's Separation from Service (for any reason whatsoever, whether or not such termination is later found to be invalid or in breach of applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any) or recoupment of all or any portion of any payment made pursuant to the Units as provided by the Company's Compensation Recoupment Policy;
 - (j) for purposes of the Units, the date of the Grantee's Separation from Service (for any reason whatsoever, whether or not such termination is later found to be invalid or in breach of applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any) will be deemed to occur as of the date the Grantee is no longer actively providing Service to the Company or any of its Subsidiaries, and unless otherwise expressly provided in this Agreement or otherwise determined by the Company, the Grantee's right to vest in any portion of the Units (and any related dividend equivalents) under the Plan, if any, will terminate as of such date and will not be extended by any notice period (*e.g.*, the Grantee's active employment or period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any). For the avoidance of doubt, actively providing Service during only a portion of the vesting period prior to a vesting date shall not entitle the Grantee to vest in a pro-rata portion of the unvested Units that would have vested as of such vesting date, nor will it entitle the Grantee to any compensation for lost vesting. The Company, in its sole discretion, shall determine when the Grantee is no longer actively providing Service for purposes of the Units (including whether the Grantee may still be considered to be actively providing Service while on an approved leave of absence);
 - (k) unless otherwise provided in the Plan or by the Company in its discretion, the Units and the benefits evidenced by this Agreement do not create any entitlement to have the Units or any

such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Stock; and

(l) neither the Company, the Employer, nor any other Subsidiary shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the Units, any payment made pursuant to the Units or the subsequent sale of any shares of Stock acquired under the Plan.

3. Language. The Grantee acknowledges and represents that the Grantee is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow the Grantee to understand the terms of this Agreement and any other documents related to the Plan. If the Grantee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version differs from the English version, the English version shall control.
4. Foreign Asset/Account, Exchange Control, and Tax Reporting. The Grantee may be subject to certain foreign asset and/or account reporting requirements and/or exchange controls which may affect the Grantee's ability to acquire or hold shares of Stock acquired under the Plan or cash received from participating in the Plan (including from any dividend equivalents or dividends received or sale proceeds arising from the sale of shares of Stock) in a brokerage or bank account outside the Grantee's country. The Grantee may be required to report such accounts, assets or transactions to the tax or other authorities in the Grantee's country. The Grantee also may be required to repatriate sale proceeds or other funds received as a result of the Grantee's participation in the Plan to the Grantee's country through a designated bank or broker and/or within a certain time after receipt. The Grantee further acknowledges that it is the Grantee's responsibility to comply with such regulations and that the Grantee should consult the Grantee's personal legal advisor for any details.

APPENDIX B

TO THE TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

Country-Specific Additional Terms Applicable to Awards Held by Grantees Outside the U.S.

Capitalized terms used but not otherwise defined herein shall have the meaning given to such terms in the Plan and/or this Agreement.

Terms and Conditions

This Appendix B includes additional terms and conditions that govern the Grantee's participation in the Plan if the Grantee resides and/or works in one of the countries listed below. If the Grantee is a citizen or resident of a country other than the one in which he or she is currently residing and/or working (or if the Grantee is considered as such for local law purposes), or if the Grantee moves or transfers Service to another country after the Grant Date, the Company will, in its sole discretion, determine the extent to which the terms and conditions herein will be applicable to the Grantee.

Notifications

This Appendix B also includes information regarding securities laws, exchange controls and certain other issues of which the Grantee should be aware with respect to the Grantee's participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of January 2022. Such laws are often complex and change frequently. As a result, the Company recommends that the Grantee not rely on the information in this Appendix B as the only source of information relating to the consequences of the Grantee's participation in the Plan because the information included herein may be out of date at the time that the Units vest or the Grantee subsequently sells the shares of Stock acquired at vesting.

In addition, the Grantee understands that the information contained herein is general in nature and may not apply to the Grantee's particular situation and the Company is not in a position to assure the Grantee of any particular result. Accordingly, the Grantee acknowledges that he or she should seek appropriate professional advice as to how the relevant laws in the Grantee's country may apply to the Grantee's situation.

If the Grantee is a citizen or resident of a country other than the one in which the Grantee is currently residing and/or working (or if the Grantee is considered as such for local law purposes), or if the Grantee moves or transfers Service to another country after the Units are granted, the Grantee understands that the information contained herein may not be applicable to the Grantee in the same manner.

AUSTRALIA

Notifications

Securities Law Information. This offer of Units is being made under Division 1A, Part 7.12 of the *Corporations Act 2001 (Cth)*. Please note that if the Grantee offers shares of Stock for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. The Grantee should obtain legal advice on applicable disclosure obligations prior to making any such offer.

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding A\$10,000 and international fund transfers. The Australian bank assisting with the transaction may file the report for the Grantee. If there is no Australian bank involved in the transfer, the Grantee will have to file the report. The Grantee should consult with his or her personal advisor to ensure that the Grantee is properly complying with applicable reporting requirements in Australia.

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in the Act).

BELGIUM

Notifications

Foreign Asset/Account Reporting Information. Belgian residents are required to report any securities accounts (e.g., those related to shares of Stock acquired under the Plan) or bank accounts (including brokerage accounts) maintained outside Belgium on their annual tax return. In a separate report, they must provide the National Bank of Belgium with certain details regarding such foreign accounts (including the account number, bank name and country in which any such account was opened). The forms to complete this report are available at the website of the National Bank of Belgium. Belgian residents should consult with their personal tax advisors to determine their reporting obligations.

Stock Exchange Tax. A stock exchange tax applies to transactions executed by a Belgian resident through a non-Belgian financial intermediary, such as a U.S. broker. The stock exchange tax may apply when shares of Stock acquired under the Plan are sold. Belgian residents should consult with a personal tax or financial advisor for additional details on their obligations with respect to the stock exchange tax.

Annual Securities Accounts Tax. An annual securities accounts tax may be payable if the total value of securities held in a Belgian or foreign securities account (e.g., shares of Stock) exceeds a certain threshold on four reference dates within the relevant reporting period (i.e., December 31, March 31, June 30 and September 30). Different payment obligations may apply, depending on whether the securities account is held with a Belgian or foreign financial institution. The Grantee should consult with his or her personal tax or financial advisor for additional details.

ISRAEL

Terms and Conditions

Tax Consent. On January 20, 2020, the Israeli Tax Authority issued a tax ruling to the Company in connection with the non-trustee track of Section 102 of the Income Tax Ordinance [New Version], 1961 (the “**Tax Ruling**”) regarding the taxation of Units granted under the Plan. The Grantee may review a copy of the Tax Ruling by contacting stockprograms@leidos.com. In accordance with the Tax Ruling and by accepting the Units granted under the Plan, the Grantee hereby declares that the Grantee understands the provisions of the Tax Ruling and the obligation to report and pay any capital gains tax due upon the sale of the shares of Stock issued under the Plan (including filing an annual tax return).

