

DESCRIPTION OF TRANSACTION AND PUBLIC INTEREST STATEMENT

I. Introduction

By this application (“Application”), Commission consent is requested for the substantial transfer of direct de jure control of Leidos Holdings, Inc. (sometimes referred to as “Leidos” in this Exhibit) and the substantial transfer of indirect de jure control of Leidos, Inc. and the Commission licenses held by Leidos, Inc. (the “Licenses”)¹ that will result upon completion of a series of transactions described herein.²

As a result of the transactions described herein (which will effectuate the transfer of Lockheed Martin Corporation’s (“Lockheed Martin’s”) Information Systems & Global Solutions (“IS&GS”) business segment (the “Business”) to Abacus Innovations Corporation (“Abacus”), which will then be combined with Leidos Holdings, Inc. in a tax-efficient Reverse Morris Trust transaction), the ownership of the outstanding stock of Leidos Holdings, Inc. (Leidos, Inc.’s ultimate corporate parent) will change as follows upon consummation:

- The existing shareholders of Leidos Holdings, Inc. are expected to hold approximately 49.5 percent of Leidos Holdings, Inc.’s outstanding stock.
- The shareholders of Lockheed Martin are expected to hold approximately 50.5 percent of Leidos Holdings, Inc.’s outstanding stock.³

¹ Leidos Holdings, Inc. does not hold any Commission licenses or authorizations. Thus, with respect to currently active, transferable Commission experimental authorities that will be active at the time of the anticipated closing (in August), this Application (ELS File No. 0014-EX-TU-2016) seeks Commission consent with respect to the experimental authorities held by Leidos, Inc. which are expected to be active at the time of the closing. An additional application is being submitted with respect to the wireless licenses (see ULS File No. 0007281927) held by Leidos, Inc. Commission approval of the proposed transaction is requested to include any facilities for which additional license authority may be granted to Leidos, Inc. during the pendency of this application which are still active at the time of the Closing of the transaction. Leidos, Inc. also currently holds equipment authorizations. Unless such authorizations are surrendered prior to closing, notification of the transfer of control of those equipment authorizations will be submitted post-closing, consistent with the Commission’s rules. *See* 47 C.F.R. § 2.929.

² In separate applications filed concurrently, Commission consent is requested to the substantial transfer of direct de jure control of Leidos Holdings, Inc. and the substantial transfer of indirect de jure control of the following additional licensee subsidiaries of Leidos Holdings, Inc.: Leidos Biomedical Research, Inc. (See ULS File No. 0007282017) and Leidos Engineering, LLC (See ULS File No. 0007282138).

³ In a series of other applications filed with the Commission, Commission consent is being sought to the assignment of licenses from Lockheed Martin to Abacus, to be controlled by Leidos after closing, and Lockheed Martin’s *pro forma* transactions to effectuate the merger.

As described below, the proposed transaction is in the public interest and will not result in any competitive harm.

II. The Parties Involved in the Underlying Transactions

Lockheed Martin is a publicly-traded, global security and aerospace company that employs approximately 125,000 people and is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services.

Lockheed Martin does not have any ten percent or greater shareholders except for State Street Corporation and State Street Bank and Trust Company (collectively, "State Street") which, as reported in a Form 13G filed on February 16, 2016, beneficially own 16.7 percent of Lockheed Martin's common stock in their capacity as trustee, independent fiduciary and/or investment manager for various Lockheed Martin employee benefit plans.⁴ State Street does not exercise any control over the day-to-day operations of Lockheed Martin. Operational control rests with Lockheed Martin's board of directors and leaders. The members of Lockheed Martin's board of directors, all U.S. citizens, are as follows: Daniel F. Akerson; Nolan D. Archibald; Rosalind G. Brewer; David B. Burritt; Bruce A. Carlson; James O. Ellis, Jr.; Thomas J. Falk; Marillyn A. Hewson; James M. Loy; Joseph W. Ralston; and Anne Stevens. Abacus is a wholly-owned subsidiary of Lockheed Martin. The following is a list of Lockheed Martin's leaders, who are all U.S. citizens: Marillyn A. Hewson, Chairman, President and CEO; Bruce L. Tanner, Executive Vice President and Chief Financial Officer; Richard F. Ambrose, Executive Vice President, Space Systems; Sondra L. Barbour, Executive Vice President, Information Systems & Global Solutions; Dale P. Bennett, Executive Vice President, Mission Systems and Training; Orlando P. Carvalho, Executive Vice President, Aeronautics; and Richard H. Edwards, Executive Vice President, Missiles and Fire Control.

