

SCIENCE APPLICATIONS INTERNATIONAL CORP  
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**SAIC Capital Restructuring & Initial Public Offering (IPO)**

SAIC Capital Restructuring & IPO > Questions & Answers

## Questions and Answers Sorted by Topic

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This is an alternate index to all of the Q&As which appear in the Supplemental Q&A filed with the SEC. This index organizes the questions and answers by the topics most frequently asked and accessed by employees. For reference, it includes the question number from the Supplemental Q&A. Please note that several of the Supplemental Q&A questions appear more than once because the answer pertains to more than one topic area.

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## 1. Rationale & Timing

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Q131. Did we consider paying off some or all of our long-term debt rather than paying the special dividend? Added 23 Sep 2005

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### **1a. Deal with stock trade imbalance**

Q2. Why are we pursuing these transactions?

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

Q5. Why didn't we tell our employees and stockholders about the IPO sooner?

### **1b. Increase liquidity**

Q2. Why are we pursuing these transactions?

### **1c. Support independence**

Q2. Why are we pursuing these transactions?

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

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

Q26. How was the size of the IPO determined?

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## **2. Transaction & SAIC Structure Overview**

Q1. What transactions do we intend to complete? **Updated 14 Oct 2005**

Q2. Why are we pursuing these transactions?

Q3. Why are we pursuing these transactions now?

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

Q5. Why didn't we tell our employees and stockholders about the IPO sooner?

Q6. How will the merger and the IPO affect our corporate structure?

Q7. Will our new corporate structure affect the way we conduct business?

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

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

Q10. Will our relationships with customers, suppliers and employees change?

Q11. Will our executive officers or the members of our board of directors change?

Q12. Does management still think employee ownership is important?

Q21. What is an IPO?

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

Q26. How was the size of the IPO determined?

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

Q53. How will New SAIC's restated certificate of incorporation be different from our current certificate of incorporation?

Q54. How will New SAIC's restated bylaws be different from our current bylaws?

Q107. Will SAIC continue to act as its own transfer agent?

Q177. Why did the Company file Amendments to the Form S-1 and Form S-4 Registration Statements? Added 14 Oct 2005

## **2a. Bull, Inc.**

Q107. Will SAIC continue to act as its own transfer agent?

Q109. Will I need to open an account at a new brokerage firm after the merger and the IPO?

Q110. Will I need to pay a commission for stock transactions after the merger and the IPO?

Q115. Will we continue to maintain stock records with respect to the class A and class B common stock of Old SAIC?

Q117. After the merger and the IPO, will I or my financial advisor be able to speak with someone at SAIC about my directly held stock?

## **2b. Subsidiaries/Joint Ventures**

Q7. Will our new corporate structure affect the way we conduct business?

Q13. What does the merger entail and why are we merging with one of our subsidiaries?

## 2c. Special Meeting(s) of Stockholders

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

Q65. Will we continue to award bonus shares under the 1984 Bonus Compensation Plan?

Q66. Will we continue to grant options under the 1999 Stock Incentive Plan?

Q83. How will the merger and the IPO impact the 2004 ESPP?

Q155. Can I vote the shares held in the SAIC Exchangeable Stock Fund and the SAIC Non-Exchangeable Stock Fund, or does the trustee vote the shares? Added 23 Sep 2005

Q172. After the merger and the IPO, will stock awards granted to employees be for new common stock with one vote per share or new class A preferred stock with 10 votes per share? Added 23 Sep 2005

Q173. After the merger and the IPO, will options granted to employees be options to purchase new common stock with one vote per share or options to purchase new class A preferred stock with 10 votes per share? Added 23 Sep 2005

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## 3. Merger

Q1. What transactions do we intend to complete? Updated 14 Oct 2005

Q2. Why are we pursuing these transactions?

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

Q10. Will our relationships with customers, suppliers and employees change?

Q11. Will our executive officers or the members of our board of directors change?

Q13. What does the merger entail and why are we merging with one of our subsidiaries?

Q14. What will I be entitled to receive in the merger?

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?

Q17. What are the tax consequences of the merger?



Q18. Do I have appraisal rights?

Q19. What happens if the stockholders do not adopt the merger agreement?

Q20. Can our board of directors abandon the merger and other transactions even if stockholder approval is obtained?

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

Q63. Will the merger or the IPO impact vesting schedules for my outstanding stock and options?

Q65. Will we continue to award bonus shares under the 1984 Bonus Compensation Plan?

Q66. Will we continue to grant options under the 1999 Stock Incentive Plan?

Q82. Now that I've been advised of the merger and the IPO, can I change my mind and unwind a previous option exercise? Can I cancel a current option exercise transaction if it hasn't been processed yet?

Q136. Will the merger or the IPO impact the vesting schedule or expiration date of my outstanding stock options? Will I lose them if I don't exercise them before the merger or the IPO? Added 23 Sep 2005

Q138. Will the merger or the IPO affect when I may exercise my outstanding stock options? Added 23 Sep 2005

Q139. Will the merger or the IPO affect the process I use to exercise stock options? Added 23 Sep 2005

Q178. In the Amendment to the S-4 filed with the SEC on October 14, 2005, the company says that the special dividend will be declared and paid by Old SAIC on shares of Old SAIC common stock. The S-4 filed with the SEC on September 1, 2005 stated the special dividend would be declared and paid by New SAIC on new class A preferred stock. How will this change impact holders of class A common stock and class B common stock? Added 14 Oct 2005

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## 4. IPO

Q1. What transactions do we intend to complete? Updated 14 Oct 2005

Q2. Why are we pursuing these transactions?