Further, the Grantee agrees to act in accordance with the Tax Ruling and will not request to amend, cancel, and/or replace it with a different ruling and/or demand any additional tax benefit beyond the provisions of the Tax Ruling.

Notifications

Securities Law Information. This offer of Awards under the Plan does not constitute a public offering under the Securities Law, 1968.

SINGAPORE

Terms and Conditions

Restriction on Sale of Shares of Stock. The Units are subject to section 257 of the SFA and the Grantee will not be able to make any subsequent sale of shares of Stock in Singapore or any offer of such subsequent sale of the Stock in Singapore, unless such offer or sale is made (i) after six (6) months from the Grant Date, (ii) pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) (“**SFA**”), or (iii) pursuant to, and in accordance with, any other applicable exemption in the SFA.

Notifications

Securities Law Information. The grant of the Units is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the SFA. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.

Director Notification Information. If the Grantee is the or a director (including an alternate, substitute or shadow director¹) of a Subsidiary in Singapore, the Grantee is subject to certain notification requirements under the Singapore Companies Act, regardless of whether the Grantee is a Singapore resident or employed in Singapore. Among these requirements is an obligation to notify the Singapore Subsidiary of an interest (e.g., Units, shares of Stock) in the Company or a related company within two business days of (i) acquiring or disposing of such interest, (ii) any change in a previously disclosed interest (e.g., vesting of Units, sale of shares of Stock), or (iii) becoming or a director if such an interest exists at the time. If the Grantee is the chief executive officer (“CEO”) of a Subsidiary in Singapore and the above notification requirements are determined to apply to the CEO of a Singapore Subsidiary, the above notification requirements also may apply to the Grantee.

UNITED KINGDOM

Terms and Conditions

Units Payable Only in Stock. Notwithstanding anything to the contrary in the Plan, the Units shall be paid in shares of Stock only and do not provide the Grantee with any right to receive a cash payment. This provision is without prejudice to the application of Section 4 of the Terms and Conditions of Restricted Stock Unit Award.

Responsibility for Taxes. The following provision supplements Section 4 of the Terms and Conditions of Restricted Stock Unit Award:

Without limitation to Section 4 of the Terms and Conditions of Restricted Stock Unit Award, the Grantee agrees that the Grantee is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company or the Employer or by Her Majesty’s Revenue and Customs (“HMRC”) (or any other tax authority or any other relevant authority). The Grantee also agrees to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Grantee’s behalf.

Notwithstanding the foregoing, if the Grantee is a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), the Grantee understands that he or she may not be able to indemnify the Company or the Employer for the amount of income tax not collected from or paid by the Grantee, as it may be considered a loan. In this case, the amount of any income tax not collected within 90 days of the end of the U.K. tax year in which the event giving rise to the Tax-Related Item(s) occurs may constitute an additional benefit to the Grantee on which additional income tax and National Insurance Contributions (“NICs”) may be payable. The Grantee will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying the Company or the Employer, as applicable, for the amount of any employee NICs due on this additional benefit which may be recovered from the Grantee by the Company or the Employer at any time thereafter by any of the means referred to in Section 4 of the Terms and Conditions of Restricted Stock Unit Award.

¹ A shadow director is an individual who is not on the board of the Singapore Subsidiary but who has sufficient control so that the board of directors acts in accordance with the “directions or instructions” of the individual.



**LEIDOS HOLDINGS, INC.
2017 OMNIBUS INCENTIVE PLAN**

**NOTICE OF GRANT OF RESTRICTED STOCK UNIT AWARD
(TIME-VESTING)**

Leidos Holdings, Inc. (the “**Company**”) hereby grants this Restricted Stock Unit Award (the “**Award**”) of the number of Restricted Stock Units set forth in this Notice of Grant of Restricted Stock Unit Award (the “**Notice**”) to the Grantee designated in this Notice, pursuant to the provisions of the Company’s 2017 Omnibus Incentive Plan (the “**Plan**”) and subject to certain restrictions as outlined below in this Notice and the additional provisions set forth in the attached Terms and Conditions of Restricted Stock Units Award (the “**Terms**”). Together, this Notice, the attached Terms and all exhibits and appendices hereto and to the Terms constitute the “**Agreement**.” The terms and conditions of the Plan are incorporated by reference in their entirety into this Agreement. When used in this Agreement, the terms that are defined in the Plan shall have the meanings given to them in the Plan, as modified herein (if applicable).

Award Details: The Grantee’s name, the number of Restricted Stock Units awarded and the Grant Date can be found in the Grant Summary located in the electronic stock plan award administration system maintained by the Company or its designee that contains a link to this Agreement (which summary information is set forth in the appropriate records of the Company authorizing such award).

Vesting Schedule: Subject to the terms of the Plan and this Agreement, the Restricted Stock Units shall become vested, and shares of Stock shall be issued in settlement of vested Restricted Stock Units, in accordance with the following schedule, in the event the Grantee does not have a Separation from Service prior to the applicable vesting date(s):

[add applicable vesting date(s)]

Only a whole number of Restricted Stock Units will become vested as of any given vesting date. If the number of Restricted Stock Units determined as of a vesting date is a fractional number, the number vesting will be rounded down to the nearest whole number with any fractional portion carried forward. Exhibit A to this Notice sets forth the terms and provisions regarding treatment of the Award upon Separation from Service. No Restricted Stock Units shall become vested following the Grantee’s Separation from Service except as otherwise expressly provided in Exhibit A to this Notice or as otherwise provided pursuant to the terms of the Plan.

Award Acceptance: The Grantee must accept the Agreement electronically pursuant to the online acceptance procedure established by the Company by no later than three months following the Grant Date. If the Grantee does not accept the Agreement through the online acceptance process by that date, or such other date that may be communicated, the Grantee will be deemed to have accepted the Agreement and the Company will automatically accept the Agreement on the Grantee’s behalf. If the Grantee declines the Agreement, the Award will be canceled and the Grantee will not be entitled to any benefits from the Award nor any compensation or benefits in lieu of the canceled award.

EXHIBIT A

Separation from Service and Change in Control

(a) Impact of Separation from Service; Change in Control. If the Grantee has a Separation from Service before any of the vesting date(s) specified under “Vesting Schedule” in the Notice, then any unvested Restricted Stock Units shall become vested or be canceled depending on the reason for Separation from Service as follows:

(i) Death or Disability. If the Grantee has a Separation from Service due to the Grantee’s death or Disability, any unvested Restricted Stock Units shall become immediately vested as of the date of such Separation from Service.

