

SAIC, Inc.
Form POS AM
July 25, 2006
Table of Contents

As filed with the Securities and Exchange Commission on July 25, 2006

Registration No. 333-128022

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

POST-EFFECTIVE
AMENDMENT NO. 3

TO

FORM S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

SAIC, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

7373
(Primary Standard Industrial
Classification Code Number)

20-3562868
(I.R.S. Employer
Identification No.)

10260 Campus Point Drive

San Diego, California 92121

Telephone: (858) 826-6000

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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Douglas E. Scott, Esq.

Senior Vice President, General Counsel and Secretary

SAIC, Inc.

10260 Campus Point Drive

San Diego, California 92121

Telephone: (858) 826-6000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Table of Contents

The information in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the post-effective amendment to the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities nor a solicitation of an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated July 25, 2006

Science Applications International Corporation

To our stockholders:

A special meeting of stockholders of Science Applications International Corporation, or Old SAIC, will be held at _____, on _____, 2006, at _____ (local time). For the convenience of our stockholders, the meeting will be videocast to _____ and at other locations, and will be webcast on our website (www.saic.com) and on our internal website, ISSAIC. The enclosed proxy statement/prospectus updates and replaces the proxy statement/prospectus dated November 17, 2005 that was distributed to stockholders of Old SAIC for a special meeting of stockholders scheduled to be held on December 16, 2005.

At the special meeting, stockholders will vote on a proposed merger, the purpose of which is to facilitate our becoming a publicly traded company. In the merger, Old SAIC will become a wholly-owned subsidiary of a newly-formed parent company, SAIC, Inc., or New SAIC. Holders of Old SAIC stock will be entitled to receive two shares of New SAIC class A preferred stock for every share of Old SAIC class A common stock and 40 shares of New SAIC class A preferred stock for every share of Old SAIC class B common stock.

After the merger we intend to offer shares of New SAIC common stock to the public in an initial public offering, or IPO. The new common stock will have the same economic rights as the new class A preferred stock, but holders of the new class A preferred stock will be entitled to 10 votes per share whereas holders of the new common stock will be entitled to one vote per share. Upon completion of the IPO, we anticipate that our current stockholders will own from 80% to 90% of New SAIC's outstanding capital stock and will possess substantially all of the voting power.

The board of directors of Old SAIC also will declare a special cash dividend payable to all holders of record of Old SAIC common stock, including Old SAIC's directors and executive officers, prior to the merger. The special dividend is expected to range from approximately \$10 to \$15 per share of Old SAIC class A common stock and approximately \$200 to \$300 per share of Old SAIC class B common stock, which is the equivalent of a range from approximately \$5 to \$7.50 per share of new class A preferred stock. Payment will be conditioned upon completion of the IPO.

We are pursuing the IPO because, after a thorough review of several options, we have determined that it will best address our long-term objectives. The principal purpose of the IPO is to better enable us to use our cash and cash flows generated from operations to fund internal growth and growth through acquisitions as well as provide us with publicly traded stock that can be used for future acquisitions. Creating a public market for our common stock will eliminate our use of cash to provide liquidity to our stockholders by repurchasing their shares in the limited market.

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We are also asking you to approve and adopt our 2006 Equity Incentive Plan and 2006 Employee Stock Purchase Plan. These plans will enhance our ability to attract and retain employees, who are key to our continued success. The 2006 Employee Stock Purchase Plan will allow eligible employees to purchase shares of our new class A preferred stock or new common stock at a discount through payroll deductions.

Our board of directors has unanimously determined that the merger and the related transactions are advisable and in the best interests of our stockholders, and unanimously recommends that you vote FOR each of the proposals described in the enclosed proxy statement/prospectus.

You should carefully consider the risk factors relating to the transactions, our stock and our business, which are described beginning on page 31 of the enclosed proxy statement/prospectus.

Sincerely,

K. C. Dahlberg

Chairman of the Board and Chief Executive Officer

, 2006

Table of Contents

Science Applications International Corporation

10260 Campus Point Drive

San Diego, California 92121

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held on _____, 2006

A special meeting of stockholders of Science Applications International Corporation, or Old SAIC, a Delaware corporation, will be held at the _____, on _____, 2006, at _____ (local time). For the convenience of our stockholders, the meeting will be videocast to _____ and at other locations, and will be webcast on our website (www.saic.com) and on our internal website, ISSAIC. The meeting is being held for the purpose of voting on the following:

1. A proposal to approve and adopt an Agreement and Plan of Merger, as amended and restated as of July 24, 2006, among Old SAIC, SAIC, Inc., and SAIC Merger Sub, Inc., pursuant to which Old SAIC will become a wholly-owned subsidiary of a newly-formed parent company, SAIC, Inc., or New SAIC, and holders of Old SAIC stock will be entitled to receive shares of class A preferred stock of New SAIC for their common stock of Old SAIC.
2. A proposal to approve and adopt the 2006 Equity Incentive Plan.
3. A proposal to approve and adopt the 2006 Employee Stock Purchase Plan.
4. Any other business as may properly come before the special meeting, or any adjournments, postponements or continuations thereof.

The proposals listed above are more fully described in the proxy statement/prospectus accompanying this notice. You are encouraged to carefully read the proxy statement/prospectus and the attached annexes.

Our board of directors has unanimously approved and recommends that you vote FOR each of the proposals listed above.

Only stockholders of record at the close of business on July 7, 2006, are entitled to notice of and to vote at the special meeting and at any and all adjournments, postponements or continuations thereof. None of the proxies or voting instructions received by Old SAIC that accompanied the original proxy statement/prospectus, or received by the Internet or telephone pursuant to instructions in the original proxy statement/prospectus, for the December 16, 2005 meeting can be voted at the upcoming special meeting. In order for your vote to be counted at the upcoming special meeting, you must submit a new proxy or voting instructions by the Internet, telephone or mail, or vote in person at the meeting.

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This proxy statement/prospectus is being first mailed to stockholders on or about _____, 2006.

By Order of the Board of Directors

D. E. SCOTT

Senior Vice President,

General Counsel and Secretary

San Diego, California

, 2006

YOUR VOTE IS IMPORTANT

Even if you expect to attend the special meeting, to ensure that your shares are represented at the meeting, please submit your proxy or voting instructions (1) by the Internet, (2) by telephone or (3) by mail. For specific instructions, please refer to the section titled *The Special Meeting, Voting and Proxies* beginning on page 46 of this proxy statement/prospectus or the instructions on the enclosed proxy and voting instruction card. Submitting a proxy or voting instructions will not prevent you from attending the special meeting and voting in person, if you so desire.

Table of Contents

TABLE OF CONTENTS

	Page
<u>QUESTIONS AND ANSWERS</u>	1
<u>SUMMARY</u>	14
<u>RISK FACTORS</u>	31
<u>FORWARD-LOOKING STATEMENTS</u>	45
<u>THE SPECIAL MEETING, VOTING AND PROXIES</u>	46
<u>PROPOSAL I THE MERGER</u>	49
<u>Purposes of the Merger</u>	49
<u>How the Merger is Structured</u>	50
<u>What You Will Be Entitled to Receive Pursuant to the Merger</u>	50
<u>The Public Offering</u>	51
<u>The Special Dividend</u>	52
<u>How We Will Effect the Merger and the Special Dividend</u>	52
<u>New SAIC's Restated Certificate of Incorporation</u>	52
<u>Voting Rights</u>	53
<u>Transfer Restrictions on Shares of New Class A Preferred Stock</u>	53
<u>Interests of Our Directors and Executive Officers in the Merger</u>	54
<u>Appraisal Rights</u>	56
<u>Listing</u>	58
<u>Conditions to the Merger</u>	58
<u>Material Federal Income Tax Consequences to Stockholders</u>	59
<u>Accounting Treatment</u>	62
<u>PROPOSAL II 2006 EQUITY INCENTIVE PLAN</u>	63
<u>General</u>	65
<u>Stock Options</u>	67
<u>Stock Awards</u>	67
<u>Cash Awards</u>	68
<u>Federal Income Tax Consequences of Awards</u>	68
<u>Accounting Treatment</u>	70
<u>PROPOSAL III 2006 EMPLOYEE STOCK PURCHASE PLAN</u>	71
<u>Administration</u>	71
<u>Eligibility</u>	71
<u>Participation</u>	72
<u>Plan Characterization</u>	72
<u>Nonassignability of Options</u>	72
<u>New Plan Benefits</u>	72
<u>Offering Periods</u>	72
<u>Purchase Price</u>	72
<u>Payment of Purchase Price; Payroll Deductions</u>	72

Table of Contents

	<u>Page</u>
<u>Purchase of Stock; Exercise of Option</u>	73
<u>Holding Period</u>	74
<u>Withdrawal</u>	74
<u>Termination of Employment</u>	74
<u>Amendment and Termination</u>	74
<u>Adjustments upon Changes in Capitalization, Change of Control or Dissolution</u>	74
<u>Federal Income Tax Consequences</u>	75
<u>Accounting Treatment</u>	76
<u>TRANSACTION OF OTHER BUSINESS</u>	76
<u>SELECTED CONSOLIDATED FINANCIAL DATA</u>	77
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	79
<u>BUSINESS</u>	116
<u>MANAGEMENT</u>	137
<u>EXECUTIVE COMPENSATION</u>	144
<u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u>	157
<u>PRINCIPAL STOCKHOLDERS</u>	159
<u>DESCRIPTION OF CAPITAL STOCK, CERTIFICATE OF INCORPORATION AND BYLAWS</u>	160
<u>MARKET FOR OLD SAIC STOCK AND RELATED STOCKHOLDER MATTERS</u>	168
<u>STOCKHOLDER PROPOSALS</u>	175
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	176
<u>LEGAL MATTERS</u>	176
<u>EXPERTS</u>	176
<u>INDEX TO CONSOLIDATED FINANCIAL STATEMENTS</u>	F-1
<u>ANNEX A AGREEMENT AND PLAN OF MERGER</u>	A-1
<u>ANNEX B FORM OF RESTATED CERTIFICATE OF INCORPORATION OF SAIC, INC.</u>	B-1
<u>ANNEX C FORM OF 2006 EQUITY INCENTIVE PLAN</u>	C-1
<u>ANNEX D FORM OF 2006 EMPLOYEE STOCK PURCHASE PLAN</u>	D-1
<u>ANNEX E SECTION 262 OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE</u>	E-1

Table of Contents

QUESTIONS AND ANSWERS

The following questions and answers are provided for your convenience and briefly address some commonly asked questions about the proposed transactions, including the merger, the initial public offering and the special dividend. A more detailed description of these matters can be found in the other parts of this proxy statement/prospectus. We urge you to read the entire proxy statement/prospectus carefully.