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

Q5. Why didn't we tell our employees and stockholders about the IPO sooner?

Q6. How will the merger and the IPO affect our corporate structure?

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

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

Q10. Will our relationships with customers, suppliers and employees change?

Q11. Will our executive officers or the members of our board of directors change?

Q12. Does management still think employee ownership is important?

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?

Q19. What happens if the stockholders do not adopt the merger agreement?

Q20. Can our board of directors abandon the merger and other transactions even if stockholder approval is obtained?

Q21. What is an IPO?

Q22. How and when will we complete our IPO?

Q23. How will the IPO price be determined?

Q24. Where will the new common stock be traded?

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

Q26. How was the size of the IPO determined?

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

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

Q29. Will there be a friends and family program under which I can buy shares in the IPO?

Q30. What will we do with the proceeds from the IPO? Updated 14 Oct 2005

Q37. What will our dividend policy be after the IPO? Updated 14 Oct 2005

Q39. Why do the public investors receive a different class of stock than our existing stockholders?

Q61. How will the merger and the IPO impact pending offers to receive options matched to shares purchased in the limited market?

Q78. Will the merger or the IPO change how I exercise my stock options?

Q79. How will I know the stock price of the class A common stock if I decide to exercise my options before the merger and the IPO?

Q82. Now that I've been advised of the merger and the IPO, can I change my mind and unwind a previous option exercise? Can I cancel a current option exercise transaction if it hasn't been processed yet?

Q95. Will the transfer restrictions on the new class A preferred stock prohibit me from reallocating investments in my SAIC 401(k) plan account after the merger and the IPO?

Q96. As a result of the merger and the IPO, will we consider any changes to our policies concerning the exchangeability of SAIC stock held in the Non-exchangeable Company Stock Fund?

Q97. Can I still request loans, hardship withdrawals or distributions from the SAIC 401(k) plan before the merger and the IPO? What about during the transfer restriction periods?

Q116. Will there be anyone at SAIC who is available to talk to me or my financial advisor about how the merger and the IPO will impact my existing stock and option holdings?

Q117. After the merger and the IPO, will I or my financial advisor be able to speak with someone at SAIC about my directly held stock?

Q118. Will you need to sign replacement stock option or stock restriction agreements as a result of the merger and the IPO?

Q119. Will we make commemorative stock certificates available to our stockholders before or after the IPO?

Q121. Will our employees, senior executives or directors be given an opportunity to buy more of our stock in the IPO? Added 23 Sep 2005

Q127. What is the purpose of the special dividend? Updated 14 Oct 2005

Q128. What impact will the special dividend have on the offering price of the new common stock we intend to sell in the proposed IPO? Added 23 Sep 2005

Q129. What will be the record date for determining shares upon which the special dividend will be paid? Added 23 Sep 2005

Q135. Will I lose the benefit of the special dividend if I don't exercise my stock options before the record date for the special dividend? Added 23 Sep 2005

Q136. Will the merger or the IPO impact the vesting schedule or expiration date of my outstanding stock options? Will I lose them if I don't exercise them before the merger or the IPO? Added 23 Sep 2005

Q138. Will the merger or the IPO affect when I may exercise my outstanding stock options? Added 23 Sep 2005

Q139. Will the merger or the IPO affect the process I use to exercise stock options? Added 23 Sep 2005

Q140. After the merger and the IPO, can I use stock to pay the exercise price and tax withholding when I exercise stock options? Added 23 Sep 2005

Q141. After the merger and the IPO, will the transfer restrictions on the new class A preferred stock impact my ability to use stock to exercise my stock options and to pay withholding taxes on any gains? Added 23 Sep 2005

Q142. Will the merger or the IPO impact the six-month holding period for stock acquired upon exercise of stock options and used to pay the exercise price for other stock options? Added 23 Sep 2005

Q151. Will the proposed IPO impact how gains upon exercise of stock options are taxed? Added 23 Sep 2005

Q169. If we do not complete the merger and the IPO, will we establish additional limited market trades? If so, when? Added 23 Sep 2005

Q178. In the Amendment to the S-4 filed with the SEC on October 14, 2005, the company says that the special dividend will be declared and paid by Old SAIC on shares of Old SAIC common stock. The

S-4 filed with the SEC on September 1, 2005 stated the special dividend would be declared and paid by New SAIC on new class A preferred stock. How will this change impact holders of class A common stock and class B common stock? Added 14 Oct 2005

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## 5. Special Dividend

Q1. What transactions do we intend to complete? Updated 14 Oct 2005

Q31. What is a dividend?