(ii) Involuntary Termination without Cause. If the Grantee has an Involuntary Termination without Cause at least six months after the Grant Date, a prorated portion of any unvested Restricted Stock Units shall become immediately vested as of the date of such Involuntary Termination without Cause. Such prorated vesting shall be determined as follows: (A) the total number of Restricted Stock Units granted shall be multiplied by the Pro Rata Fraction, rounded up to the next whole number, and (B) such resulting amount shall be reduced by the number of Restricted Stock Units (if any) that previously vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice. In addition, the Grantee must execute, deliver and not revoke, no later than sixty (60) days following Separation from Service, a general release of claims if requested by, and in a form satisfactory to, the Company.

[Special Retirement. If the Grantee has a Separation from Service due to Special Retirement, the Restricted Stock Units shall continue to become vested in accordance with the schedule set forth under “Vesting Schedule” in the Notice as if the Grantee had not had a Separation from Service, but provided that the Grantee complies with the requirements of Section 7 of the Terms (regarding compliance with post-employment covenants). In addition, the Grantee must execute, deliver and not revoke, no later than sixty (60) days following Separation from Service, a general release of claims if requested by, and in a form satisfactory to, the Company. Notwithstanding the preceding sentences, if the Company receives an opinion of counsel that there has been a legal judgment and/or legal development in the Grantee’s jurisdiction that likely would result in the favorable Special Retirement treatment that otherwise would apply to the Restricted Stock Units pursuant to this Section (a)(iii) being deemed unlawful and/or discriminatory, then the Company will not apply this favorable Special Retirement treatment at the time of the Grantee’s Separation from Service and the Restricted Stock Units will be treated as if they would under the rules that otherwise would have applied if the Grantee’s Separation from Service did not qualify as a Special Retirement.] **[add if applicable]**

(iii) Change in Control. Notwithstanding anything in this Agreement to the contrary but subject to the provisions of Section 15.3.1(i) of the Plan, if (A) a Change in Control occurs and (B) the Grantee has a Change in Control Termination, then any unvested Restricted Stock Units shall become immediately vested as of the date of such Change in Control Termination.

(iv) Any other Separation from Service. If the Grantee has a Separation from Service for any reason other than as specified in subparagraphs (i) through (iv) above, any Restricted Stock Units that were not already vested pursuant to the schedule specified under “Vesting Schedule” in the Notice as of the date of the Separation from Service shall be immediately canceled as of the date of Separation from Service.

(b) Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“**Cause**” for the termination of Service will be deemed to exist if the Grantee:

- (i) has been convicted, or entered a plea of nolo contendere, for committing an act of fraud, embezzlement, theft or other act constituting a felony or crime of similar magnitude under applicable law (other than traffic related offenses or as a result of vicarious liability);
- (ii) willfully engages in illegal conduct or gross misconduct that is significantly injurious to the Company or a Subsidiary, including the Grantee’s material breach of his or her obligations under any written Company policy, including any code of

ethics or conduct, which is not cured, if curable, within ten (10) days after the Company or a Subsidiary notifies the Grantee of such breach; however, no act or failure to act on the Grantee's part shall be considered "willful" unless done or omitted to be done by the Grantee not in good faith and without reasonable belief that his or her action or omission was in the best interest of the Company or a Subsidiary; or

- (iii) fails to perform his or her duties in a reasonably satisfactory manner after the receipt of a notice from the Company or a Subsidiary detailing such failure if the failure is incapable of cure, and if the failure is capable of cure, upon the failure to cure such failure within 30 days of such notice or upon its recurrence.

"Change in Control Termination" means the Grantee's Separation from Service on or within two years after a Change in Control if such Separation from Service is either (i) by action of the Company or, if different, the Grantee's employing Subsidiary (the "Employer") without Cause or (ii) by action of the Grantee with Good Reason.

"Disability" means the status of disability determined conclusively by the Company based upon certification of disability by the Social Security Administration or an equivalent authority outside the U.S. or, to the extent compliant with Section 409A, upon such other proof as the Company may require, effective upon receipt of such certification or other proof by the Company.

"Good Reason" means the occurrence of any of the following events or conditions without the Grantee's prior written consent:

- (i) any material adverse change in the Grantee's authority, duties or responsibilities (including reporting responsibilities) from the Grantee's authority, duties or responsibilities as in effect at any time within 90 days preceding the date of the Change in Control or at any time thereafter;
- (ii) a material reduction in Grantee's base salary or any failure to pay the Grantee any cash compensation to which the Grantee is entitled within 15 days after the date when due;
- (iii) the imposition of a requirement (other than for reasonably required travel on Company business which is not materially greater in frequency or duration than prior to the Change in Control) that the Grantee be based at any place outside a 50-mile radius from the Grantee's principal place of employment immediately prior to the Change in Control and which has a material adverse effect on the Grantee's commuting requirements;
- (iv) if the Grantee is a participant in the Company's Executive Severance Plan, any other event that constitutes "Good Reason" under that plan.

Notwithstanding anything to the contrary in this Agreement, no termination will be deemed to be for Good Reason hereunder unless (i) the Grantee provides written notice to the Company identifying the applicable event or condition within 120 days of the occurrence of the event or the initial existence of the condition, (ii) the Company or a Subsidiary fails to remedy the event or condition within a period of 30 days following such notice, and (iii) the Grantee's Separation from Service occurs within 90 days after the date the Company or a Subsidiary fails to remedy the event or condition.

"Involuntary Termination without Cause" means a Grantee's Separation from Service by action of the Company or the Employer without Cause, including due to divestiture by the Company of the business unit with which the Grantee is employed.

"Pro Rata Fraction" means a fraction, the numerator of which is the number of days from the Grant Date of the Restricted Stock Units through the date of Involuntary Termination without Cause, and the denominator of which is the number of days from the Grant Date of the Restricted Stock Units through the last vesting date set forth under "Vesting Schedule" in the Notice.



**LEIDOS HOLDINGS, INC.
2017 OMNIBUS INCENTIVE PLAN**

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

The Restricted Stock Unit Award (the “**Award**”) granted by Leidos Holdings, Inc. (the “**Company**”) to the Grantee specified in the Notice of Grant of Restricted Stock Unit Award (the “**Notice**”) to which these Terms and Conditions of Restricted Stock Unit Award, including any additional terms and conditions for Grantees outside the United States set forth in Appendices A and B (collectively, the “**Terms**”) are attached, is subject to the terms and conditions of the Plan, the Notice, and these Terms. The terms and conditions of the Plan are incorporated by reference in their entirety into these Terms. The Notice and these Terms together constitute the “**Agreement**.” A Prospectus describing the Plan has been delivered to the Grantee. The Plan itself is available upon request. When used in this Agreement, the terms which are defined in the Plan shall have the meanings given to them in the Plan, as modified herein (if applicable).

