

SAIC, Inc.
Form S-4/A
November 09, 2005
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As filed with the Securities and Exchange Commission on November 8, 2005

Registration No. 333-128022

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 2
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)	8700 (Primary Standard Industrial Classification Code Number)	20-3562868 (I.R.S. Employer Identification No.)
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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)

Douglas E. Scott, Esq.
Senior Vice President, General Counsel and Secretary

SAIC, Inc.
10260 Campus Point Drive

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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. "

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities until 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 November 8, 2005

Science Applications International Corporation

To our stockholders:

A special meeting of stockholders of Science Applications International Corporation, or Old SAIC, will be held at the SAIC Conference Center, 1710 SAIC Drive, McLean, Virginia, on December 8, 2005, at 10:00 a.m. For the convenience of our stockholders, the meeting will be videocast to Conference Room 2040 in Building D of our offices at 10260 Campus Point Drive, San Diego, California and at other locations, and will be webcast on our website (www.saic.com) and on our internal website, ISSAIC.

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 class A preferred stock of New SAIC for every share of class A common stock and 40 shares of class A preferred stock for every share of 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 \$8 to \$10 per share of Old SAIC class A common stock and approximately \$160 to \$200 per share of Old SAIC class B common stock, which is the equivalent of a range from approximately \$4 to \$5 per share of new class A preferred stock. Payment of the dividend will be contingent on completion of the IPO.

We are pursuing the IPO because, after a review of our 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 organic growth and to use both cash and common stock to finance growth through 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 or in other transactions.

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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 29 of the enclosed proxy statement/prospectus.

Sincerely,

K. C. Dahlberg

Chairman of the Board and Chief Executive Officer

November , 2005

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Science Applications International Corporation

10260 Campus Point Drive

San Diego, California 92121

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held on December , 2005

A special meeting of stockholders of Science Applications International Corporation, or Old SAIC, a Delaware corporation, will be held at the SAIC Conference Center, 1710 SAIC Drive, McLean, Virginia, on December , 2005, at 10:00 a.m. (local time). For the convenience of our stockholders, the meeting will be videocast to Conference Room 2040 in Building D of our offices at 10260 Campus Point Drive, San Diego, California 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, dated as of November 7, 2005, 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 November 4, 2005, are entitled to notice of and to vote at the special meeting and at any and all adjournments, postponements or continuations thereof.

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This proxy statement/prospectus is being first mailed to stockholders on or about November , 2005.

By Order of the Board of Directors

D. E. SCOTT

Senior Vice President,

General Counsel and Secretary

San Diego, California

November , 2005

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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 (1) by the Internet, (2) by telephone or (3) by mail no later than 11:59 P.M. Eastern Time on December 15, 2005. For specific instructions, please refer to the section titled "The Special Meeting, Voting and Proxies" beginning on page 44 of this proxy statement/prospectus and the instructions on the enclosed proxy. Submitting a proxy will not prevent you from attending the special meeting and voting in person, if you so desire.

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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 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 outside investors

a special dividend which we will pay to our current stockholders

Q2. Why are we pursuing these transactions?

A. We are pursuing these transactions because, after a review of our 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 organic growth and growth through acquisitions. Although we had no legal obligation to do so over the past five years, we have used more than \$2.5 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 an excess of shares sold by selling stockholders as compared to 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

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

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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 SAIC 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 organic growth and growth through acquisitions.

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

A. Yes. As we outlined in a letter to employees dated June 6, 2005, 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. Why didn't we tell our employees and stockholders about the IPO sooner?

A. We informed our employees and stockholders in June 2005 that our board of directors was conducting a review of strategic alternatives, including a possible IPO, that would best position us for long-term success. Once our board of directors authorized management to pursue the IPO, the federal securities laws restricted us from providing information about the proposed merger and IPO until the required filings could be made with the SEC the so-called quiet period.

Q6. 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 pages 16-17 illustrates the merger and its effect on our corporate structure.

Q7. 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.

Q8. How long will it take to complete the proposed transactions?

A. It is difficult to predict, but it depends to a great extent on the SEC's review of this and other documents related to the merger and the IPO. Typically in transactions of this type, the SEC will review the filings made by the company and make comments before the proxy

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statement/prospectus for the special meeting of stockholders and the prospectus for the IPO can be finalized. We will hold the special meeting of stockholders on December , 2005, and we expect to complete the IPO early next calendar year.