In this proxy statement/prospectus, we use the terms SAIC, we, us and our to refer to Science Applications International Corporation or SAIC, Inc. when the distinction between the two companies is not important. When the distinction is important to the discussion, we use the term Old SAIC to refer to Science Applications International Corporation and New SAIC to refer to SAIC, Inc. In addition, we sometimes refer to the common stock of Science Applications International Corporation as Old SAIC common stock, and when the distinction is important, as class A common stock and class B common stock. We also sometimes refer to the class A preferred stock of SAIC, Inc. as new class A preferred stock and to the common stock of SAIC, Inc. as new common stock.

Overview of the Transactions

Q1. What transactions do we intend to complete?

A. We intend to complete the following transactions:

a merger pursuant to which Old SAIC will become a wholly-owned subsidiary of New SAIC, and each share of outstanding class A common stock will be converted into the right to receive two shares of class A preferred stock of New SAIC and each share of outstanding class B common stock will be converted into the right to receive 40 shares of class A preferred stock of New SAIC

an initial public offering, or IPO, of new common stock of New SAIC through which we will raise cash from new investors

a special dividend which we will pay to the current stockholders of Old SAIC

Q2. Why are we pursuing these transactions?

A. We are pursuing these transactions because, after a thorough review of several options, we have determined that an IPO will best address our long-term objectives. The merger is a necessary step for us to take in order to effect our IPO. The IPO will provide us with greater financial flexibility to grow our business. We also believe these transactions enable us to implement our vision and long-term strategy while preserving our core values, and focus on providing an environment where our employees' entrepreneurial spirit can flourish. Specifically, we believe the IPO is the preferred alternative because it will:

Enable us to use our cash and cash flows generated from operations to fund internal growth and growth through acquisitions. Although we had no legal obligation to do so, over the five fiscal years ended January 31, 2006 we used more than \$2.4 billion of cash to provide liquidity to our stockholders by purchasing shares in our limited secondary market and in other transactions. We have maintained excess cash to address this ongoing imbalance in our stock system caused by more shares sold by selling stockholders than the number of shares purchased by buyers other than us. In referring to our stock system, we include the issuance, purchase or sale of our common stock in the limited market, as well as the various benefit program and retirement plan

transactions. We expect that this significant stock system imbalance, and the related need to maintain excess cash, would

Table of Contents

continue for the foreseeable future without the IPO. Creating a public market for our common stock will eliminate our use of cash to provide liquidity to our stockholders by repurchasing their shares in the limited market or in other transactions.

Provide us with the ability to use our publicly-traded common stock to pursue stock-based acquisitions that otherwise might not be available to us. We intend to continue our disciplined approach to internal investments and acquisitions that support our strategic growth plans.

Our board of directors has carefully studied this question and unanimously believes that creating a publicly traded stock is in the best interests of the company and our stockholders and employees.

Q3. Why are we pursuing these transactions now?

A. Our senior management and board of directors have determined that our stockholders will be best served by conducting an IPO while the business environment is favorable and our business operations and our balance sheet are strong. If the imbalance in our stock system were to continue, we might be unable to make the necessary investments to support our internal growth and growth through acquisitions.

Q4. Did we consider any other options besides the IPO?

A. Yes. As we previously communicated to our employees and stockholders, our senior management and board of directors reviewed various alternatives that would enable us to preserve our culture, implement our vision and long-term strategy and address the stock system imbalance. After reviewing our options including seeking private equity capital, issuing additional long-term debt and various means for increasing employee purchases of our common stock we have determined that an IPO will best address our needs.

Q5. How will the merger and the IPO affect our corporate structure?

A. Old SAIC will become a wholly-owned subsidiary of New SAIC, a newly formed company that is named SAIC, Inc. The stockholders of Old SAIC and the investors purchasing stock in the IPO will become the stockholders of New SAIC. The diagram on page 17 illustrates the merger and its effect on our corporate structure.

Q6. Will our new corporate structure affect the way we conduct business?

A. The merger and the new corporate structure are necessary for us to complete our IPO. They will not affect our day-to-day business operations, the way we conduct business with our customers or the way we interact with our employees.

Q7. How will the IPO affect our employee ownership culture?

A. We believe that much of our success can be attributed to our culture of employee ownership and the entrepreneurial spirit and commitment to growing our business it inspires in our employee owners. We do not believe the IPO will change those important aspects of our culture. We expect to sell in the IPO a number of shares that will be sufficient to create a public trading market in our new common stock with satisfactory liquidity. After the IPO, New SAIC will remain predominantly owned by the existing stockholders. Immediately after the IPO, new class A preferred stock will constitute from 80% to 90% of our outstanding capital stock and substantially all of our voting power. In addition, we will be issuing additional shares of new class A preferred stock and new common stock in the future to our employees, directors and consultants pursuant to our

employee benefit plans.

Table of Contents

Q8. Will our relationships with customers, suppliers and employees change?

A. No. A key to our success will continue to be the strong relationships that we maintain with each of these groups and we do not anticipate any changes to these relationships.

Q9. Will our executive officers or the members of our board of directors change as a result of these transactions?

A. No. We do not anticipate any changes to our executive officers or board of directors as a result of these transactions.

Q10. Does management still think employee ownership is important?

A. Yes. We believe that stock ownership and our employee ownership culture motivate our employees to strive for our continued success and provide a mechanism for sharing the potential rewards. Following the IPO, we intend to continue providing opportunities to our employees to own our shares through bonuses in stock, stock options, stock contributions to our employee benefit plans and participation in employee stock plans. We also expect to continue our internal stock ownership guidelines.

The Merger

Q11. What does the merger entail and why are we merging with one of our subsidiaries?

A. In the merger, a wholly-owned subsidiary of New SAIC will merge with and into Old SAIC, and Old SAIC will become a wholly-owned subsidiary of New SAIC. The diagram on page 17 illustrates the merger. New SAIC's restated certificate of incorporation will provide us with the capital structure we need to proceed with an IPO. Our board of directors concluded that the merger is the preferred method of achieving this structure.

Q12. What will I be entitled to receive in the merger?

A. In the merger, each share of outstanding class A common stock will be converted into the right to receive two shares of new class A preferred stock and each share of outstanding class B common stock will be converted into the right to receive 40 shares of new class A preferred stock. However, we have changed the percentage of shares of series A-1 and series A-2 of new class A preferred stock that you will receive upon exchange of your shares of Old SAIC common stock from the percentages proposed in the original proxy statement/prospectus for the December 16, 2005 special stockholders' meeting. Under the current proposal, you will receive 20 percent in series A-1 preferred stock, 20 percent in series A-2 preferred stock, 30 percent in series A-3 preferred stock and 30 percent in series A-4 preferred stock (as compared to the allocation proposed in the proxy statement/prospectus for the December 16, 2005 special stockholders' meeting of 10 percent in series A-1 preferred stock, 30 percent in series A-2 preferred stock, 30 percent in series A-3 preferred stock and 30 percent in series A-4 preferred stock). Also, the transfer restriction period for series A-1 preferred stock has been changed in the current proposal to 90 days from completion of our IPO (as compared to the fixed date of April 1, 2006 proposed for series A-1 preferred stock in the proxy statement/prospectus for the December 16, 2005 special stockholders' meeting). See Questions 45-49 for a description of the transfer restrictions applicable to each series (A-1, A-2, A-3 and A-4) of new class A preferred stock. Under this new proposal, of the shares of new class A preferred stock you receive in the merger:

20 percent will be designated series A-1 preferred stock with transfer restrictions expiring 90 days after our IPO

20 percent will be designated series A-2 preferred stock with transfer restrictions expiring 180 days after our IPO

30 percent will be designated series A-3 preferred stock with transfer restrictions expiring 270 days after our IPO

30 percent will be designated series A-4 preferred stock with transfer restrictions expiring 360 days after our IPO

Table of Contents

For example, a stockholder holding 1,000 shares of class A common stock will be entitled to receive the following shares of new class A preferred stock in the merger:

400 shares of series A-1 preferred stock

400 shares of series A-2 preferred stock

600 shares of series A-3 preferred stock

600 shares of series A-4 preferred stock

A stockholder holding 1,000 shares of class B common stock will be entitled to receive the following shares of new class A preferred stock in the merger:

8,000 shares of series A-1 preferred stock

8,000 shares of series A-2 preferred stock

12,000 shares of series A-3 preferred stock

12,000 shares of series A-4 preferred stock

While the conversion will be on a per share basis, the allocation of the new class A preferred stock among the four series will be completed on an account-by-account basis. For example, if shares of Old SAIC common stock are held both individually and in a trust, the new class A preferred stock will be allocated among the four series separately for each account. Moreover, all shares of new class A preferred stock that are issued to a single account will be aggregated and allocated among the four series, even if the shares of Old SAIC common stock that were held in that account were acquired at different times or in a different manner (e.g. an option exercise).