Q32. Why do we plan to pay a special dividend? Updated 14 Oct 2005

Q33. What is the amount of the special dividend? Updated 14 Oct 2005

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

Q35. When will the special dividend be paid? Updated 14 Oct 2005

Q36. What are the tax consequences of the special dividend? Updated 14 Oct 2005

Q37. What will our dividend policy be after the IPO? Updated 14 Oct 2005

Q64. Will the special dividend be paid on unvested shares? Updated 14 Oct 2005

Q75. How will the special dividend affect the value of my stock?

Q76. How will the special dividend affect my outstanding stock options? How will the merger affect my outstanding stock options? Updated 14 Oct 2005

Q94. How will the SAIC 401(k) plan treat the special dividend? Updated 14 Oct 2005

Q127. What is the purpose of the special dividend? Updated 14 Oct 2005

Q128. What impact will the special dividend have on the offering price of the new common stock we intend to sell in the proposed IPO? Added 23 Sep 2005

Q129. What will be the record date for determining shares upon which the special dividend will be paid? Added 23 Sep 2005

Q130. Why can't I elect to receive stock rather than cash as part of the special dividend? Could I receive a stock dividend on a tax-deferred basis? Updated 14 Oct 2005

Q131. Did we consider paying off some or all of our long-term debt rather than paying the special dividend? Added 23 Sep 2005

Q132. Which securities are entitled to receive dividends and which securities are not? Added 23 Sep 2005

Q133. When will we receive the IRS guidance referenced in Questions 87 and 94 of the Supplemental Q&A? When will we know whether we can elect to receive cash proceeds from the special dividend paid with respect to new class A preferred stock held in the ESRP and the SAIC 401(k) plan? Updated 14 Oct 2005

Q134. How will the special dividend be paid on stock held in rabbi trusts ? Updated 14 Oct 2005

Q135. Will I lose the benefit of the special dividend if I don't exercise my stock options before the record date for the special dividend? Added 23 Sep 2005

Q136. Will the merger or the IPO impact the vesting schedule or expiration date of my outstanding stock options? Will I lose them if I don't exercise them before the merger or the IPO? Added 23 Sep 2005

Q147. How will the special dividend be taxed? Updated 14 Oct 2005

Q148. At what rate will the special dividend be taxed? Are there holding period requirements to receive favorable special dividend tax treatment? Updated 14 Oct 2005

Q149. Will the special dividend paid on vested, directly held stock be taxed differently than the special dividend paid on unvested stock or stock held in deferred compensation accounts? Added 23 Sep 2005

Q150. Can I make a section 83(b) election now to minimize taxes on dividends paid on unvested stock? Added 23 Sep 2005

Q178. In the Amendment to the S-4 filed with the SEC on October 14, 2005, the company says that the special dividend will be declared and paid by Old SAIC on shares of Old SAIC common stock. The S-4 filed with the SEC on September 1, 2005 stated the special dividend would be declared and paid by New SAIC on new class A preferred stock. How will this change impact holders of class A common stock and class B common stock? Added 14 Oct 2005

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## 6. Employee Ownership

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[Q9. Will New SAIC essentially be the same company after we have outside investors?](#)

[Q10. Will our relationships with customers, suppliers and employees change?](#)

[Q12. Does management still think employee ownership is important?](#)

[Q25. How much stock are we selling to the public?](#)

[Q39. Why do the public investors receive a different class of stock than our existing stockholders?](#)

[Q174. As our existing stockholders sell their shares in the public market following the merger and the IPO, won't employee ownership of New SAIC decrease? Added 23 Sep 2005](#)

[Q175. Will the Certified Employee Owner \(C.E.O.\) program continue after the IPO? Added 23 Sep 2005](#)

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## 7. My Stock Account

[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?](#)

[Q16. Why are there two classes of Old SAIC common stock and why do the holders of class B common stock receive more shares than the holders of the class A common stock?](#)

[Q29. Will there be a friends and family program under which I can buy shares in the IPO?](#)

[Q30. What will we do with the proceeds from the IPO? Updated 14 Oct 2005](#)

[Q38. What are the differences between the new class A preferred stock and the new common stock?](#)



Q40. What must I do to get my new class A preferred stock?

Q48. Will I be permitted to enter into a hedging transaction to avoid the risk of my new class A preferred stock?

Q71. Where can I find a summary of how the merger and the IPO impact some important employee benefits and stockholder rights?

Q75. How will the special dividend affect the value of my stock?

Q108. Should I convert my certificate-bearing account to book-entry form before the merger and the IPO?

Q109. Will I need to open an account at a new brokerage firm after the merger and the IPO?

Q110. Will I need to pay a commission for stock transactions after the merger and the IPO?

Q115. Will we continue to maintain stock records with respect to the class A and class B common stock of Old SAIC?

Q116. Will there be anyone at SAIC who is available to talk to me or my financial advisor about how the merger and the IPO will impact my existing stock and option holdings?

Q117. After the merger and the IPO, will I or my financial advisor be able to speak with someone at SAIC about my directly held stock?

