

Leidos Holdings, Inc.
Form PREM14A
April 26, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

Leidos Holdings, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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- .. No fee required.
- x Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

76,958,918 (represents an estimate of the maximum number of shares of common stock of Leidos Holdings, Inc. (Leidos) issuable upon completion of the transactions contemplated by the Agreement and Plan of Merger dated as of January 26, 2016, among Lockheed Martin Corporation (Lockheed Martin), Abacus Innovations Corporation (Splitco), Leidos and Lion Merger Co. (the Merger Agreement), as described in this proxy statement).

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

\$50.90 (calculated in accordance with Rule 457(c) and 457(f) under the Securities Act of 1933, as amended, based on the average of the high and low prices of shares of common stock of Leidos, into which shares of common stock of Splitco will be converted, as reported on The New York Stock Exchange on April 11, 2016 and based on the expected merger exchange ratio).

4. Proposed maximum aggregate value of transaction: \$3,917,208,926.20

Calculated pursuant to Rule 457(c) and Rule 457(f) under the Securities Act of 1933, as amended, based on the average of the high and low prices of shares of common stock of Leidos, into which shares of common stock of Splitco will be converted, as reported on The New York Stock Exchange on April 11, 2016 and based on the expected merger exchange ratio.

5. Total fee paid: \$394,462.94

Calculated pursuant to Rule 457(c) and Rule 457(f) under the Securities Act of 1933, as amended, based on the average of the high and low prices of shares of common stock of Leidos, into which shares of common stock of Splitco will be converted, as reported on The New York Stock Exchange on April 11, 2016 and based on the expected merger exchange ratio.

x Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount previously paid:

The filing fee in the amount of \$394,462.94 was paid in connection with Leidos Registration Statement on Form S-4, which was filed on April 18, 2016 (Registration No. 333-210796).

2. Form, Schedule or Registration Statement No.: Registration No. 333-210796

3. Filing party: Leidos Holdings, Inc.

4. Date Filed: April 18, 2016

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EXPLANATORY NOTE

This proxy statement relates to the annual meeting of stockholders of Leidos Holdings, Inc. (Leidos) to approve the proposals described herein with respect to the merger (the Merger) of Lion Merger Co., a Delaware corporation (Merger Sub), which is a wholly-owned subsidiary of Leidos, with and into Abacus Innovations Corporation, a Delaware corporation (Splitco), which is a wholly-owned subsidiary of Lockheed Martin Corporation (Lockheed Martin), whereby the separate corporate existence of Merger Sub will cease and Splitco will continue as the surviving company and as a wholly-owned subsidiary of Leidos. Splitco has filed a registration statement on Form S-4 and Form S-1 (Reg. No. 333-210797) to register the shares of its common stock, par value \$0.001 per share, which common shares will be distributed to Lockheed Martin stockholders in connection with the Merger, which shares of Splitco common stock will be immediately converted into shares of Leidos common stock in the Merger. In addition, Leidos has filed a registration statement on Form S-4 (Reg. No. 333-210796) to register the shares of its common stock, par value \$.0001 per share, that will be issued in the Merger.

Based on market conditions prior to the closing of the Merger, Lockheed Martin will determine whether the shares of Splitco common stock will be distributed to Lockheed Martin stockholders in a spin-off or a split-off. In a spin-off, all Lockheed Martin stockholders would receive a pro rata number of shares of Splitco common stock. In a split-off, Lockheed Martin would offer its stockholders the option to exchange their shares of Lockheed Martin common stock for shares of Splitco common stock in an exchange offer, which shares would be converted immediately into shares of Leidos common stock in the Merger, resulting in a reduction in Lockheed Martin's outstanding shares. If the exchange offer is undertaken and consummated but the exchange offer is not fully subscribed because less than all shares of Splitco common stock owned by Lockheed Martin are exchanged, the remaining shares of Splitco common stock owned by Lockheed Martin would be distributed on a pro rata basis to Lockheed Martin stockholders whose shares of Lockheed Martin common stock remain outstanding after the consummation of the exchange offer. Splitco is filing its registration statement on Form S-4 and Form S-1 under the assumption that the shares of Splitco common stock will be distributed to Lockheed Martin stockholders pursuant to a split-off. This proxy statement and Leidos' registration statement on Form S-4 also assume that the shares of Splitco common stock will be distributed to Lockheed Martin stockholders pursuant to a split-off. Once a final decision is made regarding the manner of distribution of the shares, this proxy statement, Leidos' registration statement on Form S-4, and Splitco's registration statement on Form S-4 and Form S-1 will be amended to reflect that decision, if necessary.