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Q9. Will New SAIC essentially be the same company after we have outside investors?

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 or new common stock in the future to our employees, directors and consultants pursuant to our benefit plans.

Q10. 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.

Q11. 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 in connection with these transactions.

Q12. 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

Q13. 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 pages 16-17 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.

Q14. 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. Of the shares of new class A preferred stock you receive in the merger:

10 percent will be designated series A-1 preferred stock

30 percent will be designated series A-2 preferred stock

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30 percent will be designated series A-3 preferred stock

30 percent will be designated series A-4 preferred stock

Any fractional share interests will be aggregated and allocated to a series of class A preferred stock.

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:

200 shares of series A-1 preferred stock

600 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:

4,000 shares of series A-1 preferred stock

12,000 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 revocable 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.

Q15. Why will I be entitled to 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 be entitled to 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 a two-for-one exchange ratio in the merger, which has the effect of implementing a two-for-one 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 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 retail investors.

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Q16. Why do the holders of class B common stock receive more shares than the holders of class A common stock?

- A. The 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 and split again 4 for 1 in 1999, resulting in an overall 20 for 1 split, the class B common stock has not been split since it was initially issued. If the class B common stock had been split in 1987 and 1999 along with the class A common stock, there would be no difference in the number of shares which the holders of each of these classes 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.

Q17. What are the tax consequences of the merger?

- A. The exchange of your class A and class B common stock for new class A preferred stock pursuant to the merger is not expected to be a taxable transaction for you for federal income tax purposes. It is conceivable that the Internal Revenue Service 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 Internal Revenue Service 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.

Q18. 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 do 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 54. The full text of Section 262 of the DGCL is included as Annex E to this proxy statement/prospectus.

Q19. 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 need to reassess how to

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satisfy the needs of our stock system and yet achieve our long-term strategic objectives. We may not be able to balance the stock system indefinitely.

Q20. 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 not proceed with the IPO and special dividend.

The Initial Public Offering

Q21. 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.

Q22. How and when will we complete our IPO?

- A. As soon as our board of directors deems advisable after the merger agreement is approved and adopted by our stockholders and our registration statement is declared effective by the SEC, we will complete the merger and then sell shares of New SAIC common stock to the public in an IPO. If the merger agreement is not approved and adopted, the IPO will not occur and we will not pay the special dividend, which will be specifically conditioned upon completion of the IPO.

Q23. How will the IPO price be determined?

- A. The price of the new common stock in the IPO will be negotiated with the representatives of the underwriters, Morgan Stanley & Co. Incorporated and Bear, Stearns & Co. Inc. 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, the new common stock will trade at prices that depend on a number of factors, including those described in Risk Factors beginning on page 29. Our stock price may fluctuate based on these and other factors. The price of the new common stock in the IPO will be negotiated with the underwriters and the market price at which our new common stock will trade following the IPO will be determined by market forces. 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 than 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 applied for listing of the new common stock on the New York Stock Exchange under the symbol SAI.

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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 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 29.

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 there be a friends and family program under which I can buy shares in the IPO?

- A. No. It is not logistically practicable to offer a friends and family directed share program to all of our employees. We also believe that it would not be fair to offer such a program only to a select group of employees or executives. As a result, we will not be offering a friends and family program.

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

- 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 to the holders of Old SAIC common stock as of the record date 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 \$250 million.

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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 \$8 to \$10 per share of Old SAIC class A common stock and from approximately \$160 to \$200 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 advisors, in order to distribute a significant amount of cash to our current stockholders and yet retain sufficient capital to meet our future strategic needs.

Q35. 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 to the holders of Old SAIC common stock as of the record date set by the board of directors. Payment will be conditioned upon completion of the IPO, and it is anticipated that the dividend will be paid within 25 days after the IPO.

Q36. What are the 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 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 additional amount paid for your shares in the merger, it would not be treated as a dividend for federal income tax purposes. 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*.

Q37. What will our dividend policy be after the IPO?

A. Old SAIC has never declared or paid 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. Any future determination to pay cash dividends will be at the discretion of our board of directors and will

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depend on earnings, financial condition, operating results, capital requirements, applicable contractual restrictions and other factors our board of directors deems relevant.

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The New Class A Preferred Stock

Q38. 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 that holders of the new class A preferred stock will be subject to certain transfer restrictions set forth below, will be entitled to convert their shares into new common stock after the expiration of the restriction periods and will be entitled to 10 votes per share, while the holders of the new common stock will have freely tradable stock and be entitled to one vote per share. The new class A preferred stock has no other preferences.

