

SAIC, Inc.
Form S-4 POS
May 08, 2006
Table of Contents

As filed with the Securities and Exchange Commission on May 8, 2006

Registration No. 333-128022

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

POST-EFFECTIVE

AMENDMENT NO.

1

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.)

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)

Edgar Filing: SAIC, Inc. - Form S-4 POS

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)

Copies to:

Neal H. Brockmeyer

Ryan A. Murr

Sarah A. Solomon

Heller Ehrman LLP

4350 La Jolla Village Drive

San Diego, California 92122

Phone: (858) 450-8400

Fax: (858) 450-8499

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 May 8, 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 \$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 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 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.

Edgar Filing: SAIC, Inc. - Form S-4 POS

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, dated as of November 7, 2005, and amended as of April 28, 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 _____, 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 proxy and voting instruction cards 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 and voting instruction card by the Internet, telephone or mail.

Edgar Filing: SAIC, Inc. - Form S-4 POS

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 and voting instruction card (1) by the Internet, (2) by telephone or (3) by mail no later than 11:59 p.m. Eastern time on _____, 2006. For specific instructions, please refer to the section titled *The Special Meeting, Voting and Proxies* beginning on page 46 of this proxy statement/prospectus and the instructions on the enclosed proxy and voting instruction card. Submitting a proxy and voting instruction card 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> | 53 |
| <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

| | Page |
|--|-------------|
| <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> | 109 |
| <u>MANAGEMENT</u> | 130 |
| <u>EXECUTIVE COMPENSATION</u> | 137 |
| <u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u> | 150 |
| <u>PRINCIPAL STOCKHOLDERS</u> | 152 |
| <u>DESCRIPTION OF CAPITAL STOCK, CERTIFICATE OF INCORPORATION AND BYLAWS</u> | 153 |
| <u>MARKET FOR OLD SAIC STOCK AND RELATED STOCKHOLDER MATTERS</u> | 161 |
| <u>STOCKHOLDER PROPOSALS</u> | 168 |
| <u>WHERE YOU CAN FIND MORE INFORMATION</u> | 169 |
| <u>LEGAL MATTERS</u> | 169 |
| <u>EXPERTS</u> | 169 |
| <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 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

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

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

Edgar Filing: SAIC, Inc. - Form S-4 POS

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. 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 (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 and voting instruction card for the special meeting originally scheduled for December 16, 2005, do I need to submit a new proxy and voting instruction card for the upcoming special meeting?

- A. Yes. None of the proxy and voting instruction cards 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 and voting instruction card by the Internet, telephone or mail.

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 and contingencies, arbitration proceedings and review by independent directors 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?

Edgar Filing: SAIC, Inc. - Form S-4 POS

- 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 \$235 million.

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 \$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 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?