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Preliminary Copy

, 2016

MERGER PROPOSED YOUR VOTE IS IMPORTANT

Dear Leidos Stockholder:

You are cordially invited attend the annual meeting of stockholders of Leidos Holdings, Inc. (Leidos), a Delaware corporation, which will be held at the company s offices at 11951 Freedom Drive, Reston, Virginia 20190, on , 2016 at , local time. A notice of the annual meeting and the proxy statement follow.

At the annual meeting you will be asked to:

authorize the issuance of shares of Leidos common stock in the Merger (the Share Issuance);

elect nine directors;

approve, by an advisory vote, the compensation of Leidos named executive officers;

approve, by an advisory vote, Transaction-related compensation of Leidos named executive officers;

ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 30, 2016; and

if it is determined by the board of directors to be necessary or appropriate, approve adjournments or postponements of the annual meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the annual meeting to approve the Share Issuance.

As previously announced, on January 26, 2016, Leidos entered into an Agreement and Plan of Merger (the Merger Agreement) with Lockheed Martin Corporation (Lockheed Martin), Abacus Innovations Corporation, a Delaware corporation and a wholly owned subsidiary of Lockheed Martin (Splitco), and Lion Merger Co., a Delaware corporation and a wholly owned subsidiary of Leidos (Merger Sub), pursuant to which Leidos will combine with Lockheed Martin s realigned Information Systems & Global Solutions business (IS&GS) (collectively, the Splitco Business) in a Reverse Morris Trust transaction (the Transaction), through the merger (the Merger) of Merger Sub with and into Splitco, whereby the separate corporate existence of Merger Sub will cease and Splitco will continue as the surviving company and as a wholly-owned subsidiary of Leidos.

If the proposal to approve the Share Issuance is not approved, the Merger cannot be completed.

As more fully described in the accompanying proxy statement, in order to complete the Merger and the related transactions, Lockheed Martin will transfer the Splitco Business to Splitco and Lockheed Martin will distribute Splitco's stock to its stockholders, at Splitco Business's option, by way of a spin-off, a split-off or a combination thereof (the Distribution). Prior to the Distribution, Lockheed Martin will receive from Splitco distributions of cash and debt instruments of Splitco with an aggregate value of approximately \$1,800,000,000. Immediately after the Distribution, the Merger will be completed, and each outstanding share of Splitco common stock will be converted automatically into the right to receive 1 share of common stock of Leidos.

Immediately after the consummation of the Merger, approximately 50.5 percent of the outstanding shares of Leidos common stock are expected to be held by pre-Merger holders of Splitco common stock and approximately 49.5 percent of the outstanding shares of Leidos common stock are expected to be held by pre-Merger Leidos stockholders on a fully diluted basis. After the Merger, Leidos common stock issued will continue to be listed on the New York Stock Exchange (NYSE) under Leidos' current symbol, LDOS.

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The board of directors of Leidos (the Leidos Board) recommends that stockholders vote:

FOR the authorization of the issuance of shares of Leidos common stock in the Merger (the Share Issuance);

FOR the election of the nine directors;

FOR the approval, by an advisory vote, of the compensation of Leidos named executive officers;

FOR the approval, by an advisory vote, of Transaction-related compensation of Leidos named executive officers;

FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 30, 2016; and

If it is determined by the board of directors to be necessary or appropriate, FOR the approval of adjournments or postponements of the annual meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the annual meeting to approve the Share Issuance.