Except for the transfer restrictions that we describe below, each share of new class A preferred stock will be identical.

Q13. Why will I receive two shares of new class A preferred stock (rather than just one share) for every one share of class A common stock that I own? Why will I receive 40 shares of new class A preferred stock (rather than just 20 shares) for every one share of class B common stock that I own?

A. We established an exchange ratio in the merger that has the effect of implementing a stock split. The purpose is to increase the number of shares of our capital stock outstanding prior to the IPO, which will decrease the per share value of our capital stock. The aggregate value of your shares will not be affected by the merger, although the value will fluctuate after the IPO. We believe that offering more

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shares of new common stock at a lower per share price will allow for an initial offering price of the new common stock within a range that is customary in today's IPO marketplace and therefore will enhance the underwriters' ability to market the shares to public investors.

Q14. Why do the holders of class B common stock receive more shares than the holders of class A common stock?

- A. Holders of class B common stock are entitled to receive 20 times the number of shares to be received by the holders of class A common stock because, while the class A common stock was split 5 for 1 in 1987

Table of Contents

and split again 4 for 1 in 1999, resulting in an overall 20 for 1 split, the class B common stock has never split. If the class B common stock had split in 1987 and 1999 along with the class A common stock, there would be no difference in the number of shares the holders of each class would receive. Furthermore, Old SAIC's certificate of incorporation provides that each share of class B common stock is convertible at any time into 20 shares of class A common stock.

Q15. What are the U.S. tax consequences of the merger?

- A. In the opinion of our outside legal counsel, Heller Ehrman LLP, the exchange of your class A and class B common stock for new class A preferred stock pursuant to the merger will not be a taxable transaction for you for federal income tax purposes. It is conceivable that the Internal Revenue Service (IRS) would seek to have the special dividend and the merger treated as part of a single integrated transaction for federal income tax purposes in which you are exchanging your Old SAIC shares for a combination of cash and the new class A preferred stock rather than giving the dividend independent significance. If the IRS asserts this position and if this position is ultimately sustained, any gain you realize on the exchange would be taxable to the extent of the amount of the cash received as a special dividend. For this purpose, the gain you realize would be equal to the value of the Old SAIC stock at the time of the merger over your tax basis in that stock. The taxable gain recognized would be long-term capital gain, if you held the Old SAIC stock for more than one year at the time of the merger, and short-term capital gain, if your holding period was one year or less. To the extent the cash received is in excess of the gain you realize in the transaction, the remaining cash would be treated as a non-taxable return of your investment in the Old SAIC stock (to the extent thereof) and would reduce your basis in the new class A preferred stock received in the merger. If the special dividend is treated as additional amount paid for your shares in the merger, it would not be treated as a dividend for federal income tax purposes. See Proposal I The Merger Material Federal Income Tax Consequences to Stockholders The Merger for a more detailed description of the tax consequences of the merger.

Q16. Do I have appraisal rights?

- A. Appraisal rights entitle, under certain circumstances, stockholders of Delaware corporations to receive a cash payment equal to the fair value of their shares as determined by the Delaware Court of Chancery. Record holders of Old SAIC class A common stock do not have appraisal rights in connection with the merger. Record holders of class B common stock who do not vote in favor of the merger proposal but otherwise comply with the requirements and procedures of Section 262 of the General Corporation Law of the State of Delaware, or DGCL, have appraisal rights. A detailed description of the appraisal rights and procedures available to record holders of Old SAIC class B common stock is included in Proposal I The Merger Appraisal Rights beginning on page 56. The full text of Section 262 of the DGCL is included as Annex E to this proxy statement/prospectus.

Q17. If I submitted my proxy or voting instructions for the special meeting originally scheduled for December 16, 2005, do I need to submit a new proxy or voting instructions for the upcoming special meeting?

- A. Yes. None of the proxies or voting instructions received by Old SAIC that accompanied the original proxy statement/prospectus, or received by the Internet or telephone pursuant to instructions in the original proxy statement/prospectus, for the December 16, 2005 meeting can be voted at the upcoming special meeting. In order for your vote to be counted at the upcoming special meeting, you must submit a new proxy or voting instructions by the Internet, telephone or mail, or vote in person at the meeting.

Table of Contents

Q18. What happens if the stockholders do not adopt the merger agreement?

- A. If stockholder approval for the merger is not obtained, the merger and the IPO will not occur, and the special dividend will not be paid. If we are unable to complete the IPO, we will reassess how to satisfy the needs of our stock system and yet achieve our long-term strategic objectives. We may not be able, or desire, to balance the stock system indefinitely.

Q19. Can our board of directors abandon the merger and other transactions even if stockholder approval is obtained?

- A. Yes. If prior to completion of the merger our board of directors decides that it is not in the best interests of the stockholders to proceed, the board can terminate the merger agreement and abandon the IPO and special dividend.

The Initial Public Offering

Q20. What is an IPO?

- A. An IPO, or initial public offering, is the first sale of stock by a company to the public in a transaction registered with the SEC.

Q21. How and when will we complete our IPO?

- A. Before shares of new common stock can be offered to public investors, the stockholders of Old SAIC must approve the merger and related proposals at the special meeting of stockholders. If the merger is approved by stockholders, our senior management will meet with prospective public investors, including institutional investors, mutual fund managers and other potential investors, to present information about the company and its prospects. Thereafter, we expect to negotiate the price of the new common stock with the lead underwriters, Morgan Stanley & Co. Incorporated and Bear, Stearns & Co. Inc. At the same time, we would request that the SEC declare the IPO related registration statement effective to permit the sale of shares of new common stock to public investors. If the price negotiated with the lead underwriters is acceptable to our board of directors (or a designated board committee), we anticipate that we would agree to sell a certain number of shares of new common stock to the underwriters at that price, less a customary underwriting discount, upon satisfactory completion of various closing conditions. Shares of new common stock would then begin to trade on the New York Stock Exchange in anticipation of the closing. Just prior to closing the IPO, we would expect to complete the merger and, thereafter, the sale of new common stock to the underwriters who would distribute the shares to the public investors.

The precise timing of the merger and the IPO is subject to general market and economic conditions, the SEC's review process, and several other factors that we do not control. Although it is not possible to determine with certainty when we will complete the merger, the IPO and related transactions, we anticipate that it will be in the Fall of 2006 and within about six to eight weeks following the approval of the merger by the Old SAIC stockholders. If the merger is not approved by stockholders, the IPO will not occur and we will not pay the special dividend, which will be specifically conditioned upon completion of the IPO.

Q22. What impact will the Greek Olympic contract have on the timing for completion of the IPO?

- A. We initially scheduled a special meeting of our stockholders for December 16, 2005 to consider and vote on the merger and IPO related proposals. Our board of directors and senior management decided to not

Table of Contents

hold that stockholders' meeting due to developments relating to a firm-fixed-price contract (Greek contract) with the Hellenic Republic of Greece (the Greek government). These developments included:

the delivery of a letter by us to representatives of the Greek government advising them that, unless agreement on a contract modification was reached, we would invoke arbitration under the provisions of the Greek contract

the initiation of an independent review by a special committee of independent directors with the assistance of an outside law firm to, among other things, identify the causes of the poor financial performance and continuing challenges of the Greek contract

On April 21, 2006, we instituted binding arbitration proceedings, in parallel with our continuing negotiations toward a contract modification, to pursue a final resolution of our rights and remedies under the Greek contract. The outcome of the arbitration is uncertain due to the complex nature of the legal and factual issues involved and the uncertainty of arbitration in general. However, by instituting arbitration, we believe we have established a process to obtain final resolution of the Greek contract issues even if an appropriate contract modification is not obtained.

In addition, the review by a special committee of independent directors was completed in April 2006, and the results of the review have been reported to our board of directors. Following completion of this independent review, our Chief Executive Officer has initiated an analysis of the observations and conclusions resulting from the review and begun the implementation of a number of improvements in our operational policies, processes and procedures with the goal of preventing the recurrence of problems experienced in the Greek contract in the future. The Greek contract status, contingencies and arbitration proceedings are described under Management's Discussion and Analysis of Financial Condition and Results of Operations - Commitments and Contingencies - Firm Fixed-Price Contract with the Greek Government.

Given the institution of binding arbitration to obtain final resolution of the Greek contract issues (if an appropriate contract modification is not obtained) and the completion of the independent review, we now expect to complete the IPO in the Fall of 2006.

Q23. How will the IPO price be determined?

- A. The price of the new common stock in the IPO will be negotiated with the lead underwriters. Among the factors considered in determining the IPO price will be our future prospects and those of our industry in general, our sales, earnings and other financial operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to ours. Thereafter, our stock price may fluctuate based on market forces influenced by these and other factors. The underwriters and public investors who trade in the new common stock may give different weight to factors or valuation methodologies or consider new factors or valuation methodologies which differ from those relied upon in determining the historical price of Old SAIC common stock. Therefore, the price negotiated with the representatives of the underwriters and the market price at which our new common stock will trade following the IPO may be higher or lower than the historical prices of Old SAIC common stock.