1. Grant of Units.

(a) As of the Grant Date set forth in the Notice, the Company grants to the Grantee the number of Restricted Stock Units (“**Units**”) set forth in the Notice. Each Unit represents the right to receive one share of Stock at a future date after the Unit has become vested, subject to the terms and conditions of this Agreement.

(b) The Units covered by this Award shall become vested in accordance with the schedule set forth in the Notice. Each vested Unit shall be settled on the date(s) specified in the Notice by issuance of one share of Stock on or as soon as administratively practicable (but no more than 75 days) after the applicable vesting date specified in the Notice, subject to the requirements of the Plan and this Agreement.

(c) Units constitute an unfunded and unsecured obligation of the Company. The Grantee shall not have any rights of a stockholder of the Company with respect to the shares of Stock underlying the Units unless and until the Units become vested and are settled by the issuance of shares of Stock. Upon issuance of shares of Stock in connection with the settlement of vested Units, the Grantee shall be the record owner of the shares of Stock unless and until such shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a stockholder of the Company (including voting rights).

(d) Units vested will receive dividend equivalents paid in cash (without interest) based on the dividend rates in effect during the vesting period applied to the number of Units in which the Grantee vests, subject to the vesting provisions set forth in the Notice. Cash dividend equivalents accrued on the vested Units will be paid in cash on or about the same time the vested Units are settled and paid.

(e) Notwithstanding any provision herein to the contrary, if the Grantee is a U.S. taxpayer, payment of Units that become vested under this Agreement may be deferred under the terms of the Company’s Key Executive Stock Deferral Plan (or any similar plan or program) in which the Grantee is eligible to participate, subject to the terms and conditions of such plan and the requirements of Section 409A. Any Units deferred under any such plan shall be administered in accordance with the terms and provisions of such plan.

2. Restrictions. Subject to any exceptions set forth in this Agreement, until such time as the Units become vested and are settled in shares of Stock in accordance with Section 1, the Units or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or

otherwise transfer or encumber the Units or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Units will be forfeited by the Grantee and all of the Grantee's rights to such Units shall immediately terminate without any payment of consideration by the Company.

3. Cancellation of Rights. If any portion of the Units fail to become vested (for example, because the Grantee fails to satisfy the vesting conditions specified in the Notice prior to a Separation from Service), then such Units shall be immediately forfeited as of the date of such failure and all of the Grantee's rights to such Units shall immediately terminate without any payment of consideration by the Company.
4. Responsibility for Taxes.

(a) Regardless of any action the Company or, if different, the Subsidiary which employs the Grantee (the "**Employer**") takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable or deemed legally applicable to the Grantee ("**Tax-Related Items**"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the grant or vesting of the Units, the subsequent sale of shares of Stock acquired upon vesting, the payment of any dividend equivalents on the Units or the payment of any dividends on the shares of Stock; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result.

(b) In connection with any relevant taxable or tax withholding event, as applicable, the Grantee shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Company and/or the Employer, or their respective agents, in their sole discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following methods:

- (i) withholding from the Grantee's wages or other cash compensation payable to the Grantee by the Company, the Employer, or any other Subsidiary;
- (ii) withholding from proceeds of the sale of shares of Stock acquired at vesting either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization without further consent);
- (iii) withholding shares of Stock otherwise issuable to the Grantee upon vesting of the Units; or
- (iv) any other method of withholding determined by the Company, to the extent permitted under the Plan and applicable laws.

The Company may withhold or account for Tax-Related Items by considering statutory withholding amounts or other applicable withholding rates, including maximum rates applicable in the Grantee's jurisdiction(s), in which case the Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent amount in shares of Stock. In the event of over-withholding, the Grantee may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent amount in shares of Stock), from the Company or the Employer; otherwise, the Grantee may be able to seek a refund from the local tax authorities. In the event of under-withholding, the Grantee may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Company and/or the Employer. If the obligation for Tax-Related Items is satisfied by withholding shares of Stock, for tax purposes, the Grantee is deemed to have been issued the full number of shares of Stock subject to the vested Units,

notwithstanding that a number of the shares is held back solely for the purpose of paying the Tax-Related Items.

Finally, the Grantee agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue and deliver shares of Stock in payment of any vested Units, or the proceeds from the sale of shares of Stock, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as described in this Section 4.

5. Grantee Representations. The Grantee hereby represents that the Grantee has read and fully understands the provisions of this Agreement, the Prospectus and the Plan, and the Grantee's decision to participate in the Plan is completely voluntary. Further, the Grantee acknowledges that the Grantee is relying solely on his or her own advisors with respect to the tax consequences of this Award.
6. Regulatory Restrictions on the Shares Issued Upon Settlement. Notwithstanding the other provisions of this Agreement, the Committee shall have the sole discretion to impose such conditions, restrictions and limitations on the issuance of shares of Stock with respect to this Award unless and until the Committee determines that such issuance complies with (i) any applicable registration requirements under the Securities Act or the Committee has determined that an exemption therefrom is available, (ii) any applicable listing requirement of any stock exchange on which the Stock is listed, (iii) any applicable Company policy or administrative rules, and (iv) any other applicable provision of U.S. or non-U.S. federal, state or local law.

7. Non-Solicitation and Non-Competition.

(a) Applicability. The provisions of this Section 7 apply to Awards made to employees of the Company and its Subsidiaries, and not Awards made to Non-Employee Directors. The Grantee acknowledges that the Company conducts business throughout the United States and that the Company has a legitimate business interest in protecting this business, including but not limited its interest in its employees, programs, and projects below, against unfair competition through the promises in this Section 7.

(b) Solicitation of Employees. The Grantee agrees that, both while in Service and for one year after Separation from Service, the Grantee will not solicit or attempt to solicit any employee of the Company or any Subsidiary with whom the Grantee has worked on a program or project during the 12 months prior to Separation from Service to leave his or her employment or to violate the terms of any agreement or understanding that employee may have with the Company or any Subsidiary. The foregoing obligations apply to both the Grantee's direct and indirect actions, and apply to actions intended to benefit the Grantee or any other person, business or entity.

(c) Solicitation of Customers. The Grantee agrees that, for one year after Separation from Service, the Grantee will not participate in any solicitation of any customer or prospective customer of the Company or any Subsidiary concerning any business that:

(i) involves the same programs or projects for that customer in which the Grantee was personally and/or substantially involved during the 12 months prior to Separation from Service; or

(ii) has been, at any time during the 12 months prior to Separation from Service, the subject of any capture effort, bid, offer or proposal activity by the Company or any Subsidiary in respect of that customer or prospective customer, or any negotiations or discussions about the possible performance of services by the Company or any Subsidiary to that customer or potential customer, in which the Grantee was personally and/or substantially involved.