Q132. Which securities are entitled to receive dividends and which securities are not? Added 23 Sep 2005

Q166. Will SAIC provide an adjusted stock history report to help me track the tax basis in my shares? Added 23 Sep 2005

Q167. What do I need to do to sell my shares through a broker after the merger and the IPO? Added 23 Sep 2005

Q168. Will SAIC establish arrangements with any particular brokerage firms? Added 23 Sep 2005

Q176. Do the quiet period restrictions prevent me from discussing the proposed merger and IPO with my financial advisor? Added 23 Sep 2005

## **7a. Preferred Stock**

Q14. What will I be entitled to receive in the merger?

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?

Q16. Why are there two classes of Old SAIC common stock and why do the holders of class B common stock receive more shares than the holders of the class A common stock?

Q17. What are the tax consequences of the merger?

Q18. Do I have appraisal rights?

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

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

Q33. What is the amount of the special dividend? Updated 14 Oct 2005

Q35. When will the special dividend be paid? Updated 14 Oct 2005

Q36. What are the tax consequences of the special dividend? Updated 14 Oct 2005

Q37. What will our dividend policy be after the IPO? Updated 14 Oct 2005

Q38. What are the differences between the new class A preferred stock and the new common stock?

Q39. Why do the public investors receive a different class of stock than our existing stockholders?

Q40. What must I do to get my new class A preferred stock?

Q41. What will happen to our right of first refusal and right to repurchase your stock?

Q42. What will happen to the new class A preferred stock that I will own if my affiliation terminates or I retire?

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)?

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

Q69. After the merger, can I use my new class A preferred stock to pay the tax withholding related to any stock bonus I receive?

Q70. After the merger, can I use my new class A preferred stock to pay the exercise price and tax withholding due when I exercise my stock options?

Q90. Can I still take an in-kind distribution from the ESRP? Will the distribution be in new class A preferred stock?

Q132. Which securities are entitled to receive dividends and which securities are not? Added 23 Sep 2005

Q143. What class of stock will I receive if I exercise my stock options after the merger? Added 23 Sep 2005

Q145. How will the merger and the IPO impact the tax basis of my stock? Added 23 Sep 2005

Q146. How will the merger and the IPO impact the holding period for calculating long-term vs. short-term gains and losses? Added 23 Sep 2005

Q156. After the merger and the IPO, will the stock held in the ESRP, the SAIC 401(k) plan and the AMSEC 401(k) plan be subject to transfer restrictions? If so, how will SAIC facilitate exchanges and diversification transactions? Added 23 Sep 2005

**7b. Loans - Stock Purchase, Stock Pledge, Retirement Plans**

Q92. Can I still request loans, hardship withdrawals or distributions from the ESRP before the merger and the IPO?

Q97. Can I still request loans, hardship withdrawals or distributions from the SAIC 401(k) plan before the merger and the IPO? What about during the transfer restriction periods?

Q112. How will the merger and the IPO affect me if I previously pledged my shares of class A or class B common stock to collateralize a loan?

Q114. How do I determine the tax basis of my shares of class A and class B common stock of Old SAIC?

## **7c. Taxes**

Q17. What are the tax consequences of the merger?

Q36. What are the tax consequences of the special dividend? Updated 14 Oct 2005

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

Q69. After the merger, can I use my new class A preferred stock to pay the tax withholding related to any stock bonus I receive?

Q70. After the merger, can I use my new class A preferred stock to pay the exercise price and tax withholding due when I exercise my stock options?

Q114. How do I determine the tax basis of my shares of class A and class B common stock of Old SAIC?

Q115. Will we continue to maintain stock records with respect to the class A and class B common stock of Old SAIC?

Q130. Why can't I elect to receive stock rather than cash as part of the special dividend? Could I receive a stock dividend on a tax-deferred basis? Updated 14 Oct 2005

Q140. After the merger and the IPO, can I use stock to pay the exercise price and tax withholding when I exercise stock options? Added 23 Sep 2005

Q141. After the merger and the IPO, will the transfer restrictions on the new class A preferred stock impact my ability to use stock to exercise my stock options and to pay withholding taxes on any gains? Added 23 Sep 2005

Q144. What are the anticipated tax consequences of the merger and the IPO for foreign stockholders? Added 23 Sep 2005

Q145. How will the merger and the IPO impact the tax basis of my stock? Added 23 Sep 2005

Q146. How will the merger and the IPO impact the holding period for calculating long-term vs. short-term gains and losses? Added 23 Sep 2005

Q147. How will the special dividend be taxed? Updated 14 Oct 2005

Q148. At what rate will the special dividend be taxed? Are there holding period requirements to receive favorable special dividend tax treatment? Updated 14 Oct 2005

Q149. Will the special dividend paid on vested, directly held stock be taxed differently than the special dividend paid on unvested stock or stock held in deferred compensation accounts? **Added 23 Sep 2005**

Q150. Can I make a section 83(b) election now to minimize taxes on dividends paid on unvested stock? **Added 23 Sep 2005**

Q151. Will the proposed IPO impact how gains upon exercise of stock options are taxed? **Added 23 Sep 2005**

Q166. Will SAIC provide an adjusted stock history report to help me track the tax basis in my shares? **Added 23 Sep 2005**

#### **7d. Stock Transfers**

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

Q38. What are the differences between the new class A preferred stock and the new common stock?

Q41. What will happen to our right of first refusal and right to repurchase your stock?

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

Q45. Who is a permitted transferee ?