Q24. Where will the new common stock be traded?

- A. We have been approved for listing of the new common stock on the New York Stock Exchange under the symbol SAI.

Table of Contents

Q25. How much stock are we selling to the public?

- A. In the IPO, we expect to sell a number of shares that will be sufficient to create a public trading market in our new common stock with satisfactory liquidity. After the IPO:

new class A preferred stock will constitute from 80% to 90% of our total outstanding capital stock and substantially all of our voting power

new common stock will constitute from 10% to 20% of our total outstanding capital stock

As a result, voting control of New SAIC will remain in the hands of current stockholders after we complete the merger and the IPO.

Q26. How was the size of the IPO determined?

- A. The size of the IPO, which was established by our board of directors and senior management in close coordination with our financial advisors, was determined based on the number of shares believed to be needed to create a public trading market in our stock with satisfactory liquidity.

Q27. What are the risks to my investment associated with the IPO?

- A. The price of our new common stock will be subject to the fluctuations in the stock market. Initially, there also will be restrictions on your ability to sell or transfer your new class A preferred stock that you are entitled to receive in the merger. In addition, your investment will continue to be subject to many of the same risks to which it is currently subject. Some of the risk factors that we currently face, including those associated with an IPO, are described in **Risk Factors** beginning on page 31.

Q28. Who do we expect will buy shares in the IPO?

- A. We expect that retail and institutional investors, such as insurance companies, mutual funds and other financial institutions, who believe in our strategy, management and industry prospects will buy shares of our new common stock in the IPO.

Q29. Will our employees, officers or directors be given an opportunity to buy stock in the IPO?

- A. No. We will not be offering a **friends and family** directed share or other program whereby employees, officers or directors are allowed to purchase stock in the IPO. Unlike most companies that complete initial public offerings, we already provide numerous opportunities for our employees, officers and directors to buy our stock through the limited market, our employee stock purchase plan and deferrals and rollovers in the SAIC Retirement Plan. We want to discourage speculation or **flipping** our stock and desire that our stockholders, especially our employees, officers and directors, hold our stock for long-term investment. In addition, there also are logistical and administrative difficulties in offering a **friends and family** program that is fair to all employees when we have over 40,000 employees in our company. As a result, we will not be offering a **friends and family** program.

Q30. What will we do with the proceeds from the IPO?

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- A. The proceeds of the IPO will be held by New SAIC and will be included in our consolidated cash balances, which are used for general corporate purposes, including working capital, capital spending and possible investments and acquisitions. However, the board of directors of Old SAIC intends to declare a special dividend that will be paid from cash held by Old SAIC to stockholders who will be holders of Old SAIC common stock as of the dividend record date to be set by the board of directors. The special dividend could exceed the net proceeds from the IPO, assuming the underwriters do not exercise their over-allotment option, by up to approximately \$1 billion.

Table of Contents

The Special Dividend

Q31. What is a dividend?

A. Typically, a dividend is the distribution of cash, stock or other assets to a company's stockholders.

Q32. Why do we plan to pay a special dividend?

A. Given our current strong cash position, we believe the special dividend is an efficient and fair way to return to our stockholders excess cash that no longer will be needed to repurchase stock in the limited market or to otherwise provide liquidity to our stockholders after the IPO.

Q33. What is the amount of the special dividend?

A. The dividend is expected to range from approximately \$10 to \$15 per share of Old SAIC class A common stock and from approximately \$200 to \$300 per share of Old SAIC class B common stock.

Q34. How will the amount of the dividend be determined?

A. The amount of the special dividend will be determined by the board of directors, in consultation with our financial advisors, in order to distribute a significant amount of cash to our current stockholders and yet retain sufficient capital to meet our strategic needs.

Q35. What will be the record date for purposes of determining stockholders entitled to receive the special dividend?

A. The board of directors will set the record date as of which all stockholders will be entitled to receive the special dividend. We expect that the record date will be a few days before the new common stock begins to trade on the New York Stock Exchange, which we expect will be six to eight weeks after stockholder approval of the merger at the special meeting.

Q36. When will the special dividend be paid?

A. The board of directors of Old SAIC intends to declare a special dividend that will be paid from cash held by Old SAIC to stockholders who will be holders of Old SAIC common stock as of the dividend record date to be set by the board of directors. Payment will be conditioned upon completion of the IPO and, if you have Old SAIC common stock certificates, upon surrender of your certificates. Old SAIC expects to pay the special dividend within 25 days after the IPO.

Q37. What are the U.S. tax consequences of the special dividend?

A. The special dividend should constitute a taxable dividend for federal income tax purposes to the extent it is paid from current or accumulated earnings and profits, as determined under federal income tax principles. Any dividends in excess of earnings and profits may be treated as a nontaxable return of capital or as a gain realized on the sale or disposition of your Old SAIC common stock. However, if the special dividend is treated as an additional amount paid for your shares in the merger, it would not be treated as a dividend for federal income tax purposes. The federal income tax rate applicable to the

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dividend will vary depending on a number of factors. For further information about the tax consequences of the special dividend and the tax rates that may be applicable to you, see Proposal I The Merger Material Federal Income Tax Consequences to Stockholders The Special Dividend.

Table of Contents

Q38. What will our dividend policy be after the IPO?

- A. Old SAIC has never declared or paid any cash dividends on its capital stock other than the special dividend. New SAIC does not expect to pay any dividends on our capital stock in the foreseeable future, and we currently intend to retain any future earnings to finance our operations and growth. The exact amount of the special dividend and any future determination to pay cash dividends will be at the discretion of our board of directors and will depend on available cash, estimated cash needs, earnings, financial condition, operating results, capital requirements, applicable contractual restrictions and other factors our board of directors deems relevant.

The New Class A Preferred Stock

Q39. What are the differences between the new class A preferred stock and the new common stock?

- A. The terms of the new class A preferred stock and the new common stock will be the same except as follows:

the new class A preferred stock will be subject to certain transfer restrictions set forth below while the new common stock will be freely tradable

the new class A preferred stock will have 10 votes per share while the new common stock will have one vote per share

the new class A preferred stock will be convertible into new common stock after the expiration of the restriction periods

The new class A preferred stock has no other preferences.

Q40. Why do the public investors receive a different class of stock than our existing stockholders?

- A. As part of an IPO, it is typical for employee-owned companies to establish two classes of voting stock, which enables the employee owners to maintain voting control of the company following the IPO. The new common stock issued to the public will have one vote per share and the new class A preferred stock issued to Old SAIC stockholders will have 10 votes per share.

Q41. What must I do to get my new class A preferred stock?

- A. Your shares of Old SAIC common stock will be converted into the right to receive new class A preferred stock pursuant to the merger.

If you hold your shares directly in a book-entry account, they will be converted automatically and you will receive a statement for the shares of new class A preferred stock you own following the merger. You can confirm that your account is in book-entry form by reviewing the first page of a recent Stock Summary Statement previously mailed to you by Old SAIC.

If you hold your shares directly and they are represented by certificates at the effective time of the merger, we will send you a letter shortly after the merger explaining how you can surrender your certificates. All the shares to which you are entitled will be converted to book entry form, but your account will be blocked by our transfer agent until your certificates are surrendered.

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If you hold shares in one of our employee benefit plans, the plan will handle conversion of the shares without any action by you.

Table of Contents

All the shares of new class A preferred stock issued pursuant to the merger will be uncertificated shares.

Q42. What will happen to our right of first refusal and right to repurchase your stock?

A. When we are a publicly traded company, you will not be required to offer your shares to us before you can sell them to third parties. Since September 1, 2005, we have suspended repurchasing shares upon termination of affiliation pending completion of the merger, except for repurchasing shares of Old SAIC common stock transferred to a charity prior to October 25, 2005.

Q43. What will happen to the new class A preferred stock that I will own if my affiliation terminates or I retire?

A. Nothing. Currently, your shares are subject to our right of first refusal and right to repurchase if your affiliation as an employee, director or consultant is terminated. Following the merger, we will no longer have these rights. You may continue to hold your shares indefinitely, regardless of your employment status or affiliation with us.

Q44. What if I am no longer affiliated with SAIC and hold shares subject to a special arrangement (e.g., the alumni program, former employee program or other agreement extending Old SAIC's right of repurchase)?

A. Currently, your shares are subject to our right of first refusal and right to repurchase. After the merger, your shares will no longer be subject to these rights. You will be able to continue to hold new class A preferred stock indefinitely.

Transfer Restrictions

Q45. Will I be able to sell or transfer my new class A preferred stock immediately?

A. To facilitate the IPO, New SAIC's restated certificate of incorporation will, for certain periods of time, restrict you from selling or transferring new class A preferred stock to anyone other than permitted transferees. These restrictions will expire:

90 days after our IPO for series A-1 preferred stock

180 days after our IPO for series A-2 preferred stock

270 days after our IPO for series A-3 preferred stock

360 days after our IPO for series A-4 preferred stock

If, during the restriction period, you transfer your new class A preferred stock to a permitted transferee, the transferee will receive the new class A preferred stock subject to the same restrictions. After the expiration of these restriction periods, you also will be able to sell your shares in the public market. If, after the expiration of the applicable restriction period, you transfer your new class A preferred stock to anyone other than a permitted transferee, your shares will convert automatically into new common stock, so that the transferees or buyers will acquire only new common stock.

Table of Contents

Q46. Who is a permitted transferee ?