For purposes of (c)(i) and (ii), in the case of a governmental, regulatory or administrative agency, commission, department or other governmental authority, the customer or prospective

customer will be determined by reference to the specific program offices or activities for which the Company or any Subsidiary provides (or may reasonably provide) goods or services.

(d) Non-Disclosure and Non-Use of Proprietary Information. During the term of the Grantee's employment and following the voluntary or involuntary termination of that employment for any reason, and with or without cause, Grantee will not, except as authorized and required to perform the Grantee's duties for the Company or any Subsidiary, directly or indirectly: use, disclose, reproduce, distribute, or otherwise disseminate the Company or any Subsidiary's Proprietary Information, or take any action causing, or fail to take any action necessary, to prevent any such information to lose its character or cease to qualify as Proprietary Information. Grantee agrees to ask the Company or any Subsidiary, both during and after employment, if Grantee has any questions about whether particular information is Proprietary Information before using or disclosing such information.

The term "**Proprietary Information**" will mean any and all confidential knowledge, data or information of the Company, its affiliates, parents and subsidiaries, which has economic value as a result of its remaining confidential, whether having existed, now existing, or to be developed during Grantee's employment, including information developed by Grantee. By way of illustration but not limitation, "Proprietary Information" includes (1) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, algorithms, software programs, schematics, improvements, discoveries, developments, designs and techniques and any other proprietary technology and all Proprietary Rights therein (collectively, "**Inventions**"); (2) information regarding research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, margins, discounts, credit terms, pricing and billing policies, quoting procedures, methods of obtaining business, forecasts, future plans and potential strategies, financial projections and business strategies, operational plans, financing and capital- raising plans, activities and agreements, internal services and operational manuals, methods of conducting Company business, suppliers and supplier information, and purchasing; (3) information regarding Customers and potential Customers of the Company and its Subsidiaries, including customer lists, names, representatives, their needs or desires with respect to the types of products or services offered by the Company, proposals, bids, contracts and their contents and parties, the type and quantity of products and services provided or sought to be provided to Customers and potential Customers of the Company and other non-public information relating to Customers and potential Customers; (4) information regarding any of the Company's business partners and their services, including names, representatives, proposals, bids, contracts and their contents and parties, the type and quantity of products and services received by the Company, and other non- public information relating to business partners that Grantee acquires as a result of their employment; (5) information regarding personnel, employee lists, compensation, and employee skills; and (6) any other non-public information which a competitor of the Company could use to the competitive disadvantage of the Company.

(e) Non-Competition. To the extent allowed by and consistent with applicable law, the Grantee agrees that, for one year after Separation from Service, the Grantee will not, directly or indirectly, on behalf of the Grantee or any other person or entity other than the Company, perform on or support any program, or provide oversight on any program, product, or service in which the Grantee was personally and/or substantially involved during the 12 months prior to Separation from Service:

- (i) that would more likely than not cause the Grantee to use, disclose, or access Proprietary Information of any such program, product, or service; or
- (ii) that is competitive with any such program, product, or service and where the Grantee's new responsibilities and duties will be similar to those previously held with the Company or any Subsidiary; or
- (iii) that is associated with any program, product or service that was the subject of any capture effort, bid, offer or proposal activity by the Company or any Subsidiary in which the Grantee was personally and substantially involved during the 12 months prior to Separation from Service and of which the Grantee possesses Proprietary Information.

(f) Remedies. The Grantee acknowledges and agrees that a breach of any of the promises or agreements contained in this Section 7 will result in immediate, irreparable and continuing damage to the Company and its Subsidiaries for which there is no adequate remedy at law, and the Company and its Subsidiaries will be entitled to injunctive relief, a decree for specific performance, and other relief as may be proper, including money damages such as, but not limited to, the disgorgement of any profits, commissions, or fees realized by the Grantee, any subsequent employers, any business owned or operated by the Grantee, or any of Grantee's agents, heirs, or assigns because of any such breach. Furthermore, to the extent allowed by and consistent with applicable law and any applicable limitations period, if it is determined at any time by the Company or any Subsidiary that the Grantee has materially breached any employment-related covenants, including the covenants in this Section 7, the Company will be entitled to (i) cause any unvested portion of the Award to be immediately canceled without any payment of consideration by the Company and/or (ii) cause, upon written demand by the Company to the Grantee, that the Grantee promptly return to the Company some or all of the shares of Stock (or proceeds received by the Grantee from such shares of Stock) paid to the Grantee pursuant to this Agreement. If the Company must resort to litigation to enforce the Grantee's obligation in (ii), the Company will be entitled to an award of reasonable attorneys' fees and costs should it prevail in the litigation.

8. No Interference with Rights. Grantee understands that Grantee shall not be held criminally or civilly liable under any U.S. or non-U.S. federal or state trade secret law for the disclosure of a trade secret that: (1) is made in confidence to a U.S. or non-U.S. federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The Grantee also understands that disclosure of trade secrets to attorneys, made under seal, or pursuant to court order is also protected under 18 U.S. Code § 1833 in a retaliation lawsuit based on the reporting of a suspected violation of law.

9. Miscellaneous.

(a) Notices. Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as the Company may notify the Grantee from time to time; and to the Grantee at the Grantee's electronic mail or postal address as shown on the records of the Company from time to time, or at such other electronic mail or postal address as the Grantee, by notice to the Company, may designate in writing from time to time.

(b) Waiver. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach.

(c) Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties with respect to the subject matter hereof. Any prior agreements, commitments or negotiations concerning the Award are superseded.

(d) Binding Effect; Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto and to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in this Agreement, express or implied, is intended to confer on any person other than the parties hereto and as provided above, their respective heirs, successors, assigns and representatives any rights, remedies, obligations or liabilities.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law, and applicable U.S. federal law.

(f) Venue. Any legal or equitable action or any proceeding arising directly, indirectly, or otherwise in connection with, out of, related to or from the Agreement, or any provision hereof, shall exclusively be filed and adjudicated in the Circuit Court for Fairfax County, Virginia, or the United States District Court for the Eastern District of Virginia, Alexandria Division, and no other venue. Any arbitration will be conducted according to the terms of the applicable arbitration agreement.