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

Q47. What additional transfer restrictions apply to our directors and executive officers?

Q111. Will I still have an opportunity to transfer my shares of class A or class B common stock as part of my charitable giving and estate planning prior to the merger and the IPO?

Q137. Is there an early deadline this year for transfers specifically required to facilitate stock-for-stock option exercises? Added 23 Sep 2005

Q164. Is there an early deadline this year for transfers to family members and trusts for estate planning purposes? Added 23 Sep 2005

## **7e. Employment Status Changes**

Q42. What will happen to the new class A preferred stock that I will own if my affiliation terminates or I retire?

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)?

Q77. What will happen to my unexercised stock options if my employment or affiliation terminates?

Q106. If my affiliation with SAIC has terminated or is terminating, how will I know if you will repurchase my stock?

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## **8. Buying and Selling**

Q41. What will happen to our right of first refusal and right to repurchase your stock?

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)?

Q51. After the IPO, how can I sell my shares of new class A preferred stock? What will be the price?

Q52. Will I be able to buy more shares in the public market?

Q59. Why do we plan to cancel the limited market trade scheduled for December?

Q61. How will the merger and the IPO impact pending offers to receive options matched to shares purchased in the limited market?

Q62. When was the deadline for requesting authorization to purchase more than \$20,000 in the October limited market trade?

Q71. Where can I find a summary of how the merger and the IPO impact some important employee benefits and stockholder rights?

Q120. How can SAIC employees buy stock before the proposed IPO? Added 23 Sep 2005

Q121. Will our employees, senior executives or directors be given an opportunity to buy more of our stock in the IPO? Added 23 Sep 2005

Q122. What do I need to do to purchase stock in the October limited market trade? Added 23 Sep 2005

Q123. Why didn't the company extend the deadline for requests to purchase more than \$20,000 of stock in the October limited market trade? Added 23 Sep 2005

Q124. Will any employees, senior executives or directors who knew of the proposed IPO be permitted to purchase more than \$20,000 of stock in the limited market trade rescheduled for October? Added 23 Sep 2005

Q125. What is the First Time Buyers Program? Will this program still be available for the October limited market trade? Added 23 Sep 2005

Q126. What is the 2004 ESPP? Will this program continue to be available until the proposed IPO? Added 23 Sep 2005

Q167. What do I need to do to sell my shares through a broker after the merger and the IPO? Added 23 Sep 2005

## **8a. Upcoming Trade**

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

Q55. When will the next limited market trade take place? Did we change any of our normal stock trade procedures

Q57. Will we conduct a limited market trade in December? Do we plan to conduct any more limited market trades before the IPO?

Q58. Why did we decide to delay the limited market trade scheduled for September?

Q59. Why do we plan to cancel the limited market trade scheduled for December?

Q60. I planned to use funds from selling stock in the September limited market trade for an extraordinary financial commitment. What should I do if I can't wait until the October limited market trade for the funds?



Q62. When was the deadline for requesting authorization to purchase more than \$20,000 in the October limited market trade?

Q71. Where can I find a summary of how the merger and the IPO impact some important employee benefits and stockholder rights?

Q120. How can SAIC employees buy stock before the proposed IPO? Added 23 Sep 2005

Q122. What do I need to do to purchase stock in the October limited market trade? Added 23 Sep 2005

Q123. Why didn't the company extend the deadline for requests to purchase more than \$20,000 of stock in the October limited market trade? Added 23 Sep 2005

Q124. Will any employees, senior executives or directors who knew of the proposed IPO be permitted to purchase more than \$20,000 of stock in the limited market trade rescheduled for October? Added 23 Sep 2005

Q125. What is the First Time Buyers Program? Will this program still be available for the October limited market trade? Added 23 Sep 2005

Q126. What is the 2004 ESPP? Will this program continue to be available until the proposed IPO? Added 23 Sep 2005

Q169. If we do not complete the merger and the IPO, will we establish additional limited market trades? If so, when? Added 23 Sep 2005

## **8b. Right of Repurchase**

Q41. What will happen to our right of first refusal and right to repurchase your stock?

Q42. What will happen to the new class A preferred stock that I will own if my affiliation terminates or I retire?

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)?

Q91. If I have taken a distribution of shares from the ESRP and those shares are eligible for the put option under the ESRP (i.e., the right to require us to repurchase those shares), will we repurchase these shares?

Q105. If my affiliation with SAIC terminated earlier this year, and you've repurchased some but not all of my shares, will you repurchase my remaining shares?

Q106. If my affiliation with SAIC has terminated or is terminating, how will I know if you will repurchase my stock?

### **8c. Financial Hardships (Direct Stock and Retirement Plans)**

Q60. I planned to use funds from selling stock in the September limited market trade for an extraordinary financial commitment. What should I do if I can't wait until the October limited market trade for the funds?

Q81. Will the transfer restrictions prevent SAIC from continuing its Financial Hardship Policy?

Q92. Can I still request loans, hardship withdrawals or distributions from the ESRP before the merger and the IPO?

Q97. Can I still request loans, hardship withdrawals or distributions from the SAIC 401(k) plan before the merger and the IPO? What about during the transfer restriction periods?