Only those stockholders of record at the close of business on _____, 2016 are entitled to notice of the annual meeting and to vote at the annual meeting and any adjournments or postponements of the annual meeting.

Your vote is very important. Please vote by completing, signing and dating the enclosed proxy and voting instruction card for the annual meeting and mailing the proxy and voting instruction card to us, whether or not you plan to attend the annual meeting. If you sign, date and mail your proxy and voting instruction card without indicating how you want to vote, your proxy will be counted as a vote FOR each of proposals 1 through 6 presented at the annual meeting. In addition, you may vote by proxy by calling the toll-free telephone number or by using the Internet as described in the instructions included with the enclosed proxy and voting instruction card. If you do not return your card, vote by telephone or by using the Internet, or if you do not specifically instruct your bank, broker or other nominee how to vote any shares held for you in street name, your shares will not be voted at the annual meeting.

This document is a proxy statement of Leidos for its use in soliciting proxies for the annual meeting. This document answers questions about the Merger, the related transactions and the annual meeting, and includes a summary description of the Merger and the related transactions. We urge you to review this entire document carefully. **In particular, you should consider the matters discussed under Risk Factors beginning on page 92.**

We thank you for your consideration and continued support.

Sincerely,

Roger A. Krone

Chief Executive Officer and Chair of the Board

This document is dated _____, 2016 and is first being mailed to Leidos stockholders on or about _____, 2016.

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LEIDOS HOLDINGS, INC.

11951 Freedom Drive

Reston, Virginia 20190

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held _____, 2016 at _____, ET

To our Stockholders:

An annual meeting of stockholders of Leidos Holdings, Inc. will be held at _____ local time, on _____, 2016 at the company's offices at 11951 Freedom Drive, Reston, Virginia 20190. This proxy statement and the proxy and voting instruction card are first being sent or made available to our stockholders on or about _____, 2016. The annual meeting will be held for the following purposes:

1. To consider and vote on the proposal to issue shares of Leidos common stock to Lockheed Martin stockholders under the Merger Agreement;
2. To elect nine directors;
3. To approve, by an advisory vote, the compensation of Leidos named executive officers;
4. To approve, by an advisory vote, Transaction-related compensation of Leidos named executive officers;
5. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 30, 2016;
6. To vote upon the proposal to adjourn the Leidos meeting, if necessary or appropriate, to solicit additional proxies; and
7. To transact such other business as may properly come before the meeting or any adjournments, postponements or continuations of the meeting.

Please refer to the attached proxy statement for further information with respect to the business to be transacted at the Leidos annual meeting. Leidos will transact no other business at the meeting except such business as may properly be brought before the meeting or any adjournments or postponements thereof. Please refer to the proxy statement of which this notice is a part for further information on the business to be transacted at the Leidos meeting.

YOUR VOTE IS IMPORTANT!

REVIEW YOUR PROXY STATEMENT AND VOTE IN ONE OF FOUR WAYS:

VIA THE INTERNET

Go to www.proxyvote.com or scan the QR code on your proxy and voting instruction card with a smart phone.

BY TELEPHONE

Call 1-800-690-6903.

BY MAIL

Sign, date and return your proxy and voting instruction card in the enclosed envelope.

IN PERSON

Attend the Annual Meeting in Reston, Virginia.

Leidos board of directors (Leidos Board) has unanimously approved the Merger Agreement and the Merger and determined that the Merger Agreement and the transactions contemplated thereby, including the Merger and the issuance of shares of Leidos common stock to Lockheed Martin stockholders under the Merger Agreement, are advisable and in the best interests of Leidos and its stockholders. Leidos Board unanimously recommends that Leidos stockholders vote FOR each of proposals 1 through 6 being submitted to a vote of stockholders at the Leidos meeting. **In considering the recommendation of the Leidos Board, you should be aware that certain Leidos directors and executive officers have financial interests in the Transactions that may be different from, or in addition to, the interests of Leidos stockholders generally. See the section entitled The Transactions Interests of Leidos Directors and Executive Officers in the Transactions of the accompanying proxy statement.**