(g) Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

(h) Conflicts; Amendment. The provisions of the Plan are incorporated in this Agreement in their entirety. In the event of any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan shall control. This Agreement may be amended at any time by the Committee, provided that no amendment may, without the consent of the Grantee, materially impair the Grantee's rights with respect to the Award, except as otherwise required pursuant to Section 9(l) below. The Committee shall have full authority and discretion, subject only to the terms of the Plan, to decide all matters relating to the administration or interpretation of the Plan, the Award, and the Agreement, and all such action by the Committee shall be final, conclusive, and binding upon the Company and the Grantee.

(i) No Right to Continued Employment. Nothing in this Agreement shall confer upon the Grantee any right to continue in the Service of the Company or any Subsidiary or affect the right of the Company or any Subsidiary to terminate the Grantee's Service at any time.

(j) Further Assurances. The Grantee agrees, upon demand of the Company or the Committee, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Company or the Committee, as the case may be, to implement the provisions and purposes of this Agreement and the Plan.

(k) Appendices. By accepting this Award, the Grantee acknowledges and agrees that, should the Grantee reside and/or work in a country outside the United States at any time during the life of the Award, this Award is subject to the additional terms set forth in the Appendices A and B hereto. Appendices A and B constitute part of this Agreement. Please review the provisions of Appendices A and B carefully, as this Award will be null and void absent the Grantee's acceptance of such provisions.

(l) Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Award to the extent that the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Award and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(m) Recovery of Compensation. In accordance with Section 3.3 of the Plan, the Award is subject to the requirements of (i) Section 954 of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) any policies adopted by the Company to implement such requirements, and (iii) the Company's compensation recoupment policy adopted on June 18, 2009, as in effect from time to time (the "**Compensation Recoupment Policy**"), all to the extent determined by the Committee to be applicable to the Grantee.

(n) Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(o) Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic

delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

10. No Advice Regarding Grant. The Company is not providing any tax, legal, or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan or the Grantee's acquisition of any shares of Stock under the Plan or subsequent sale of such shares of Stock. The Grantee should consult with the Grantee's personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action in relation thereto.
11. Insider Trading/Market Abuse Laws. The Grantee acknowledges that he or she may be subject to insider trading restrictions and/or market abuse laws which may affect the Grantee's ability to accept, acquire, sell or otherwise dispose of shares of Stock, rights to shares of Stock (*e.g.*, the Award) or rights linked to the value of Stock during such times as the Grantee is considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Grantee placed before the Grantee possessed inside information. Furthermore, the Grantee could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's insider trading policy as may be in effect from time to time. The Grantee acknowledges that it is the Grantee's responsibility to comply with any applicable insider trading restrictions and/or market abuse laws, and the Grantee should speak to his or her personal advisor on this matter.

APPENDIX A
TO THE TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD
General Additional Terms Applicable to Awards Held by Grantees Outside the U.S.

1. Data Privacy.

(a) Data Collection and Usage. *The Company and the Employer collect, process and use certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all Awards under the Plan or any other entitlement to shares of Stock or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in the Grantee favor ("Data"), for the legitimate purpose of implementing, administering and managing the Grantee's participation in the Plan. The legal basis, where required, for the processing of Data by the Company and the third-party service providers described below is the Grantee's consent.*

(b) Stock Plan Administration Service Providers. *The Company transfers Data to Computershare and certain of its affiliated companies (collectively, "Computershare"), an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan. The Grantee acknowledges and understands that Computershare will open an account for the Grantee to receive and trade shares of Stock acquired under the Plan and that the Grantee will be asked to agree on separate terms and data processing practices with Computershare, with such agreement being a condition to the ability to participate in the Plan. The legal basis, where required, for the transfer of Data by the Company to Computershare is the Grantee's consent.*

(c) International Data Transfers. *The Company is based in the United States. The Grantee's country or jurisdiction may have different data privacy laws and protections than the United States. As a result, in the absence of appropriate safeguards such as standard data protection clauses, the processing of the Grantee's Data in the United States or, as the case may be, other countries might not be subject to substantive data processing principles or supervision by data protection authorities. In addition, the Grantee might not have enforceable rights regarding the processing of the Grantee's Data in such countries. The Company's legal basis, where required, for the transfer of Data is the Grantee's consent.*

(d) Data Retention. *The Company will hold and use Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan, or as required to comply with applicable law, exercise or defense of legal rights, and archiving, back-up and deletion processes. This means Data may be held even after the Grantee's employment or service is terminated.*

(e) Voluntariness and Consequences of Consent Denial or Withdrawal. *Participation in the Plan is voluntary and the Grantee is providing any consents herein on a purely voluntary basis. The Grantee understands that the Grantee may withdraw his or her consent at any time with future effect for any or no reason. If the Grantee does not consent, or if the Grantee later seeks to revoke his or her consent, the Grantee's Service with the Employer will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant the Awards under the Plan or other equity awards to the Grantee or administer or maintain the Grantee's participation in the Plan.*

(f) Data Subject Rights. *The Grantee may have a number of rights under data privacy laws in the Grantee's jurisdiction. Depending on where the Grantee is based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in the Grantee's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Grantee can contact his or her local human resources representative.*

2. Nature of Grant. By entering into this Agreement and accepting the grant of Units evidenced hereby, the Grantee acknowledges, understands and agrees that:
- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be terminated, suspended or amended by the Company at any time, to the extent permitted by the Plan;
 - (b) the grant of Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future awards of Units or benefits in lieu of Units, even if such awards have been awarded in the past;
 - (c) all decisions with respect to future awards, if any, will be at the sole discretion of the Company;
 - (d) the grant of Units shall not create a right to Service or be interpreted as forming an employment or service contract with the Company or any other Subsidiary and shall not interfere with the ability of the Employer to terminate the Grantee's Service relationship (if any) at any time;
 - (e) the Grantee is voluntarily participating in the Plan;
 - (f) the Units and any payment made pursuant to the Units, and the income from and value of same, are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, long-service awards, leave-related payments, pension or retirement benefits or welfare benefits or similar payments;
 - (g) unless otherwise agreed with the Company, the Award and any shares of Stock subject to the Award, and income from and value of same, are not granted as consideration for, or in connection with, any service the Grantee may provide as a director of any Subsidiary;
 - (h) the future value of the shares of Stock which may be delivered in settlement of vested Units is unknown, indeterminable and cannot be predicted with certainty;
 - (i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Units resulting from the Grantee's Separation from Service (for any reason whatsoever, whether or not such termination is later found to be invalid or in breach of applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any) or recoupment of all or any portion of any payment made pursuant to the Units as provided by the Company's Compensation Recoupment Policy;
 - (j) for purposes of the Units, the date of the Grantee's Separation from Service (for any reason whatsoever, whether or not such termination is later found to be invalid or in breach of applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any) will be deemed to occur as of the date the Grantee is no longer actively providing Service to the Company or any of its Subsidiaries, and unless otherwise expressly provided in this Agreement or otherwise determined by the Company, the Grantee's right to vest in any portion of the Units (and any related dividend equivalents) under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., the Grantee's active employment or period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under applicable laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service agreement, if any). For the avoidance of doubt, actively providing Service during only a portion of the vesting period prior to a vesting date shall not entitle the Grantee to vest in a pro-rata portion of the unvested Units that would have vested as of such vesting date, nor will it entitle the Grantee to any compensation for lost vesting. The Company, in its sole discretion, shall determine when the Grantee is no longer actively providing Service for purposes of the Units (including whether the Grantee may still be considered to be actively providing Service while on an approved leave of absence);
 - (k) unless otherwise provided in the Plan or by the Company in its discretion, the Units and the benefits evidenced by this Agreement do not create any entitlement to have the Units or any

such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Stock; and

(l) neither the Company, the Employer, nor any other Subsidiary shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the Units, any payment made pursuant to the Units or the subsequent sale of any shares of Stock acquired under the Plan.