Q102. Can I still request loans, hardship withdrawals or distributions from the AMSEC 401(k) plan before the merger and the IPO? What about during the transfer restrictions on the new class A preferred stock?

## 8d. ESPP

Q74. After the IPO, how will we determine the price for the new class A preferred stock?

Q83. How will the merger and the IPO impact the 2004 ESPP?

Q84. What will happen to funds accumulated in the 2004 ESPP after the last purchase under the plan?

Q85. What will be the purchase price of the new class A preferred stock under the 2006 ESPP?

Q120. How can SAIC employees buy stock before the proposed IPO? Added 23 Sep 2005

Q126. What is the 2004 ESPP? Will this program continue to be available until the proposed IPO?  
Added 23 Sep 2005

Q165. How often will participants be able to buy stock through the proposed 2006 ESPP? Added 23 Sep 2005

Q171. If I withdraw from the 2004 ESPP, will I be able to re-enroll in the proposed 2006 ESPP?  
Added 23 Sep 2005

## 8e. FTBP

Q61. How will the merger and the IPO impact pending offers to receive options matched to shares purchased in the limited market?

Q67. Will we continue to offer matching option programs after the merger and the IPO?

Q125. What is the First Time Buyers Program? Will this program still be available for the October limited market trade? Added 23 Sep 2005

## 8f. Lock-up Period

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

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

Q80. What transfer restrictions will apply to the new class A preferred stock I acquire if I exercise my stock options after the merger and the IPO?

Q88. Will transfer restrictions on the new class A preferred stock prohibit me from diversifying my ESRP account after the merger and the IPO?

Q90. Can I still take an in-kind distribution from the ESRP? Will the distribution be in new class A preferred stock?

Q95. Will the transfer restrictions on the new class A preferred stock prohibit me from reallocating investments in my SAIC 401(k) plan account after the merger and the IPO?

Q97. Can I still request loans, hardship withdrawals or distributions from the SAIC 401(k) plan before the merger and the IPO? What about during the transfer restriction periods?

Q100. Will the transfer restrictions on the new class A preferred stock prohibit me from exchanging funds in my AMSEC 401(k) Exchangeable Company Stock Fund after the IPO?

Q102. Can I still request loans, hardship withdrawals or distributions from the AMSEC 401(k) plan before the merger and the IPO? What about during the transfer restrictions on the new class A preferred stock?

Q141. After the merger and the IPO, will the transfer restrictions on the new class A preferred stock impact my ability to use stock to exercise my stock options and to pay withholding taxes on any gains?  
**Added 23 Sep 2005**

Q143. What class of stock will I receive if I exercise my stock options after the merger? **Added 23 Sep 2005**

Q158. What are the scheduled dates for private transactions between SAIC and our retirement plans during 2006? **Added 23 Sep 2005**

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## **9. Options & Vesting Stock**

Q63. Will the merger or the IPO impact vesting schedules for my outstanding stock and options?

Q64. Will the special dividend be paid on unvested shares? **Updated 14 Oct 2005**

Q65. Will we continue to award bonus shares under the 1984 Bonus Compensation Plan?

Q70. After the merger, can I use my new class A preferred stock to pay the exercise price and tax withholding due when I exercise my stock options?

Q71. Where can I find a summary of how the merger and the IPO impact some important employee benefits and stockholder rights?

Q76. How will the special dividend affect my outstanding stock options? How will the merger affect my outstanding stock options? **Updated 14 Oct 2005**

Q77. What will happen to my unexercised stock options if my employment or affiliation terminates?

Q78. Will the merger or the IPO change how I exercise my stock options?

Q79. How will I know the stock price of the class A common stock if I decide to exercise my options before the merger and the IPO?

Q82. Now that I've been advised of the merger and the IPO, can I change my mind and unwind a previous option exercise? Can I cancel a current option exercise transaction if it hasn't been processed yet?

Q118. Will you need to sign replacement stock option or stock restriction agreements as a result of the merger and the IPO?

Q125. What is the First Time Buyers Program? Will this program still be available for the October limited market trade? **Added 23 Sep 2005**

Q132. Which securities are entitled to receive dividends and which securities are not? **Added 23 Sep 2005**

Q135. Will I lose the benefit of the special dividend if I don't exercise my stock options before the record date for the special dividend? **Added 23 Sep 2005**

Q136. Will the merger or the IPO impact the vesting schedule or expiration date of my outstanding stock options? Will I lose them if I don't exercise them before the merger or the IPO? **Added 23 Sep 2005**

Q137. Is there an early deadline this year for transfers specifically required to facilitate stock-for-stock option exercises? **Added 23 Sep 2005**

Q138. Will the merger or the IPO affect when I may exercise my outstanding stock options? **Added 23 Sep 2005**

Q139. Will the merger or the IPO affect the process I use to exercise stock options? **Added 23 Sep 2005**

Q140. After the merger and the IPO, can I use stock to pay the exercise price and tax withholding when I exercise stock options? **Added 23 Sep 2005**

Q141. After the merger and the IPO, will the transfer restrictions on the new class A preferred stock impact my ability to use stock to exercise my stock options and to pay withholding taxes on any gains? **Added 23 Sep 2005**