Leidos serves as the holding company for its principal operating company, Leidos, Inc. and additional Commission licensees Leidos Biomedical Research, Inc. and Leidos Engineering, LLC. Leidos is a science and technology solutions leader working to address some of the world's toughest challenges in national security, health and infrastructure. Its approximately 18,000 employees support vital missions for government and commercial customers, develop innovative solutions to drive better outcomes and defend digital and physical infrastructure from "new world" threats.

Leidos does not have any ten percent or greater shareholders. For Commission ownership analysis purposes, Leidos is controlled by its board of directors. The members of Leidos' board of directors, all U.S. citizens, are as follows: Roger A. Krone; David G. Fubini;

See ULS File Nos. 0007279510, 0007279500 and IBFS File Nos. SES-ASG-INTR2016-01193, SAT-ASG-20160526-00052.

⁴ State Street Corp, SEC Form SC13G, filed Feb. 16, 2016, *available at* <http://ititybittyurl.com/1Ojs>.

John J. Hamre; Miriam E. John; John P. Jumper; Harry M.J. Kraemer, Jr.; Gary S. May; Lawrence C. Nussdorf; Robert S. Shapard; and Noel B. Williams.

III. Description of the Transaction

As is relevant to this Application, the transaction will consist of two distinct but immediately sequential parts, which are described in greater detail at Attachment A to this Exhibit.

The instant Application has been filed because following such merger, Lockheed Martin's shareholders are expected to control approximately 50.5 percent of Leidos' outstanding stock, and Leidos' existing shareholders will continue to hold the remaining approximately 49.5 percent of Leidos' outstanding stock. Notwithstanding that (i) both pre-transaction Leidos Holdings, Inc. and Lockheed Martin are, and post-transaction Leidos Holdings, Inc. will be, widely held by public shareholders, none of whom is expected to hold 10 percent or greater of Leidos Holdings, Inc.'s outstanding stock after completion of the transactions; and (ii) current Leidos Holdings, Inc. management will manage the Business (including the licenses transferred from Abacus and associated customer relationships), and will control the day-to-day operations of Abacus following consummation of the proposed transaction; and (iii) current Leidos Holdings, Inc. management will continue to manage the operations authorized under the licenses held by the existing licensee subsidiaries of Leidos Holdings, Inc., and will continue to control the day-to-day operations of such licensees following consummation of the proposed transaction, it is the understanding of the parties that the Commission is likely to consider the change in the holdings of the outstanding stock of Leidos Holdings, Inc. (as described above) to constitute a substantial transfer of direct de jure control of Leidos Holdings, Inc. and the substantial transfer of indirect de jure control of the existing licensee subsidiaries of Leidos Holdings, Inc. Accordingly, the instant Application (as well as the additional applications referenced at Footnotes 1 and 2) seeks consent for such transfers.⁵

See Attachment C for organizational charts depicting the proposed transaction pre- and post-consummation.

⁵ With respect to this Application, and as discussed with Commission staff (i) the "Transferor" in this Application is specified as "Existing Shareholders of Leidos Holdings, Inc." (FRN: 0025601014), and the "Transferee" in this Application is specified as "Lockheed Martin's Pre-Distribution Shareholders" (FRN: 0025601121); (ii) the FRNs for the Transferor and Transferee have been registered under the EIN for Leidos Holdings, Inc.; (iii) the replies to the ownership and character qualification questions in the Application have been answered with respect to the entity Leidos Holdings, Inc. and the licensee entity in this Application; and (iv) the signatory for the "Transferee" entity is specified as Ray Veldman, who is the Senior Vice President, Deputy General Counsel and Secretary of Leidos Holdings, Inc. currently, and will remain in those positions after completion of the transactions described in this Exhibit.

IV. The Proposed Transaction Will Serve the Public Interest and Should Be Approved

The proposed transaction is in the public interest because it is expected to yield the following strategic benefits:

- *Increased scale and diversification of Leidos' product portfolio.* As a result of the transaction, Leidos expects the combined business to become the largest pure-play IT services provider to the U.S. Government with approximately \$10 billion in revenue and 33,000 skilled employees.
- *Complementary Market Access and Capabilities.* The Abacus Business will contribute to Leidos' experience in large, complex IT systems design, implementation and operation. The combined business will add federal and international IT solutions and services work in areas that complement Leidos' existing business with minimal overlap.
- *Synergies.* The consummation of the transaction is expected to generate annualized net cost synergies of approximately \$120 million by the end of fiscal year 2018. The combination of Abacus with Leidos will also generate long-term revenue synergies and enhance competitiveness.
- *Improved Financial Profile.* The consummation of the transaction will enhance Leidos' margins and revenue growth opportunities with strong free cash flow generation.

