

**Lockheed Martin Corporation**  
**EIN: 52-1893632**  
**Date of Action: August 16, 2016**

**Attachment to Internal Revenue Service Form 8937 (September 8, 2016)**

The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the “Code”). This attachment includes a general summary regarding certain U.S. federal income tax laws and regulations relating to the effects of the Distribution and the Merger (as defined below) on the tax basis of shares of Lockheed Martin Corporation (“LMC”) common stock, the allocation of tax basis between shares of LMC common stock and Abacus Innovations Corporation (“Splitco”) common stock pursuant to the Distribution, and the tax basis of the Leidos Holdings, Inc. (“Leidos”) common stock received in exchange for Splitco common stock pursuant to the Merger. This attachment does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of stockholders. Neither LMC nor Splitco provides tax advice to its stockholders, and the example provided below is merely illustrative. Stockholders are urged to consult their own tax advisors regarding the particular consequences to them of the Distribution and the Merger, including the applicability and effect of all U.S. federal, state, local, and foreign tax laws. Stockholders are urged to read the prospectus filed by Splitco with the Securities and Exchange Commission on July 11, 2016 (the “Prospectus”), particularly the discussion beginning on page 80 under the heading “Material U.S. Federal Income Tax Consequences of the Distribution and the Merger”. Stockholders may access the Prospectus at LMC’s website at [www.lockheedmartin.com](http://www.lockheedmartin.com) in the Investors section or at [www.sec.gov](http://www.sec.gov).

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**Line 14 – Describe the organizational action and, if applicable, the date of the action or the date against which shareholders’ ownership is measured for the action.**

On July 11, 2016, LMC commenced an offer to LMC stockholders to exchange all or a portion of their shares of LMC common stock for all of the shares of Splitco common stock. On August 12, 2016, LMC announced a final exchange ratio of 8.2136 shares of Splitco common stock for each share of LMC common stock validly tendered and not withdrawn, subject to proration in the event the offer was oversubscribed. On August 16, 2016, LMC distributed all 76,958,918 shares of Splitco common stock in exchange for 9,369,694 shares of LMC common stock (the “**Distribution**”).

Immediately after the Distribution, on August 16, 2016, Lion Merger Co. (“**Merger Sub**”), a wholly-owned, direct subsidiary of Leidos, merged with and into Splitco, whereby the separate corporate existence of Merger Sub ceased and Splitco continued as the surviving company and a wholly-owned subsidiary of Leidos (the “**Merger**”). In the Merger, each share of Splitco common stock was converted into the right to receive one share of Leidos common stock.

All fractional shares of Leidos common stock that the tendering stockholders of LMC otherwise would have been entitled to receive as a result of the Merger were aggregated and sold on the open market, and the resulting cash proceeds of the sale were paid to such stockholders.

**Line 15 – Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.**

The Distribution: Generally, the aggregate tax basis of the shares of Splitco common stock distributed to an LMC stockholder in the Distribution (including fractional shares deemed received) will equal the aggregate tax basis of the shares of LMC common stock exchanged therefor (the “**Exchanged Shares**”). Since each share of LMC common stock was exchanged for 8.2136 shares of Splitco common stock, the tax basis of each share of Splitco common stock distributed will equal approximately 12.17493% ( $1 \div 8.2136$ ) of the tax basis of the LMC share exchanged therefor.

The Merger: Generally, a Splitco stockholder’s aggregate tax basis in the shares of Leidos common stock received by such stockholder in the Merger (including fractional shares deemed received) will equal the aggregate tax basis of the Splitco common stock for which it is exchanged. Since each share of Splitco common stock was converted into the right to receive one share of Leidos common stock, the tax basis of each Leidos share received will equal the tax basis of the corresponding Splitco share. The holding period (for purposes of determining long-term capital gains or losses) of the shares of Leidos common stock received (including fractional shares deemed received) will include the holding period of the LMC common stock exchanged by such stockholder.

Fractional Shares: A Splitco stockholder who receives cash in lieu of a fractional share of Leidos common stock will be treated as having received the fractional share pursuant to the Merger and then as having sold that fractional share for cash. As a result, the Splitco stockholder will recognize gain or loss equal to the difference between the amount of cash received and the tax basis in his or her fractional share.