Q142. Will the merger or the IPO impact the six-month holding period for stock acquired upon exercise of stock options and used to pay the exercise price for other stock options? **Added 23 Sep 2005**

Q143. What class of stock will I receive if I exercise my stock options after the merger? **Added 23 Sep 2005**

Q149. Will the special dividend paid on vested, directly held stock be taxed differently than the special dividend paid on unvested stock or stock held in deferred compensation accounts? **Added 23 Sep 2005**

Q150. Can I make a section 83(b) election now to minimize taxes on dividends paid on unvested stock? **Added 23 Sep 2005**

Q151. Will the proposed IPO impact how gains upon exercise of stock options are taxed? **Added 23 Sep 2005**

Q170. Will stock options be transferable after the merger and the IPO? **Added 23 Sep 2005**

Q173. After the merger and the IPO, will options granted to employees be options to purchase new common stock with one vote per share or options to purchase new class A preferred stock with 10 votes per share? **Added 23 Sep 2005**

## 9a. Bonus Program

Q65. Will we continue to award bonus shares under the 1984 Bonus Compensation Plan?

Q66. Will we continue to grant options under the 1999 Stock Incentive Plan?

Q67. Will we continue to offer matching option programs after the merger and the IPO?

Q69. After the merger, can I use my new class A preferred stock to pay the tax withholding related to any stock bonus I receive?

Q71. Where can I find a summary of how the merger and the IPO impact some important employee benefits and stockholder rights?

Q74. After the IPO, how will we determine the price for the new class A preferred stock?

Q118. Will you need to sign replacement stock option or stock restriction agreements as a result of the merger and the IPO?

Q172. After the merger and the IPO, will stock awards granted to employees be for new common stock with one vote per share or new class A preferred stock with 10 votes per share? Added 23 Sep 2005

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## 10. Retirement Programs

Q56. When will the next retirement plans transactions take place? Did we change any of our normal procedures for retirement plans transactions?

Q68. Can our retirement plans buy or sell stock before the IPO?

Q71. Where can I find a summary of how the merger and the IPO impact some important employee benefits and stockholder rights?

Q72. When and how will we determine the price for the class A common stock for the October limited market trade?

Q73. When and how will we determine the price for the class A common stock for pre-IPO transactions with SAIC retirement plans in December?

Q74. After the IPO, how will we determine the price for the new class A preferred stock?

Q120. How can SAIC employees buy stock before the proposed IPO? Added 23 Sep 2005

Q132. Which securities are entitled to receive dividends and which securities are not? Added 23 Sep 2005

Q133. When will we receive the IRS guidance referenced in Questions 87 and 94 of the Supplemental Q&A? When will we know whether we can elect to receive cash proceeds from the special dividend paid with respect to new class A preferred stock held in the ESRP and the SAIC 401(k) plan? Updated 14 Oct 2005

Q153. What is the difference between units in the SAIC stock funds and shares of SAIC stock? Added 23 Sep 2005

Q154. How do I determine the number of shares I hold through my accounts in the SAIC retirement plans? Added 23 Sep 2005

Q155. Can I vote the shares held in the SAIC Exchangeable Stock Fund and the SAIC Non-Exchangeable Stock Fund, or does the trustee vote the shares? Added 23 Sep 2005

Q156. After the merger and the IPO, will the stock held in the ESRP, the SAIC 401(k) plan and the AMSEC 401(k) plan be subject to transfer restrictions? If so, how will SAIC facilitate exchanges and diversification transactions? Added 23 Sep 2005

Q158. What are the scheduled dates for private transactions between SAIC and our retirement plans during 2006? Added 23 Sep 2005



## 10a. 401(k)

Q93. Will we continue matching and profit sharing contributions to the SAIC 401(k) plan?

Q94. How will the SAIC 401(k) plan treat the special dividend? Updated 14 Oct 2005

Q95. Will the transfer restrictions on the new class A preferred stock prohibit me from reallocating investments in my SAIC 401(k) plan account after the merger and the IPO?

Q96. As a result of the merger and the IPO, will we consider any changes to our policies concerning the exchangeability of SAIC stock held in the Non-exchangeable Company Stock Fund?

Q120. How can SAIC employees buy stock before the proposed IPO? Added 23 Sep 2005

Q133. When will we receive the IRS guidance referenced in Questions 87 and 94 of the Supplemental O&A? When will we know whether we can elect to receive cash proceeds from the special dividend paid with respect to new class A preferred stock held in the ESRP and the SAIC 401(k) plan? Updated 14 Oct 2005

Q152. What are the SAIC stock funds? Added 23 Sep 2005

Q156. After the merger and the IPO, will the stock held in the ESRP, the SAIC 401(k) plan and the AMSEC 401(k) plan be subject to transfer restrictions? If so, how will SAIC facilitate exchanges and diversification transactions? Added 23 Sep 2005

Q157. Will SAIC reconsider allowing ESRP and 401(k) plan participants to exchange out of the Non-Exchangeable Company Stock Fund? Added 23 Sep 2005

Q159. What are the rules regarding how much I can accumulate in the SAIC stock funds within the SAIC 401(k) plan? Added 23 Sep 2005

Q161. What are the rules regarding how much I can contribute to the SAIC stock funds when rolling funds over from another qualified retirement plan into the SAIC 401(k) plan? Added 23 Sep 2005

Q163. When is the last day before the merger and the IPO to roll over money into the SAIC Exchangeable Stock Fund within the retirement plans? Added 23 Sep 2005

## 10b. ESRP

Q86. Will we continue to make annual contributions to the ESRP after the merger and the IPO?