Q39. 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. 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.

Q40. 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 or a trust for your benefit 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 from the first page of your Stock Summary Statement (mailed to you quarterly) or from your online stock summary report (available to employees via our intranet website, ISSAIC).

If you or a trust for your benefit hold your shares directly and they are represented by certificates, we will send you a letter shortly after the merger explaining how you can surrender your certificates and receive your new class A preferred stock. You should not send us your certificates at this time.

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

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

Q41. 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.

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Q42. 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.

Q43. 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

Q44. Will I be able to sell or transfer my new class A preferred stock immediately?

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

on April 1, 2006 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.

Q45. Who is a permitted transferee ?

A. Permitted transferees generally include:

members of your immediate family

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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 51 for important details and conditions of transfers to permitted transferees.

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Q46. Why will the sale of my stock be restricted?

- A. It is common practice to impose transfer restrictions on existing shares in connection with an IPO. 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. The first restriction period will end on April 1, 2006 to provide stockholders with some liquidity to pay taxes.

Q47. What 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 IPO, our directors and executive officers will enter into lock-up agreements with the underwriters of the IPO. Under these agreements, these directors and executive officers 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 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.

Q48. 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

Q49. Can I buy or sell shares in the limited market before the completion of the IPO?

- A. The last limited market trade prior to the proposed IPO occurred in October 2005. If you have unexpected qualifying financial needs, you may be eligible to sell your directly held shares to us pursuant to our Financial Hardship Policy as described on ISSAIC or available through our General Counsel's office. For our 401(k) plan and certain other retirement plans, there will be a December trade

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before the IPO that participants in those plans may offer to buy or sell shares in accordance with the terms of those plans. Old SAIC has the right, but not the obligation, to buy or sell the net balance of shares offered by participants in the retirement plans in this December trade.

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Q50. 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. As such, we anticipate Bull Inc. will cease to operate after October. After the IPO, subject to the restriction periods set forth above, you will be able to sell shares in the public market.

Q51. 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. You will not have to do anything more to effect the conversion. When you sell, you will receive the prevailing market price for your shares.

Q52. 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, you will no longer be required to obtain other approval for stock purchases.

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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, 2005 as fiscal 2005. We are currently in fiscal 2006. 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 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 2001 to fiscal 2005, our consolidated revenues increased at a compound annual growth rate of 15.5% to a company record of \$7.2 billion, inclusive of acquisitions and exclusive of Telcordia Technologies, Inc., our commercial telecommunications subsidiary, which we divested in March 2005. As of July 31, 2005, we had a portfolio of more than 10,000 contracts and total consolidated negotiated backlog of approximately \$9.9 billion, which included funded backlog of approximately \$3.4 billion, compared to approximately \$9.0 billion and \$3.4 billion, respectively, as of July 31, 2004. In May 2005, 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 86% of our total consolidated revenues in fiscal 2005. According to the Congressional Budget Office, U.S. Government total discretionary outlays in government fiscal 2005 were approximately \$960 billion and we estimate that more than \$125 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

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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 high 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 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 chaotic environments and produce actionable intelligence.

Homeland security. 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.

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.

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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. At the time of the merger, the then-current directors and executive officers of Old SAIC will become the directors and executive officers of New SAIC.

PROPOSAL I THE MERGER

The first proposal is to approve and adopt an Agreement and Plan of Merger, dated as of November 7, 2005, 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 47)

We are pursuing these transactions because, after a review of our 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 48)

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)

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

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

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

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What You Will Be Entitled to Receive Pursuant to the Merger (see page 48)

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:

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The Public Offering (see page 49)

Soon after the merger is approved, subject to market conditions, we plan to make a public offering 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

The Special Dividend (see page 50)

The board of directors of Old SAIC intends to declare a special dividend that will be paid to the holders of Old SAIC common stock as of the record date set by the board of directors. Payment will be conditioned upon completion of the IPO and it is anticipated that the dividend will be paid within 25 days after the IPO. The special dividend is expected to range from approximately \$8 to \$10 per share of Old SAIC class A common stock and from approximately \$160 to \$200 per share of Old SAIC class B common stock, which is the equivalent of a range from approximately \$4 to \$5 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 \$250 million.

How We Will Effect the Merger and the Special Dividend (see page 50)

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 it is anticipated that the dividend will be paid within 25 days after the IPO.