A. Permitted transferees generally include:

members of your immediate family

trusts for the sole benefit of you or members of your immediate family

your estate

a financial institution to which you pledge your shares as collateral

New SAIC or any of its subsidiaries

You should read **Proposal I The Merger Transfer Restrictions on Shares of New Class A Preferred Stock** on page 53 for important details and conditions of transfers to permitted transferees.

Q47. Why will the sale of my stock be restricted?

A. The transfer restrictions will permit some period of trading of the new common stock to take place in the market without the potential introduction of a significant number of additional shares, which could negatively affect the price. These restrictions are intended to promote an orderly trading market for our new common stock for a period following the commencement of trading. We have staggered the expiration of the transfer restrictions so that all existing shares do not become freely tradable at the same time.

Q48. Will any additional transfer restrictions apply to our directors and executive officers?

A. In addition to the general transfer restrictions, shares of new class A preferred stock received in connection with the merger by our directors and executive officers, and shares of new common stock received by them on conversion of the new class A preferred stock, may not be sold, transferred or otherwise disposed of unless:

made in conformity with the requirements of Rule 145(d) under the Securities Act of 1933, as amended, or the Securities Act

made pursuant to an effective registration statement under the Securities Act

otherwise exempt from registration under the Securities Act

In addition, in connection with the proposed IPO, our directors and executive officers have entered into lock-up agreements with the underwriters of the IPO. Under these agreements, these directors and executive officers generally may not, during the period ending 180 days after the IPO, directly or indirectly sell or dispose of their capital stock without the prior written consent of Morgan Stanley & Co. Incorporated

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and Bear, Stearns & Co. Inc.

The registration statement of which this proxy statement/prospectus is a part does not cover the resale of shares of New SAIC stock to be received by our directors and executive officers pursuant to the merger.

Table of Contents

Q49. Will I be permitted to enter into a hedging transaction to avoid the risk of my new class A preferred stock?

- A. No. You will be prohibited from buying a put option, selling a call option, selling short or entering into any other hedging or insurance transaction relating to your new class A preferred stock during the applicable restriction periods.

Stock Transactions

Q50. Can I buy or sell shares in the limited market before the IPO?

- A. The last limited market trade prior to the proposed IPO occurred on June 30, 2006. If, however, the IPO is postponed, we intend to conduct a limited market trade at the same time as the retirement plans trades until the IPO process recommences. A retirement plans trade has been scheduled for October 27, 2006 and at least three additional retirement plans trade dates will be announced, at which time limited market trades also may be held if the IPO is postponed.

Q51. Will Bull, Inc. continue to maintain a limited market after the IPO?

- A. No. Bull, Inc. was established specifically to administer our limited market trades. Old SAIC's stock transfer and stock plan administration have been outsourced to Mellon Investor Services LLC. After the IPO, subject to the restriction periods set forth above, you will be able to sell shares in the public market.

Q52. After the IPO, how can I sell my shares of new class A preferred stock? What will be the price?

- A. If you wish to sell your shares of new class A preferred stock after the restriction periods expire, they will be converted into new common stock when you sell them in the public market. When you sell, you will receive the prevailing market price for your shares.

Q53. Will I be able to buy more shares in the public market?

- A. Yes. You will be able to buy shares of our new common stock in the public market at prevailing prices after the IPO. Because you will buy additional shares only in the public market, subject to compliance with our insider trading restrictions, you will no longer be required to obtain other approval for stock purchases.

Table of Contents

SUMMARY

This summary highlights information contained elsewhere in this proxy statement/prospectus and may not include all of the information that is important to you. To better understand the transactions, we urge you to read the entire proxy statement/prospectus carefully, including Risk Factors and the other documents that we refer you to.

Unless otherwise noted, references to years are to fiscal years ended January 31, not calendar years. For example, we refer to the fiscal year ended January 31, 2006 as fiscal 2006. We are currently in fiscal 2007. References to government fiscal years are to fiscal years ended September 30.

Overview

We are a leading provider of scientific, engineering, systems integration and technical services and solutions to all branches of the U.S. military, agencies of the U.S. Department of Defense, the intelligence community, the U.S. Department of Homeland Security and other U.S. Government civil agencies, as well as to customers in selected commercial markets. Our customers seek our domain expertise to solve complex technical challenges requiring innovative solutions for mission-critical functions in such areas as national security, intelligence and homeland defense. Increasing demand for our services and solutions is driven by priorities including the ongoing global war on terror and the transformation of the U.S. military.

From fiscal 2002 to fiscal 2006, our consolidated revenues increased at a compound annual growth rate of 15.6% to a company record of \$7.8 billion, inclusive of acquisitions and exclusive of Telcordia Technologies, Inc., our commercial telecommunications subsidiary, which we divested in March 2005. As of April 30, 2006, we had a portfolio of approximately 9,000 active contracts. Our total consolidated negotiated backlog as of April 30, 2006 was approximately \$15.8 billion, which included funded backlog of approximately \$3.9 billion, compared to approximately \$15.1 billion and \$3.9 billion, respectively, as of January 31, 2006. In May 2006, Washington Technology, a leading industry publication, ranked us number three in its list of Top Federal Prime Contractors in the United States based on information technology (IT), telecommunications and systems integration revenues.

The U.S. Government is our largest customer, in the aggregate representing 89% of our total consolidated revenues in fiscal 2006. According to Congressional Budget Office estimates, U.S. Government total discretionary outlays in government fiscal 2006 will be approximately \$1,035 billion, and we estimate that more than \$200 billion of this amount will be spent in areas in which we compete. We believe that U.S. Government spending in these areas will continue to grow as a result of homeland security and intelligence needs arising from the global war on terror, the ongoing transformation of the U.S. military and the increased reliance on outsourcing by the U.S. Government.

Competitive Strengths

To maximize our ability to consistently deliver innovative solutions to help meet our customers' most challenging needs, and to grow our business and increase stockholder value, we rely on the following key strengths:

Skilled personnel and experienced management

Employee ownership and core values

Table of Contents

Knowledge of customers' needs

Technical expertise

Trusted services and solutions provider

Proven marketing and business development organization

Ability to complete and integrate acquisitions

Growth Strategy

We are focused on continuing to grow our business as a leading scientific, engineering, systems integration and technical services and solutions company. In our Government segment, we seek to become the leading provider of systems engineering, systems integration and technical services and solutions by focusing on the U.S. Government's increased emphasis on defense transformation, intelligence and homeland defense. In addition, we plan to continue to pursue strategic acquisitions in areas such as these, where we anticipate higher growth. In our Commercial segment, we seek to grow our business in our existing targeted markets, in addition to becoming a leader in new selected vertical markets in which we can leverage our specialized experience and skill sets.

Our Services and Solutions

We offer a broad range of services and solutions to address our customers' most complex and critical technology-related needs. These services and solutions include the following:

Defense Transformation. We develop leading-edge concepts, technologies and systems to solve complex challenges facing the U.S. military and its allies, helping them transform the way they fight.

Intelligence. We develop solutions to help the U.S. defense, intelligence and homeland security communities build an integrated intelligence picture, allowing them to be more agile and dynamic in challenging environments and produce actionable intelligence.

Homeland Security and Defense. We develop technical solutions and provide systems integration and mission-critical support services to help federal, state, local and foreign governments and private-sector customers protect the United States and allied homelands.

Logistics and Product Support. We provide logistics and product support solutions to enhance the readiness and operational capability of U.S. military personnel and weapon and support systems.

Systems Engineering and Integration. We provide systems engineering and integration solutions to help our customers design, manage and protect complex IT networks and infrastructure.

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Research and Development. As one of the largest science and technology contractors to the U.S. Government, we conduct leading-edge research and development of new technologies with applications in areas such as national security, intelligence and life sciences.

Commercial Services. We help our customers become more competitive, offering technology-driven consulting, systems integration and outsourcing services and solutions in selected commercial markets, currently IT support for oil and gas exploration and production, applications and IT infrastructure management for utilities and data lifecycle management for pharmaceuticals.

Table of Contents

We are headquartered in San Diego, California. Our address is 10260 Campus Point Drive, San Diego, California 92121, and our telephone number is (858) 826-6000.

New SAIC

We formed New SAIC as a Delaware corporation on August 12, 2005. To date, it has not conducted any activities other than those incident to its formation, and the preparation of the merger agreement, this proxy statement/prospectus, and the registration statement on Form S-1 with respect to the IPO. Upon completion of the merger, Old SAIC will be a wholly-owned subsidiary of New SAIC.

PROPOSAL I THE MERGER

The first proposal is to approve and adopt an Agreement and Plan of Merger, as amended and restated as of July 24, 2006, among Old SAIC, New SAIC and SAIC Merger Sub, Inc., pursuant to which Old SAIC will become a wholly-owned subsidiary of New SAIC, and the Old SAIC common stock will be converted into the right to receive new class A preferred stock. **Our board of directors unanimously determined that the merger agreement and the merger are advisable and in the best interests of SAIC and its stockholders, and recommends that the stockholders vote FOR the approval and adoption of the merger agreement.**

Purposes of the Merger (see page 49)

We are pursuing these transactions because, after a thorough review of several options, we have determined that an IPO will best address our long-term objectives. The merger is a necessary step for us to take in order to effect our IPO. The IPO will provide us with greater financial flexibility to grow our business. We also believe that these transactions enable us to implement our vision and long-term strategy while preserving our core values, and focus on providing an environment where our employees' entrepreneurial spirit can flourish.

Our board of directors has carefully studied this question and unanimously believes that creating a publicly traded stock is in the best interests of SAIC and our stockholders and employees.