Q87. How will the special dividend be treated under the ESRP? Updated 14 Oct 2005

Q88. Will transfer restrictions on the new class A preferred stock prohibit me from diversifying my ESRP account after the merger and the IPO?

Q89. When can you diversify non-exchangeable stock in the ESRP? As a result of the merger and the IPO, are we considering any changes to our policies concerning the exchangeability of SAIC stock held in the Non-Exchangeable Company Stock Fund?

Q90. Can I still take an in-kind distribution from the ESRP? Will the distribution be in new class A preferred stock?

Q91. If I have taken a distribution of shares from the ESRP and those shares are eligible for the put option under the ESRP (i.e., the right to require us to repurchase those shares), will we repurchase these shares?

Q92. Can I still request loans, hardship withdrawals or distributions from the ESRP before the merger and the IPO?

Q133. When will we receive the IRS guidance referenced in Questions 87 and 94 of the Supplemental O&A? When will we know whether we can elect to receive cash proceeds from the special dividend paid with respect to new class A preferred stock held in the ESRP and the SAIC 401(k) plan? Updated 14 Oct 2005

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Q157. Will SAIC reconsider allowing ESRP and 401(k) plan participants to exchange out of the Non-Exchangeable Company Stock Fund? Added 23 Sep 2005

### 10c. Non-Qualified Plans

Q104. How will the special dividend impact the stock deferral plans? **Updated 14 Oct 2005**

Q132. Which securities are entitled to receive dividends and which securities are not? **Added 23 Sep 2005**

Q134. How will the special dividend be paid on stock held in rabbi trusts ? **Updated 14 Oct 2005**

Q149. Will the special dividend paid on vested, directly held stock be taxed differently than the special dividend paid on unvested stock or stock held in deferred compensation accounts? **Added 23 Sep 2005**

### 10d. Telcordia

Q103. How will the special dividend impact the Telcordia 401(k) plan?

### 10e. AMSEC

Q98. Will AMSEC continue matching contributions to the AMSEC 401(k) plan after the merger and the IPO?

Q99. How will the AMSEC 401(k) plan treat the special dividend? **Updated 14 Oct 2005**

Q100. Will the transfer restrictions on the new class A preferred stock prohibit me from exchanging funds in my AMSEC 401(k) Exchangeable Company Stock Fund after the IPO?

Q101. As a result of the merger and the IPO, will we consider any changes to our policies concerning the exchangeability of SAIC stock held in the Non-exchangeable Company Stock Fund?

Q102. Can I still request loans, hardship withdrawals or distributions from the AMSEC 401(k) plan before the merger and the IPO? What about during the transfer restrictions on the new class A preferred stock?

Q120. How can SAIC employees buy stock before the proposed IPO? **Added 23 Sep 2005**

Q152. What are the SAIC stock funds? **Added 23 Sep 2005**

Q156. After the merger and the IPO, will the stock held in the ESRP, the SAIC 401(k) plan and the AMSEC 401(k) plan be subject to transfer restrictions? If so, how will SAIC facilitate exchanges and diversification transactions? **Added 23 Sep 2005**

Q160. What are the rules regarding how much I can accumulate in the SAIC stock funds within the AMSEC 401(k) plan? **Added 23 Sep 2005**

Q162. What are the rules regarding how much I can contribute to the SAIC stock funds when rolling funds over from another qualified retirement plan into the AMSEC 401(k) plan? Added 23 Sep 2005

### **Forward-looking Statements**

This communication may contain forward-looking statements that are based on our management's belief and assumptions and on information currently available to our management. Any such forward-looking statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, achievements or benefits to be materially different from any future results, levels of activity, performance, achievements or benefits expressed or implied by such forward-looking statements. As a result of these risks, uncertainties and other factors, readers are

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#### **Additional Information and Where to Find It**

More detailed information pertaining to the merger and related proposals of Science Applications International Corporation will be set forth in appropriate filings that have been and will be made with the SEC, including the proxy statement/prospectus contained in the registration statement on Form S-4 filed by SAIC, Inc. concerning the proposed merger and related proposals. **We urge stockholders to read such documents that are or may be filed with the SEC when they are available because they will contain important information about the proposed merger and related proposals.** Stockholders will be able to obtain a free copy of any filings, containing information about Science Applications International Corporation or SAIC, Inc., without charge, at the SEC's internet site at <http://www.sec.gov>. Copies of any filings by Science Applications International Corporation or SAIC, Inc. can also be obtained, without charge, by directing a request in writing to Science Applications International Corporation, 10260 Campus Point Drive, M/S F-3, San Diego, California 92121, Attention: General Counsel or by email to [SECfilings@saic.com](mailto:SECfilings@saic.com).

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