New SAIC's Restated Certificate of Incorporation (see page 51)

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

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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

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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 51)

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 56)

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 applied for listing of the new common stock on the New York Stock Exchange under the symbol SAI. Listing is subject to fulfilling all applicable listing requirements.

Conditions to the Merger (see page 56)

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 58)

The merger, the conversion of your class A and class B common stock into new class A preferred stock, and the public offering will not be taxable transactions for you for federal income tax purposes.

Material Federal Income Tax Consequences to Stockholders The Special Dividend (see page 59)

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 additional amount paid for your shares in the merger, it would not be treated as a dividend for federal income tax purposes.

Accounting Treatment (see page 60)

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.

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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 62)

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.

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 62)

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 63)

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.

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Federal Income Tax Consequences of Awards (see page 66)

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 68)

Based on guidance currently available from the Financial Accounting Standards Board, it is anticipated that upon the adoption of Statement of Financial Accounting Standards No. 123(R) on February 1, 2006, New SAIC will be required to 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 be required to 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.**

General (see page 69)

The 2006 Employee Stock Purchase Plan will become effective on March 1, 2006, 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.

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The number of shares that may be added each year will equal the least of 9,000,000 shares, 2% of outstanding new 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.

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Administration (see page 69)

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 69)

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 70)

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 70)

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 on March 1, 2006 and will end on June 30, 2006.

Purchase Price (see page 70)

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 70)

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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 prior to a purchase date 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 subscription agreement. No interest accrues on the payroll deductions of a participant.

Holding Period (see page 71)

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

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Withdrawal (see page 72)

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 73)

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 74)

We expect that upon the adoption of Statement of Financial Accounting Standards No. 123(R) on February 1, 2006, we will be required to record compensation expense for financial statement purposes in connection with the rights to purchase our stock granted to employees under the 2006 Employee Stock Purchase Plan. However, in 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).

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THE SPECIAL MEETING

Date and Time	December , 2005, at 10:00 a.m.
Location	SAIC Conference Center, 1710 SAIC Drive, McLean, Virginia.
Meeting Videocast	For the convenience of our stockholders, the meeting will be videocast to Conference Room 2040 in Building D of our offices at 10260 Campus Point Drive, San Diego, California and at other locations, and will be webcast on our website (www.saic.com) and on ISSAIC.
Record Date	November 4, 2005.
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.
Revocability of Proxies and Voting in Person	Record holders may revoke or change their proxy at any time until 11:59 P.M. Eastern Time on December , 2005 by: submitting another proxy with a later date, or by sending a written notice of revocation to our Secretary at our principal executive offices.
Confidentiality of Voting	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 the SAIC Conference Center in McLean, Virginia in order to be entitled to vote in person. 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 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, 2005, 2004 and 2003 and for the six months ended July 31, 2005 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 six months ended July 31, 2004 have been derived from 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. The summary consolidated financial data presented below under *Consolidated Balance Sheet Data* as of July 31, 2005 have been derived from our audited consolidated financial statements that are included elsewhere in this proxy statement/prospectus. 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			Six Months Ended July 31	
	2005	2004	2003	2005	2004
	(in millions, except per share data)				
Consolidated Statement of Income Data:					
Revenues	\$ 7,187	\$ 5,833	\$ 4,835	\$ 3,798	\$ 3,474
Cost of revenues	6,337	5,100	4,211	3,332	3,055
Selling, general and administrative expenses	364	331	305	210	185
Goodwill impairment		7	13		
Gain on sale of business units, net	(2)		(5)		
Operating income	488	395	311	256	234
Net (loss) gain on marketable securities and other investments, including impairment losses (1)	(16)	5	(134)	(5)	(4)
Interest income	45	49	37	43	17
Interest expense	(88)	(80)	(45)	(44)	(44)
Other (expense) income, net	(12)	5	6	2	(1)
Minority interest in income of consolidated subsidiaries	(14)	(10)	(7)	(6)	(6)
Income from continuing operations before income taxes	403	364	168	246	196
Provision for income taxes	131	140	61	106	77
Income from continuing operations	272	224	107	140	119
Income from discontinued operations, net of tax	137	127	152	542	51

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Net income	<u>\$ 409</u>	<u>\$ 351</u>	<u>\$ 259</u>	<u>\$ 682</u>	<u>\$ 170</u>
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		Year Ended January 31	Six Months Ended July 31
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2005	2004		
-	—		