3. Language. The Grantee acknowledges and represents that the Grantee is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow the Grantee to understand the terms of this Agreement and any other documents related to the Plan. If the Grantee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version differs from the English version, the English version shall control.
4. Foreign Asset/Account, Exchange Control, and Tax Reporting. The Grantee may be subject to certain foreign asset and/or account reporting requirements and/or exchange controls which may affect the Grantee's ability to acquire or hold shares of Stock acquired under the Plan or cash received from participating in the Plan (including from any dividend equivalents or dividends received or sale proceeds arising from the sale of shares of Stock) in a brokerage or bank account outside the Grantee's country. The Grantee may be required to report such accounts, assets or transactions to the tax or other authorities in the Grantee's country. The Grantee also may be required to repatriate sale proceeds or other funds received as a result of the Grantee's participation in the Plan to the Grantee's country through a designated bank or broker and/or within a certain time after receipt. The Grantee further acknowledges that it is the Grantee's responsibility to comply with such regulations and that the Grantee should consult the Grantee's personal legal advisor for any details.

**APPENDIX B
TO THE TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD**

Country-Specific Additional Terms Applicable to Awards Held by Grantees Outside the U.S.

Capitalized terms used but not otherwise defined herein shall have the meaning given to such terms in the Plan and/or this Agreement.

Terms and Conditions

This Appendix B includes additional terms and conditions that govern the Grantee's participation in the Plan if the Grantee resides and/or works in one of the countries listed below. If the Grantee is a citizen or resident of a country other than the one in which he or she is currently residing and/or working (or if the Grantee is considered as such for local law purposes), or if the Grantee moves or transfers Service to another country after the Grant Date, the Company will, in its sole discretion, determine the extent to which the terms and conditions herein will be applicable to the Grantee.

Notifications

This Appendix B also includes information regarding securities laws, exchange controls and certain other issues of which the Grantee should be aware with respect to the Grantee's participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of January 2022. Such laws are often complex and change frequently. As a result, the Company recommends that the Grantee not rely on the information in this Appendix B as the only source of information relating to the consequences of the Grantee's participation in the Plan because the information included herein may be out of date at the time that the Units vest or the Grantee subsequently sells the shares of Stock acquired at vesting.

In addition, the Grantee understands that the information contained herein is general in nature and may not apply to the Grantee's particular situation and the Company is not in a position to assure the Grantee of any particular result. Accordingly, the Grantee acknowledges that he or she should seek appropriate professional advice as to how the relevant laws in the Grantee's country may apply to the Grantee's situation.

If the Grantee is a citizen or resident of a country other than the one in which the Grantee is currently residing and/or working (or if the Grantee is considered as such for local law purposes), or if the Grantee moves or transfers Service to another country after the Units are granted, the Grantee understands that the information contained herein may not be applicable to the Grantee in the same manner.

AUSTRALIA

Notifications

Securities Law Information. This offer of Units is being made under Division 1A, Part 7.12 of the *Corporations Act 2001 (Cth)*. Please note that if the Grantee offers shares of Stock for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. The Grantee should obtain legal advice on applicable disclosure obligations prior to making any such offer.

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding A\$10,000 and international fund transfers. The Australian bank assisting with the transaction may file the report for the Grantee. If there is no Australian bank involved in the transfer, the Grantee will have to file the report. The Grantee should consult with his or her personal advisor to ensure that the Grantee is properly complying with applicable reporting requirements in Australia.

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in the Act).

BELGIUM

Notifications

Foreign Asset/Account Reporting Information. Belgian residents are required to report any securities accounts (e.g., those related to shares of Stock acquired under the Plan) or bank accounts (including brokerage accounts) maintained outside Belgium on their annual tax return. In a separate report, they must provide the National Bank of Belgium with certain details regarding such foreign accounts (including the account number, bank name and country in which any such account was opened). The forms to complete this report are available at the website of the National Bank of Belgium. Belgian residents should consult with their personal tax advisors to determine their reporting obligations.

Stock Exchange Tax. A stock exchange tax applies to transactions executed by a Belgian resident through a non-Belgian financial intermediary, such as a U.S. broker. The stock exchange tax may apply when shares of Stock acquired under the Plan are sold. Belgian residents should consult with a personal tax or financial advisor for additional details on their obligations with respect to the stock exchange tax.

Annual Securities Accounts Tax. An annual securities accounts tax may be payable if the total value of securities held in a Belgian or foreign securities account (e.g., shares of Stock) exceeds a certain threshold on four reference dates within the relevant reporting period (i.e., December 31, March 31, June 30 and September 30). Different payment obligations may apply, depending on whether the securities account is held with a Belgian or foreign financial institution. The Grantee should consult with his or her personal tax or financial advisor for additional details.

ISRAEL

Terms and Conditions

Tax Consent. On January 20, 2020, the Israeli Tax Authority issued a tax ruling to the Company in connection with the non-trustee track of Section 102 of the Income Tax Ordinance [New Version], 1961 (the “**Tax Ruling**”) regarding the taxation of Units granted under the Plan. The Grantee may review a copy of the Tax Ruling by contacting stockprograms@leidos.com. In accordance with the Tax Ruling and by accepting the Units granted under the Plan, the Grantee hereby declares that the Grantee understands the provisions of the Tax Ruling and the obligation to report and pay any capital gains tax due upon the sale of the shares of Stock issued under the Plan (including filing an annual tax return). Further, the Grantee agrees to act in accordance with the Tax Ruling and will not request to amend, cancel, and/or replace it with a different ruling and/or demand any additional tax benefit beyond the provisions of the Tax Ruling.

Notifications

Securities Law Information. This offer of Awards under the Plan does not constitute a public offering under the Securities Law, 1968.