The combined operations of the Business with Leidos will form an enterprise capable of providing unparalleled solutions in industries from national security to health and life sciences. The complementary portfolios of both companies will enable synergies, creating greater operational efficiencies. IS&GS' world-class expertise, reputation and global reach will enable Leidos to offer a broader portfolio of mission critical IT solutions and services to support customers across the globe. The proposed transaction will not impact the competitive environment for the GPS augmentation satellite system services because Lockheed Martin and Leidos do not compete for the same customers. Post-closing, the Licenses will continue to be operated in the same manner that they are today.

V. Conclusion

For the foregoing reasons, the applicants respectfully request that the Commission expeditiously consent to the proposed transaction.

Attachment A

Lockheed Martin entered into an Agreement and Plan of Merger (the “Merger Agreement”) dated January 26, 2016, among Lockheed Martin, Leidos, Abacus, and Lion Merger Co. (“Lion”), a wholly owned subsidiary of Leidos. Lockheed Martin also entered into a Separation Agreement dated January 26, 2016, between Lockheed Martin and Abacus, pursuant to which Lockheed Martin will transfer the Business to Abacus, which will then be combined with Leidos in a tax-efficient Reverse Morris Trust transaction.

As is relevant to this Application, the transaction will consist of two distinct but immediately sequential parts. First, Lockheed Martin will undertake an internal reorganization consisting of the following pro forma transactions: (i) Lockheed Martin will assign the Licenses to its wholly-owned subsidiary Abacus, a pro forma assignment of license transaction, and (ii) Lockheed Martin will engage in an “Exchange Offer” and, if necessary, a “Clean-up Spinoff”¹ such that Abacus will no longer be a subsidiary of Lockheed Martin, a pro forma transfer of control transaction. Second, immediately following the pro forma transactions, Lion will be merged with and into Abacus, resulting in the substantial transfer of control of Abacus and the Licenses. Abacus will be the surviving entity and become a wholly-owned subsidiary of Leidos. Commission consent for the above immediately sequential parts of the transaction ((i) the pro forma assignment of the Licenses to Abacus, (ii) the pro forma transfer of control of Abacus to Lockheed Martin’s pre-distribution shareholders, and (iii) the substantial transfer of control of Abacus and the Licenses to Leidos) has been sought separately in ULS File Nos. 0007279510, 0007279500 and IBFS File Nos. SES-ASG-INTR2016-01193, SAT-ASG-20160526-00052.

¹ Following the *pro forma* assignment of the Licenses from Lockheed Martin to Abacus, Lockheed Martin will effectuate a *pro forma* transfer of control of Abacus by engaging in an exchange offer in which Lockheed Martin shareholders wishing to participate in the exchange offer will exchange their shares of Lockheed Martin common stock for the common stock of Abacus (the “Exchange Offer”). If the Exchange Offer is not fully subscribed, all remaining shares of Abacus will be distributed pro rata to the shareholders of Lockheed Martin (the “Clean-up Spinoff”). As a consequence of the Exchange Offer and any Clean-up Spinoff, Lockheed Martin will not retain any ownership of Abacus, which will be wholly-owned by Lockheed Martin’s pre-distribution stockholders.

Attachment B
Experimental Authorizations for Leidos, Inc.

This Application (ELS File No. 0014-EX-TU-2016) seeks Commission consent with respect to the following active two year experimental license held by Leidos, Inc.

WG2XXP (FRN 0010867505)

In addition, consent is requested with respect to the recently granted experimental STA issued under call sign WJ9XXK (File No. 0719-EX-ST-2016) (FRN 0010867505)