How the Merger is Structured (see page 50)

The merger has been structured so that Old SAIC will become a wholly-owned subsidiary of New SAIC, and the stockholders of Old SAIC will have the right to receive shares of new class A preferred stock in exchange for their Old SAIC common stock. In order to achieve this result:

Old SAIC has formed a wholly-owned subsidiary (New SAIC) and, strictly for the purpose of facilitating the merger, New SAIC has formed a wholly-owned subsidiary (Merger Sub)

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Merger Sub will merge into Old SAIC, at which time the outstanding shares of class A common stock and class B common stock will be converted into the right to receive shares of new class A preferred stock, and Merger Sub will cease to exist

New SAIC will have a new restated certificate of incorporation and restated bylaws.

Table of Contents

The following diagram illustrates the merger process from a stockholder's perspective:

Table of Contents

What You Will Be Entitled to Receive Pursuant to the Merger (see page 50)

When the merger occurs:

Each share of outstanding class A common stock and each share of outstanding class B common stock, subject to the exercise of appraisal rights, will be converted into the right to receive shares of new class A preferred stock on the basis set forth below.

The new class A preferred stock you receive will be allocated among four series as illustrated below, with transferability and convertibility of each series being subject to a separate restriction period that expires at the times indicated:

The Public Offering (see page 51)

Soon after the merger is approved, subject to market conditions, we plan to conduct an IPO of new common stock.

After the IPO:

new class A preferred stock will constitute from 80% to 90% of our total outstanding capital stock and substantially all of our voting power

new common stock will constitute from 10% to 20% of our total outstanding capital stock

Table of Contents

The Special Dividend (see page 52)

The board of directors of Old SAIC intends to declare a special dividend that will be paid from cash held by Old SAIC to stockholders who will be holders of Old SAIC common stock as of the dividend record date to be set by the board of directors. Payment will be conditioned upon completion of the IPO, and Old SAIC expects to pay the special dividend within 25 days after the IPO. The special dividend is expected to range from approximately \$10 to \$15 per share of Old SAIC class A common stock and from approximately \$200 to \$300 per share of Old SAIC class B common stock, which is the equivalent of a range from approximately \$5 to \$7.50 per share of new class A preferred stock. The special dividend could exceed the net proceeds from the IPO, assuming the underwriters do not exercise their over-allotment option, by up to approximately \$1 billion.

How We Will Effect the Merger and the Special Dividend (see page 52)

The IPO is conditioned on completion of the merger. If approved, we will effect the merger shortly before the closing of the IPO. In the merger, your shares of class A common stock and class B common stock (excluding shares for which appraisal rights have been exercised) will be converted into the right to receive new class A preferred stock. Prior to the merger, the board of directors of Old SAIC intends to declare a special dividend on Old SAIC common stock. Payment will be conditioned upon completion of the IPO, and Old SAIC expects to pay the special dividend within 25 days after the IPO.

New SAIC's Restated Certificate of Incorporation (see page 52)

New SAIC's restated certificate of incorporation will be different from our current certificate of incorporation in that it will:

replace the current class A and class B common stock with a single new class A preferred stock that will be entitled to 10 votes per share and is comprised of four series to implement the transfer restrictions

authorize a class of common stock that will have the same economic rights as the new class A preferred stock, but will be entitled to one vote per share

eliminate the requirement that you must offer your shares to us for purchase before you can sell them to third parties

eliminate our right to repurchase your shares on termination of affiliation

add provisions that restrict the transferability of the new class A preferred stock for a period of time

Voting Rights (see page 53)

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Holders of new class A preferred stock will be entitled to 10 votes per share on all matters voted upon by our stockholders. Holders of new common stock will have the same economic rights as holders of new class A preferred stock, but will be entitled to one vote per share on all matters voted upon by our stockholders.

Listing (see page 58)

The new class A preferred stock will not be listed on a national securities exchange or traded in the organized over-the-counter market. We have been approved for listing of the new common stock on the New York Stock Exchange under the symbol SAI.

Table of Contents

Conditions to the Merger (see page 58)

We will cause the merger to become effective only if certain conditions specified in the merger agreement are satisfied or waived.

Material Federal Income Tax Consequences to Stockholders The Merger (see page 60)

In the opinion of our outside legal counsel, Heller Ehrman LLP, the exchange of your class A and class B common stock for new class A preferred stock pursuant to the merger will not be a taxable transaction for you for federal income tax purposes.

Material Federal Income Tax Consequences to Stockholders The Special Dividend (see page 60)

The special dividend should constitute a taxable dividend for federal income tax purposes to the extent it is paid from current or accumulated earnings and profits, as determined under federal income principles. Any dividends in excess of earnings and profits may be treated as a nontaxable return of capital or as a gain realized on the sale or disposition of your Old SAIC common stock. However, if the special dividend is treated as an additional amount paid for your shares in the merger, it would not be treated as a dividend for federal income tax purposes. The federal income tax rate applicable to the dividend will vary depending on a number of factors.

Accounting Treatment (see page 62)

For accounting purposes, the merger will be treated as a recapitalization of Old SAIC with New SAIC as the acquirer (a reverse merger). The accounting basis used to initially record the assets and liabilities in New SAIC will be the carryover basis of Old SAIC.

PROPOSAL II 2006 EQUITY INCENTIVE PLAN

The second proposal is to approve and adopt the 2006 Equity Incentive Plan. The 2006 Equity Incentive Plan provides for the grant of stock options (including incentive stock options, as defined in section 422 of the Internal Revenue Code, and nonstatutory stock options), restricted stock, restricted stock units, deferred stock, stock appreciation rights, performance shares and other similar types of stock awards, as well as cash awards. **Our board of directors unanimously determined that the 2006 Equity Incentive Plan is in the best interests of SAIC and its stockholders, and recommends that the stockholders vote FOR the approval and adoption of the 2006 Equity Incentive Plan.**

General (see page 65)

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The 2006 Equity Incentive Plan will become effective on the effective date of the merger, subject to stockholder approval. If the 2006 Equity Incentive Plan is not approved by our stockholders or the merger is not consummated, the 1999 Stock Incentive Plan will continue in operation pursuant to its terms.

Old SAIC seeks stockholder approval in order to qualify the 2006 Equity Incentive Plan and certain awards made pursuant to it under the incentive stock option provisions of the Internal Revenue Code and to increase the potential that New SAIC may fully deduct for federal income tax purposes certain compensation that may be paid under the 2006 Equity Incentive Plan in accordance with Section 162(m) of the Internal Revenue Code.

New SAIC stock subject to the 2006 Equity Incentive Plan will either be our new class A preferred stock or new common stock as determined by the committee of our board of directors administering the 2006 Equity Incentive Plan.

Table of Contents

The 2006 Equity Incentive Plan provides that an aggregate of up to 75,000,000 shares will be available to be issued pursuant to awards granted under the 2006 Equity Incentive Plan, plus additional shares that may be added to the 2006 Equity Incentive Plan as described below.

The 2006 Equity Incentive Plan has an evergreen feature pursuant to which additional shares will automatically be added to the shares available for issuance under the 2006 Equity Incentive Plan without further stockholder approval beginning February 1, 2007 and on each February 1 for nine years thereafter. The number of shares that may be added each year will equal the least of 5% of New SAIC's outstanding common stock as of the preceding January 31 (measured on an as-converted basis with respect to the outstanding shares of new class A preferred stock), 30,000,000 shares or a number of shares determined by our board of directors or the committee of our board of directors administering the 2006 Equity Incentive Plan.

Administration (see page 65)

The 2006 Equity Incentive Plan will be administered by our board of directors, a committee of our board of directors or a delegated officer in certain circumstances.

Eligibility (see page 65)

Nonstatutory stock options, stock awards and cash awards may be granted to employees, directors (including non-employee directors) and consultants of New SAIC, Old SAIC or other affiliates of New SAIC. Incentive stock options may be granted only to employees of New SAIC or its affiliates.

Federal Income Tax Consequences of Awards (see page 68)

See Proposal II 2006 Equity Incentive Plan Federal Income Tax Consequences of Awards for a description of the tax consequences of awards granted under the 2006 Equity Incentive Plan.

Accounting Treatment (see page 70)

Based on Statement of Financial Accounting Standards No. 123(R), which was adopted on February 1, 2006, New SAIC will recognize compensation expense in an amount equal to the fair value on the date of grant of all stock options granted under the 2006 Equity Incentive Plan. In addition, New SAIC will recognize compensation expense for other awards granted under the 2006 Equity Incentive Plan. In general, the expense associated with each award will be recognized over the requisite employee service period, generally the vesting period.

PROPOSAL III 2006 EMPLOYEE STOCK PURCHASE PLAN

The third proposal is to approve and adopt the 2006 Employee Stock Purchase Plan. The 2006 Employee Stock Purchase Plan provides employees of New SAIC (and Old SAIC and any of our other majority-owned subsidiaries designated by our board of directors) with an opportunity to purchase our new class A preferred stock or new common stock as determined by the compensation committee of our board of directors through accumulated payroll deductions at a discounted purchase price. **Our board of directors unanimously determined that the 2006 Employee Stock Purchase Plan is in the best interests of SAIC and its stockholders, and recommends that the stockholders vote FOR the approval and adoption of the 2006 Employee Stock Purchase Plan.**

Table of Contents

General (see page 71)

The 2006 Employee Stock Purchase Plan will become effective on the date the first offering period commences as determined by the compensation committee, subject to stockholder approval and the consummation of the merger. Old SAIC seeks stockholder approval of the 2006 Employee Stock Purchase Plan to qualify the 2006 Employee Stock Purchase Plan and the right of participants to purchase shares under Section 423 of the Internal Revenue Code. In addition, the 2006 Employee Stock Purchase Plan authorizes the purchase of shares under a non-Section 423 qualified component of the plan by employees of international subsidiaries in situations where a qualified plan creates adverse tax consequences in a particular jurisdiction. If the 2006 Employee Stock Purchase Plan is not approved by our stockholders or the merger is not consummated, the 2004 Employee Stock Purchase Plan will continue in operation pursuant to its terms.