Tendering LMC stockholders who acquired LMC common stock at different times or different prices and who were prorated or who did not surrender all of their shares of LMC common stock held immediately prior to the Distribution in exchange for shares of Splitco common stock will need to identify which particular share(s) (or fraction of a share) of Splitco common stock were received in exchange for a particular share of LMC common stock. Generally, such designation must be made on or before the date on which the basis of a share of LMC common stock or Splitco common stock becomes relevant (for example, the date on which such tendering LMC stockholder sells, transfers, or otherwise disposes of the shares of Leidos common stock received in the Merger).

**Line 16 – Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.**

As described in Line 15 above, in general, 100% of the tax basis in an LMC stockholder’s Exchanged Shares will be allocated to the shares of Splitco common stock received (including

fractional shares deemed received), and the tax basis of each share of Splitco common stock received will equal approximately 12.17493% ( $1 \div 8.2136$ ) of the tax basis of the LMC share exchanged therefor.

The tax basis of the former Splitco stockholders in each share of Splitco common stock becomes the tax basis in the share of Leidos common stock received therefor. Consequently, each share of Leidos common stock received (including fractional shares deemed received) has a tax basis equal to 100% of the basis the former Splitco stockholder had in each share of Splitco common stock exchanged therefor.

Example: The following is an example illustrating the tax basis rules described above.

- Assumptions:
  - Dr. DeSoto holds 600 shares of LMC common stock as a capital asset, all of which were purchased in a single lot for \$120 per share on July 31, 2013.
  - After proration, 50 of Dr. DeSoto's shares, with an aggregate tax basis of \$6,000 (50 shares multiplied by \$120 per share), are accepted in the exchange offer.
  - Dr. DeSoto is entitled to 410.68 shares of Splitco common stock in the Distribution (50 Exchanged Shares multiplied by the final exchange ratio of 8.2136), which convert into the right to receive 410.68 shares of Leidos common stock in the Merger (based on a one-to-one conversion ratio).
  - Dr. DeSoto receives 410 shares of Leidos common stock and \$27.33 in cash in lieu of the 0.68 fractional share of Leidos common stock.
- Tax basis rules applied to the preceding assumptions:
  - Dr. DeSoto's aggregate tax basis in the 410.68 shares of Splitco common stock, and subsequently the 410.68 shares of Leidos common stock, is \$6,000, or \$14.61 per share (\$6,000 divided by 410.68 shares).
  - For purposes of determining long-term capital gains or losses, the tax holding period of the Leidos shares received (and fractional share deemed received) by Dr. DeSoto will run from July 31, 2013.
  - The 0.68 fractional share of Leidos common stock deemed received by Dr. DeSoto is treated as received and then sold for \$27.33 on August 16, 2016. The tax basis of the fractional share is \$9.93 (0.68 multiplied by \$14.61 per share). Dr. DeSoto will recognize a 2016 long-term capital gain of \$17.40 (\$27.33 cash received minus tax basis of \$9.93).
  - The 410 shares of Leidos common stock received by Dr. DeSoto have an aggregate tax basis of \$5,990.07 (\$6,000 minus \$9.93 basis allocated to the 0.68 fractional share), or \$14.61 per share.

**Line 17 – List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.**

Section 355; Section 358; Section 368; Section 1001; Section 1223.

**Line 18 – Can any resulting loss be recognized?**

Generally, no gain or loss will be recognized for tax purposes as a result of the Distribution or the Merger. A Splitco stockholder who receives cash in lieu of a fractional share of Leidos common stock will recognize gain or loss equal to the difference between the amount of cash received and the tax basis in his or her fractional share. The deductibility of capital losses is subject to limitations.

**Line 19 – Provide any other information necessary to implement the adjustment, such as the reportable tax year.**

The Distribution was consummated on August 16, 2016. The Merger became effective on August 16, 2016, immediately after the Distribution. For a Splitco stockholder whose taxable year is the calendar year, the reportable tax year is 2016.