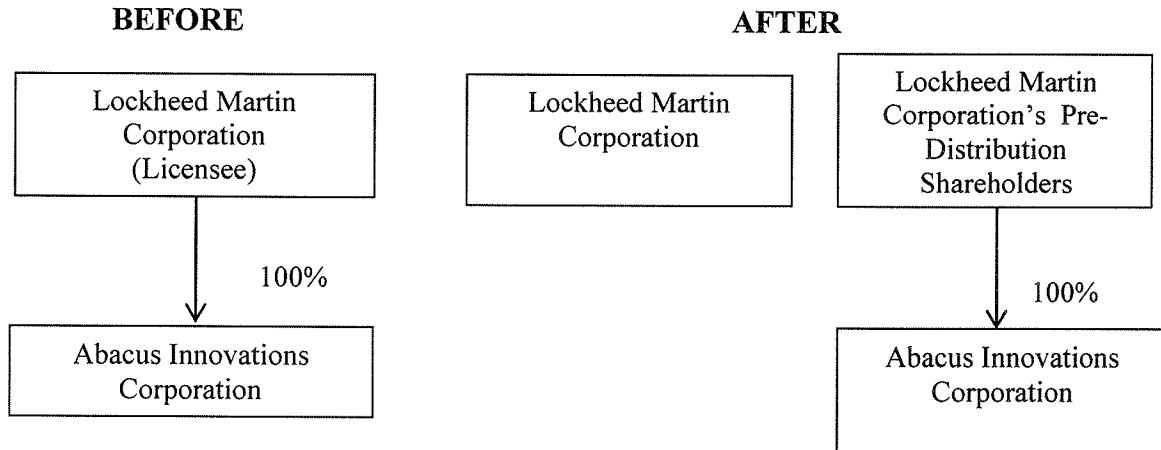
NOTES:

- Commission approval of this Application is requested to include any facilities for which additional license authority may be granted to Leidos, Inc. during the pendency of this application which are still active at the time of the Closing of the transaction.
- For informational purposes only, the following list specifies additional active experimental authorities currently issued to Leidos, Inc., but which are scheduled to expire prior to the currently anticipated closing of the transaction (in August) and therefore will not be part of the transaction at the time of closing and will not be subject to Commission consent for a transfer of control:
 - Active STA scheduled to expire May 31, 2016:
 - WJ9XUO (expires May 31, 2016)
(FRN 0025388778)
 - Active STAs scheduled to expire in July 2016:
 - WJ9XSH (expires July 22, 2016) and WJ9XSG (expires July 27, 2016)
(FRN 0025484999)
- For informational purposes only, a Notification of Discontinuance was filed on 5/18/2016 with respect to the following experimental STA issued to Leidos, Inc., but because operations have been discontinued, the STA therefore will not be part of the transaction at the time of closing and will not be subject to Commission consent for a transfer of control:
 - WJ9XFN
(FRN 0023027873)

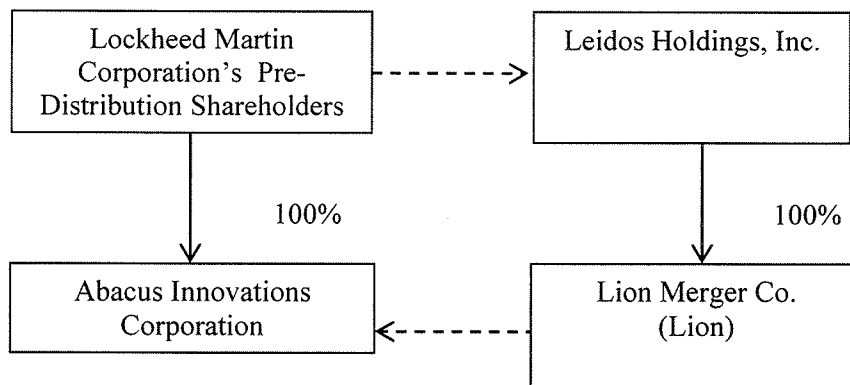
- An additional application is being submitted with respect to the wireless licenses (see ULS File No. 0007281927) held by Leidos, Inc.
- Leidos, Inc. also currently holds equipment authorizations. Unless such authorizations are surrendered prior to closing, notification of the transfer of control of those equipment authorizations will be submitted post-closing, consistent with the Commission's rules. See 47 C.F.R. § 2.929.
- In separate applications, Commission consent is requested to the substantial transfer of direct de jure control of Leidos Holdings, Inc. and the substantial transfer of indirect de jure control of the following additional licensee subsidiaries of Leidos Holdings, Inc.: Leidos Biomedical Research, Inc. (See ULS File No. 0007282017) and Leidos Engineering, LLC (See ULS File No. 0007282138).

Attachment C
Organizational Charts

Step 1 - Lockheed Martin *Pro Forma* Transactions



Step 2 - Lion Will Merge With and Into Abacus – Substantial Transfer of Control



Post-Closing Organizational Chart