The 2006 Employee Stock Purchase Plan provides that an aggregate of up to 9,000,000 shares will be available for issuance, plus additional shares that may be added as described below.

The 2006 Employee Stock Purchase Plan has an evergreen feature pursuant to which additional shares will automatically be added to the shares available for issuance without further stockholder approval beginning February 1, 2007 and on each February 1 thereafter for nine more years. The number of shares that may be added each year will equal the least of 9,000,000 shares, 2% of New SAIC's outstanding common stock on the last day of the immediately preceding fiscal year (measured on an as-converted basis with respect to the outstanding shares of new class A preferred stock) or a number of shares established by the compensation committee of our board of directors.

Administration (see page 71)

The 2006 Employee Stock Purchase Plan will be administered by the board of directors, the compensation committee of our board of directors or a management committee which has been delegated administrative responsibilities.

Eligibility (see page 71)

Generally, any person who is employed by New SAIC, Old SAIC or any of New SAIC's majority-owned subsidiaries designated by our board of directors is eligible to participate, provided that the employee is employed on the first day of an offering period and subject to certain limitations imposed by Section 423(b) of the Internal Revenue Code.

Participation (see page 72)

Eligible employees may participate by completing a subscription agreement in the form provided by New SAIC and filing it with New SAIC prior to the first business day of the applicable offering period or such other date as specified by the compensation committee.

Offering Periods (see page 72)

Unless and until the compensation committee determines to implement longer periods and except for the first offering period, each offering period will have a duration of three months and will commence on April 1, July 1, October 1 or January 1 of each year and will have only one purchase period which will run simultaneously with the offering period. The first offering period will commence and end on dates determined by the compensation committee.

Table of Contents

Purchase Price (see page 72)

The purchase price per share at which shares are purchased under the 2006 Employee Stock Purchase Plan is 85% of the fair market value of the stock on the applicable purchase date. The compensation committee has the authority to change the purchase price within a range of 85% to 100% of the fair market value of the stock on the offering date or the purchase date. If our new common stock is listed on a stock exchange, the fair market value of the stock subject to the 2006 Employee Stock Purchase Plan will be the closing sales price of our new common stock.

Payment of Purchase Price; Payroll Deductions (see page 72)

The purchase price of the shares is paid with payroll deductions accumulated during the applicable offering period. The deductions are made as a percentage of the participant's compensation in 1% increments, not less than 1% nor greater than 10%. If payroll deductions are not permitted in a jurisdiction, participants in that jurisdiction may contribute via check or pursuant to another method approved by the compensation committee of our board of directors. A participant may discontinue his or her participation in the 2006 Employee Stock Purchase Plan at any time during an offering period and may increase or decrease the rate of the participant's payroll deductions once during an ongoing offering period by completing and filing a new authorization for payroll deductions. No interest accrues on the payroll deductions of a participant unless required by local law.

Holding Period (see page 74)

The compensation committee has the authority to establish a minimum holding period for shares purchased under the 2006 Employee Stock Purchase Plan.

Withdrawal (see page 74)

A participant may withdraw from an offering period by signing and delivering to New SAIC a notice of withdrawal from the 2006 Employee Stock Purchase Plan at any time prior to the end of the offering period.

Any withdrawal by the participant of accumulated payroll deductions for a given offering period automatically terminates the participant's interest in that offering period. All of the participant's contributions credited to the participant's account will be paid to the participant without interest. A participant's withdrawal from an offering period does not have an effect upon the participant's eligibility to participate in subsequent offering periods. However, a participant may not re-enroll in the same offering period after withdrawal.

Federal Income Tax Consequences (see page 75)

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See Proposal III 2006 Employee Stock Purchase Plan Federal Income Tax Consequences for a description of the tax consequences of options granted under the 2006 Employee Stock Purchase Plan.

Accounting Treatment (see page 76)

Based on Statement of Financial Accounting Standards No. 123(R), which was adopted on February 1, 2006, New SAIC will recognize compensation expense in connection with the 2006 Employee Stock Purchase Plan. So long as New SAIC continues issuing shares under the 2006 Employee Stock Purchase Plan with a purchase price at a discount to the fair market value of its stock, New SAIC will recognize compensation expense which will be determined by the level of participation in the 2006 Employee Stock Purchase Plan. However, in

Table of Contents

certain cases where the purchase price is greater than 95% of the fair market value of the stock subject to the 2006 Employee Stock Purchase Plan, there would be no compensation expense under Statement of Financial Accounting Standards No. 123(R).

Table of Contents

THE SPECIAL MEETING

Date and Time _____, 2006, at _____

Location _____

Meeting Videocast and Webcast For the convenience of our stockholders, the meeting will be videocast to _____ and at other locations, and will be webcast on our website (www.saic.com) and on ISSAIC.

Record Date July 7, 2006.

Shares Entitled to Vote Only stockholders of record as of the close of business on the record date will be entitled to vote at the special meeting.

Quorum The presence at the meeting, either in person or by proxy, of the holders of a majority of the total voting power of the shares of Old SAIC common stock outstanding on the record date is necessary to constitute a quorum and to conduct business at the special meeting.

Votes Required A majority in voting power of all issued and outstanding shares of Old SAIC common stock entitled to vote is required for adoption of the merger agreement, and a majority in voting power of the issued and outstanding shares of Old SAIC common stock present in person or by proxy at the special meeting and entitled to vote thereon is required for approval of each of Proposal II and Proposal III.

Voting Proxies or voting instructions to trustees of retirement plans may be submitted by the Internet, by telephone or by mail in the manner indicated on the proxy and voting instruction card. Proxies and voting instructions may be changed or revoked by:

submitting another proxy or voting instructions with a later date, or

sending a written notice of revocation to our Secretary at our principal executive offices.

Proxies or notices of revocation of proxies must be submitted no later than 11:59 p.m. Eastern time on _____, 2006 and voting instructions or notices of revocation of voting instructions must be submitted no later than 11:59 p.m. Eastern time on _____, 2006.

If a record holder attends the special meeting and votes by ballot, any proxy that such record holder submitted previously to vote the same shares will be revoked automatically and only the vote at the special meeting will be counted. You must attend the special meeting at _____ in order to be entitled to vote in person.

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None of the proxies or voting instructions received by Old SAIC that accompanied the original proxy statement/prospectus, or received by the Internet or telephone pursuant to instructions in the original proxy

Table of Contents

statement/prospectus, for the December 16, 2005 meeting can be voted at the upcoming special meeting. In order for your vote to be counted at the upcoming special meeting, you must submit a new proxy or voting instructions by the Internet, telephone or mail, or vote in person at the meeting.

Confidentiality of Voting

The manner in which record holders vote their shares will be maintained in confidence, and we will not have access to individual voting directions of plan participants.

Recommendation of the Board of Directors

The board of directors of Old SAIC unanimously recommends that stockholders vote **FOR** approval and adoption of the merger agreement, **FOR** approval and adoption of the 2006 Equity Incentive Plan and **FOR** approval and adoption of the 2006 Employee Stock Purchase Plan.

Table of Contents**SUMMARY CONSOLIDATED FINANCIAL DATA**

You should read the summary consolidated financial data presented below in conjunction with *Selected Consolidated Financial Data* and *Management's Discussion and Analysis of Financial Condition and Results of Operations* and our audited consolidated financial statements, unaudited condensed consolidated financial statements and the related notes included elsewhere in this proxy statement/prospectus. The summary consolidated financial data presented below under *Consolidated Statement of Income Data* for the years ended January 31, 2006, 2005 and 2004 have been derived from our audited consolidated financial statements included elsewhere in this proxy statement/prospectus. The summary consolidated financial data presented below under *Consolidated Statement of Income Data* for the three months ended April 30, 2006 and 2005 and *Consolidated Balance Sheet Data* as of April 30, 2006 have been derived from our unaudited condensed consolidated financial statements that are included elsewhere in this proxy statement/prospectus and have been prepared on the same basis as our audited consolidated financial statements. In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal and recurring adjustments, necessary to state fairly our results of operations for and as of the periods presented. Historical results are not necessarily indicative of the results of operations to be expected for future periods.

The pro forma earnings per share and the pro forma preferred equivalent shares reflect the change in our capital structure of converting each share of class A common stock into two shares of new class A preferred stock and each share of class B common stock into 40 shares of new class A preferred stock. The payment of the special dividend will have a dilutive effect on basic and diluted earnings per share and the preferred equivalent shares used in this calculation. This dilutive effect of the payment of the special dividend has not been reflected in the pro forma earnings per share calculation as the final dividend has not been declared and the offering price of the new common stock has not been determined. If the IPO is completed, we will utilize a two-class method for computing earnings per share for the new common stock and the new class A preferred stock.