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Leidos Board has fixed the close of business on _____, 2016 as the record date (the Record Date) for determining Leidos stockholders entitled to receive notice of, and to vote at, the Leidos meeting or any adjournments or postponements thereof. Only holders of record of Leidos common stock at the close of business on the Record Date are entitled to receive notice of, and to vote at, the Leidos meeting. The presence, either in person or represented by proxy, of persons entitled to vote a majority of the voting power of Leidos common stock that is entitled to vote at the annual meeting is necessary to constitute a quorum for the transaction of business at the meeting. To ensure that your vote is recorded, please provide your voting instructions as soon as possible, even if you plan to attend the meeting in person. We encourage you to vote via the Internet or by telephone. You also have the option of voting by completing, signing, dating and returning the proxy and voting instruction card that accompanied the printed materials. Submitting your vote via the Internet or by telephone or proxy and voting instruction card will not affect your right to vote in person if you decide to attend the annual meeting.

The enclosed proxy statement provides a detailed description of the merger agreement and the Merger as well as a description of the issuance of shares of Leidos common stock to Lockheed Martin stockholders under the Merger Agreement. We urge you to read this proxy statement, including any documents incorporated by reference, and the Annexes carefully and in their entirety. If you have any questions concerning the merger agreement, the Merger or this proxy statement; would like additional copies of this document, or need help voting your shares of Leidos common stock, please contact our proxy solicitor at:

Morrow & Co., LLC

470 West Avenue

Stamford, Connecticut 06902

Stockholders, please call Toll Free (800) 278-2141

Banks and Brokerage Firms, please call (203) 658-9400

By Order of the Board of Directors
Raymond L. Veldman

Corporate Secretary

, 2016

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LEIDOS HOLDINGS, INC.

Proxy Statement

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HELPFUL INFORMATION

In this document:

2011 IPAP means the Lockheed Martin Amended and Restated 2011 Incentive Performance Award Plan;

Additional Agreements means the Assignment and Assumption Agreements, the Intellectual Property Matters Agreement, the Shared Contracts Agreements, the Subcontract Pending Novation, the Supply Agreements, the Transition Services Agreements, and the other agreements contemplated by the Separation Agreement to effect the lease, sublease, license and leaseback of various real estate used in the Splitco Business;

Assignment and Assumption Agreements means any Bills of Sale, Assignment and Assumption Agreements (Parent to Splitco), any Bills of Sale, Assignment and Assumption Agreements (Splitco to Parent) and any Assignments and Assumptions of Lease, and any similar documents entered into the effect the Transactions, each as contemplated by the Separation Agreement;

Code means the Internal Revenue Code of 1986, as amended;

Commitment Parties means, collectively, the Leidos Commitment Parties and the Splitco Commitment Parties;

Cut-Off Time means 11:59 p.m. on the day immediately prior to the date of the Distribution;

DGCL means the General Corporation Law of the State of Delaware, as amended;

Distribution means the distribution by Lockheed Martin of the shares of Splitco common stock to Lockheed Martin stockholders by way of an exchange offer or by way of a *pro rata* dividend and, with respect to any shares of Splitco common stock that are not subscribed for in any such exchange offer, a *pro rata* dividend to the Lockheed Martin stockholders;

Employee Matters Agreement means the Employee Matters Agreement dated as of January 26, 2016, among Lockheed Martin, Leidos and Splitco;

ERISA means the Employee Retirement Income Security Act of 1974, as amended;

Exchange Act means the Securities Exchange Act of 1934, as amended;

Former Splitco Business Employee means any former employee who performed substantially all of his or her services in connection with the Splitco Business;

GAAP means generally accepted accounting principles in the United States;

HSR Act means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;

Intellectual Property Matters Agreement means the Intellectual Property Matters agreement as contemplated by the Separation Agreement;

Internal Reorganization means the internal reorganization within Lockheed Martin of the Splitco Business in anticipation of the Distribution as contemplated by the Separation Agreement;