SINGAPORE

Terms and Conditions

Restriction on Sale of Shares of Stock. The Units are subject to section 257 of the SFA and the Grantee will not be able to make any subsequent sale of shares of Stock in Singapore or any offer of such subsequent sale of the Stock in Singapore, unless such offer or sale is made (i) after six (6) months from the Grant Date, (ii) pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) (“**SFA**”), or (iii) pursuant to, and in accordance with, any other applicable exemption in the SFA.

Notifications

Securities Law Information. The grant of the Units is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the SFA. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.

Director Notification Information. If the Grantee is the or a director (including an alternate, substitute or shadow director¹) of a Subsidiary in Singapore, the Grantee is subject to certain notification requirements under the Singapore Companies Act, regardless of whether the Grantee is a Singapore resident or employed in Singapore. Among these requirements is an obligation to notify the Singapore Subsidiary of an interest (e.g., Units, shares of Stock) in the Company or a related company within two business days of (i) acquiring or disposing of such interest, (ii) any change in a previously disclosed interest (e.g., vesting of Units, sale of shares of Stock), or (iii) becoming or a director if such an interest exists at the time. If the Grantee is the chief executive officer (“CEO”) of a Subsidiary in Singapore and the above notification requirements are determined to apply to the CEO of a Singapore Subsidiary, the above notification requirements also may apply to the Grantee.

UNITED KINGDOM

Terms and Conditions

Units Payable Only in Stock. Notwithstanding anything to the contrary in the Plan, the Units shall be paid in shares of Stock only and do not provide the Grantee with any right to receive a cash payment. This provision is without prejudice to the application of Section 4 of the Terms and Conditions of Restricted Stock Unit Award.

Responsibility for Taxes. The following provision supplements Section 4 of the Terms and Conditions of Restricted Stock Unit Award:

Without limitation to Section 4 of the Terms and Conditions of Restricted Stock Unit Award, the Grantee agrees that the Grantee is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company or the Employer or by Her Majesty’s Revenue and Customs (“HMRC”) (or any other tax authority or any other relevant authority). The Grantee also agrees to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Grantee’s behalf.

Notwithstanding the foregoing, if the Grantee is a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), the Grantee understands that he or she may not be able to indemnify the Company or the Employer for the amount of income tax not collected from or paid by the Grantee, as it may be considered a loan. In this case, the amount of any income tax not collected within 90 days of the end of the U.K. tax year in which the event giving rise to the Tax-Related Item(s) occurs may constitute an additional benefit to the Grantee on which additional income tax and National Insurance Contributions (“NICs”) may be payable. The Grantee will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying the Company or the Employer, as applicable, for the amount of any employee NICs due on this additional benefit which may be recovered from the Grantee by the Company or the Employer at any time thereafter by any of the means referred to in Section 4 of the Terms and Conditions of Restricted Stock Unit Award.

¹ A shadow director is an individual who is not on the board of the Singapore Subsidiary but who has sufficient control so that the board of directors acts in accordance with the “directions or instructions” of the individual.

Subsidiaries

Name	Jurisdiction of Formation
Leidos, Inc.	Delaware
Leidos Biomedical Research, Inc.	Delaware
Leidos Consulting Engineers, Inc.	California
Leidos Engineering, LLC	Delaware
Leidos Global Technology Corporation	Delaware
Leidos Services, Inc.	Delaware
Reveal Imaging Technologies, Inc.	Delaware
Varec Holdings, Inc.	Delaware
Varec, Inc.	Georgia
Leidos Intermediate Holdings, Inc.	Delaware
Leidos Government Services, Inc.	Maryland
Leidos Integrated Technology, LLC	Delaware
Hanford Mission Integration Solutions, LLC	Delaware
QTC Holdings, Inc.	Delaware
QTC Management, Inc.	California
QTC Medical Services, Inc.	California
Leidos Digital Solutions, Inc.	Virginia
Leidos New Zealand Limited	New Zealand
LASAI Aviation, LLC	Delaware
LASAI Aviation II, LLC	Delaware
DYHC, Inc.	Delaware
Dynetics, Inc.	Alabama
Dynetics Technical Solutions, Inc.	Alabama
Spire Advanced Technology Holdings, LLC	Delaware
SPIRE Manufacturing Solutions, LLC	Colorado
Davis Manufacturing Co.	Delaware
Leidos Security Detection & Automation, Inc.	Delaware
1901 Group, LLC	Virginia
Gibbs & Cox, Inc.	New York
Leidos Arabia Limited Company	Saudi Arabia

List of Guarantors and Subsidiary Issuers of Guaranteed Securities

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

Senior unsecured Registered Notes:

\$500 million 2.950% notes, due May 2023

\$500 million 3.625% notes, due May 2025

\$750 million 4.375% notes, due May 2030

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

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

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

\$250 million 7.125% notes, due July 2032

\$300 million 5.500% notes, due July 2033

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

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

\$300 million 5.950% notes, due December 2040

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-255849 on Form S-4 and Registration Statement Nos. 333-138095, 333-153360, 333-169693, No. 333-218435, and Post-Effective Amendment No. 1 to Registration Statement No. 333-138095 on Forms S-8 of our reports dated February 14, 2023, relating to the financial statements of Leidos Holdings, Inc. (“the Company”), and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K for the fiscal year ended December 30, 2022.

/s/ Deloitte & Touche LLP

McLean, Virginia
February 14, 2023

LEIDOS HOLDINGS, INC.

CERTIFICATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Roger A. Krone, certify that:

1. I have reviewed this Annual Report on Form 10-K of Leidos Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including the registrant's consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2023

/s/ Roger A. Krone

Roger A. Krone

Chairman and Chief Executive Officer

LEIDOS HOLDINGS, INC.

CERTIFICATION OF EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher R. Cage, certify that:

1. I have reviewed this Annual Report on Form 10-K of Leidos Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including the registrant's consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2023

/s/ Christopher R. Cage

Christopher R. Cage
Executive Vice President and Chief Financial Officer

LEIDOS HOLDINGS, INC.
CERTIFICATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Leidos Holdings, Inc. (the "Company") on Form 10-K for the year ended December 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Roger A. Krone, Chairman and Chief Executive Officer of Leidos Holdings, Inc., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2023

/s/ Roger A. Krone

Roger A. Krone
Chairman and Chief Executive Officer

LEIDOS HOLDINGS, INC.
CERTIFICATION OF EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Leidos Holdings, Inc. (the "Company") on Form 10-K for the year ended December 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher R. Cage, Executive Vice President and Chief Financial Officer of Leidos Holdings, Inc., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2023

/s/ Christopher R. Cage

Christopher R. Cage
Executive Vice President and Chief Financial Officer