	Year Ended January 31			Three Months Ended April 30	
	2006	2005	2004	2006	2005
(in millions, except per share data)					
Consolidated Statement of Income Data:					
Revenues	\$ 7,792	\$ 7,187	\$ 5,833	\$ 1,958	\$ 1,846
Cost of revenues	6,801	6,283	5,053	1,686	1,614
Selling, general and administrative expenses	494	418	378	129	120
Goodwill impairment			7		
Gain on sale of business units, net		(2)			
Operating income	497	488	395	143	112
Net (loss) gain on marketable securities and other investments, including impairment losses	(15)	(16)	5		
Interest income	97	45	49	29	19
Interest expense	(89)	(88)	(80)	(23)	(22)
Other income (expense), net	7	(12)	5	2	(1)
Minority interest in income of consolidated subsidiaries	(13)	(14)	(10)	(3)	(3)
Income from continuing operations before income taxes	484	403	364	148	105
Provision for income taxes	139	131	140	54	50
Income from continuing operations	345	272	224	94	55
Income from discontinued operations, net of tax	582	137	127	12	530

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Net income	\$ 927	\$ 409	\$ 351	\$ 106	\$ 585
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Table of Contents

	Year Ended January 31			Three Months Ended April 30	
	2006	2005	2004	2006	2005
	(in millions, except per share data)				
Earnings per share:					
Basic:					
Income from continuing operations	\$ 1.98	\$ 1.49	\$ 1.22	\$.56	\$.31
Income from discontinued operations	3.35	.74	.68	.07	2.96
	<u>\$ 5.33</u>	<u>\$ 2.23</u>	<u>\$ 1.90</u>	<u>\$.63</u>	<u>\$ 3.27</u>
Diluted:					
Income from continuing operations	\$ 1.92	\$ 1.45	\$ 1.19	\$.54	\$.30
Income from discontinued operations	3.23	.73	.67	.07	2.88
	<u>\$ 5.15</u>	<u>\$ 2.18</u>	<u>\$ 1.86</u>	<u>\$.61</u>	<u>\$ 3.18</u>
Common equivalent shares:					
Basic					
	<u>174</u>	<u>183</u>	<u>185</u>	<u>168</u>	<u>179</u>
Diluted					
	<u>180</u>	<u>188</u>	<u>189</u>	<u>174</u>	<u>184</u>
Pro forma earnings per share:					
Basic: (1)					
Income from continuing operations	\$.99	\$.75	\$.61	\$.28	\$.15
Income from discontinued operations	1.67	\$.37	\$.34	.04	1.48
	<u>\$ 2.66</u>	<u>\$ 1.12</u>	<u>\$.95</u>	<u>\$.32</u>	<u>\$ 1.63</u>
Diluted: (1)(2)					
Income from continuing operations	\$.96	\$.73	\$.59	\$.27	\$.15
Income from discontinued operations	1.62	\$.36	\$.34	.04	1.44
	<u>\$ 2.58</u>	<u>\$ 1.09</u>	<u>\$.93</u>	<u>\$.31</u>	<u>\$ 1.59</u>
Pro forma preferred equivalent shares:					
Basic (1)					
	<u>348</u>	<u>365</u>	<u>370</u>	<u>336</u>	<u>358</u>
Diluted (1)(2)					
	<u>359</u>	<u>375</u>	<u>377</u>	<u>347</u>	<u>367</u>

As of
April 30, 2006

(in millions)

Consolidated Balance Sheet Data:

Cash and cash equivalents	\$ 2,717
Working capital	3,051
Total assets	5,686

Long-term debt, net of current portion	1,192
Stockholders' equity	2,962

Table of Contents

	Year Ended January 31			Three Months Ended April 30	
	2006	2005	2004	2006	2005
	(dollars in millions)				
Other Data:					
EBITDA (3)	\$ 1,421	\$ 687	\$ 622	\$ 157	\$ 989
Adjusted EBITDA (4)	563	519	438	157	127
Number of contracts generating more than \$10 million in annual revenues (5)	106	91	66	N/A	N/A
	As of January 31			As of April 30	
	2006	2005	2004	2006	
	(dollars in millions)				
Total consolidated negotiated backlog (6)	\$ 15,062	\$ 13,416	\$ 10,901	\$ 15,764	
Total consolidated funded backlog (6)	3,888	3,646	3,355	3,932	
Total number of employees (7)	43,600	42,400	39,300	43,300	

- (1) For the periods noted, the pro forma basic and diluted earnings per share and pro forma basic and diluted preferred equivalent shares reflect the conversion of each share of class A common stock outstanding into two shares of new class A preferred stock and each share of class B common stock outstanding into 40 shares of new class A preferred stock. The pro forma basic and diluted earnings per share and pro forma preferred equivalent shares do not reflect the dilutive effect of the payment of the special dividend as the final dividend has not been declared and the offering price of the new common stock has not been determined.
- (2) The pro forma diluted earnings per share and pro forma diluted preferred equivalent shares include the effect of converting the dilutive securities on the same basis as the class A common stock. The pro forma dilutive preferred equivalent shares are comprised of preferred stock options and other preferred stock awards granted to employees under stock-based compensation plans that were outstanding during the periods noted.
- (3) EBITDA is defined as net income plus income tax expense, net interest expense, and depreciation and amortization expense. EBITDA is considered a non-GAAP financial measure. We believe that EBITDA is an important measure of our performance and is a useful supplement to net income and other income statement data. We believe EBITDA is useful to management and investors in comparing our performance to that of other companies in our industry, since it removes the impact of (a) differences in capital structure, including the effects of interest income and expense, (b) differences among the tax regimes to which we and comparable companies are subject and (c) differences in the age, method of acquisition and approach to depreciation and amortization of productive assets. However, because other companies may calculate EBITDA differently than we do, it may be of limited usefulness as a comparative measure. EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are: (a) EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments, (b) EBITDA does not reflect changes in, or cash requirements for, our working capital needs, (c) EBITDA does not reflect the interest expense, or the cash requirements necessary to service our principal payments, on our debt, (d) EBITDA does not reflect income taxes or the cash requirements for any tax payments, and (e) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements.

The following is a reconciliation of EBITDA to net income.

	Year Ended January 31			Three Months Ended April 30	
	2006	2005	2004	2006	2005
	(dollars in millions)				

Table of Contents

supplemental measure of our performance. We prepare Adjusted EBITDA to eliminate the impact of items we do not consider indicative of ongoing operating performance. You are encouraged to evaluate each adjustment and the reasons we consider them appropriate for supplemental analysis. As an analytical tool, Adjusted EBITDA is subject to all of the limitations applicable to EBITDA.

The following is a reconciliation of Adjusted EBITDA to EBITDA.

	Year Ended January 31			Three Months Ended April 30	
	2006	2005	2004	2006	2005
	(in millions)				
EBITDA	\$ 1,421	\$ 687	\$ 622	\$ 157	\$ 989
Income from discontinued operations, net of tax	(582)	(137)	(127)	(12)	(530)
Depreciation and amortization of discontinued operations		(30)	(44)		
Provision for income taxes of discontinued operations	(293)	(18)	(19)	12	(335)
Gain on sale of business units and subsidiary common stock		(2)			
Goodwill impairment			7		
Net loss (gain) on marketable securities and other investments, including impairment losses	15	16	(5)		2
Investment activities by venture capital subsidiary	2	3	4		1
Adjusted EBITDA	\$ 563	\$ 519	\$ 438	\$ 157	\$ 127

- (5) Number of contracts from which we recognized more than \$10 million in annual revenues in the period presented.
- (6) Total consolidated negotiated backlog consists of funded backlog and negotiated unfunded backlog. Funded backlog represents the portion of backlog for which funding currently is appropriated or otherwise authorized and is payable to us upon completion of a specified portion of work, less revenues previously recognized. Our funded backlog does not include the full potential value of our contracts because the U.S. Government and our other customers often appropriate or authorize funds for a particular program or contract on a yearly or quarterly basis, even though the contract may call for performance over a number of years. Negotiated unfunded backlog represents (a) firm orders for which funding has not been appropriated or otherwise authorized and (b) unexercised contract options. When a definitive contract or contract amendment is executed and funding has been appropriated or otherwise authorized, funded backlog is increased by the difference between the funded dollar value of the contract or contract amendment and the revenues recognized to date. Negotiated unfunded backlog does not include any estimate of future potential task orders that might be awarded under (a) indefinite delivery / indefinite quantity contract vehicles, (b) government-wide acquisition contract vehicles or (c) U.S. General Services Administration Schedule contract vehicles. See Risk Factors Risks Relating to Our Business We may not realize as revenues the full amounts reflected in our backlog, which could adversely affect our future revenues and growth prospects, Management's Discussion and Analysis of Financial Condition and Results of Operations Key Financial Metrics Sources of Revenues Backlog and Business Contracts Backlog.
- (7) Includes full-time and part-time employees and excludes employees of our former Telcordia Technologies, Inc. subsidiary.

Table of Contents

RISK FACTORS

You should carefully consider the risks and uncertainties described below in your evaluation of the transactions, our business and us. If any of these risks or uncertainties actually occur, our business, financial condition or operating results could be materially harmed and the price of our stock could decline.

Risks Relating to the Transactions and Our Stock

The new class A preferred stock that you receive initially will be illiquid.

The new class A preferred stock that you receive as a result of the merger will not be listed on a national securities exchange or traded in an organized over-the-counter market. In addition, the terms and conditions of New SAIC's restated certificate of incorporation will further restrict the transferability of your new class A preferred stock, which will be allocated among the four series. Under these provisions:

series A-1 preferred stock may not be transferred to anyone other than a permitted transferee or converted into new common stock until 90 days after our IPO

series A-2 preferred stock may not be transferred to anyone other than a permitted transferee or converted into new common stock until 180 days after our IPO

series A-3 preferred stock may not be transferred to anyone other than a permitted transferee or converted into new common stock until 270 days after our IPO