

SCIENCE APPLICATIONS INTERNATIONAL CORP  
 Form 425  
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Subject Company: Science Applications International Corporation

Registration No.: 000-12771

**SAIC Capital Restructuring & Initial Public Offering (IPO)**

**SAIC Capital Restructuring & IPO**

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## Pre-IPO and Post-IPO Comparison of Stockholder Rights and Employee Benefits

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[Letter from Ken Dahlberg](#)

The following summary is qualified in its entirety by the specific provisions of our employee benefit plans and retirement plans, our stock programs policies and procedures, our certificate of incorporation and our other governing instruments. In addition, we are reviewing many of our employee benefit plans and retirement programs to take into account the merger and the IPO. We intend to make such changes as we deem appropriate to assist with our transformation to a company with a publicly traded security.

[Video Address from](#)

[Ken Dahlberg](#)

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<b>Stock</b>	<b>Before Merger and IPO</b>	<b>After Merger and IPO</b>	<b>Description of Change</b>
<b>Programs and Provisions</b>			
<b>Stock Bonus Awards</b>	Awards of class A common stock (1 vote per share) issued pursuant to 1984 Bonus Compensation Plan	Awards of new class A preferred stock (10 votes per share) issued pursuant to 2006 Equity Incentive Plan	No significant change, except post-IPO bonus award shares carry 10 votes per share.
<b>Stock Options</b>	Options to purchase class A common stock granted under 1999 Equity Incentive Plan	Options to purchase new common stock granted under 2006 Equity Incentive Plan	All unexercised options adjusted to reflect value of special dividend
<b>Option Exercise Process</b>	Stock for Stock exchange to pay exercise price and for Tax to pay tax	Stock for Stock exchange to pay exercise price	New flexibility for options issued under 2006 Equity

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Who to Contact/Resources

withholding on options  
granted under 1999 Equity  
Incentive Plan

and Stock for Incentive Plan  
Tax to pay tax  
withholding  
under 1999  
Equity Incentive  
Plan

Trade Date Information

Comparison of Benefits

Net Exercise  
feature for  
options issued  
under 2006  
Equity Incentive  
Plan

**Questions/Feedback**

See the Who to Contact/Resources

page for contact information and

hotline listings.

<b>Vesting</b>	20%, 20%, 20%, 40% over four years	20%, 20%, 20%, 40% over four years	No change
<b>Schedule for</b>			
<b>Stock and</b>			
<b>Option</b>			
<b>Awards</b>		<b>After</b>	
<b>Valuation</b>	<b>Before Merger and IPO</b>	<b>Merger and IPO</b>	<b>Description of Change</b>
<b>Pricing for</b>	Periodic valuation of class A common stock by board of directors with assistance of independent appraiser	Public market price for sales upon conversion of new class A preferred into shares of new common stock	Market price for common stock instead of periodic valuations
<b>Stock Trades</b>			
<b>Pricing for</b>	Periodic valuation of class A common stock by board of directors with assistance of independent appraiser	The board of directors will be responsible for establishing a valuation for the new class A preferred stock, which is expected to be the public market price for the new common stock	Valuation based on public market price rather than on appraised value
<b>Plan</b>			
<b>Transactions</b> (e.g., exchanges to and from SAIC Stock Funds in retirement plans; SAIC purchases from retirement plans in private transactions; ESPP purchases)			
<b>Valuation for</b>	Periodic valuation of class A common stock by board of directors with assistance of independent appraiser	The board of directors will be responsible for establishing a valuation for the new class A preferred stock, which is expected to be the public market price for the new common stock.	Valuation based on public market price rather than on appraised value
<b>Exercise of</b>			
<b>Options and</b>			
<b>Vesting of</b>			
<b>Stock Bonus</b>			
<b>Awards</b>			

		<b>After</b>	
	<b>Before Merger and IPO</b>	<b>Merger and IPO</b>	<b>Description of Change</b>
<b>Liquidity Features</b>			
<b>Transfer</b>	SAIC has right of repurchase and right of first refusal on class A common stock	Transfer restrictions expire periodically after the IPO:	Shares of new class A preferred stock may be converted to new common stock and sold in public market after transfer restrictions expire
<b>Restrictions</b>		4/1/06 (series A-1 preferred stock)	
		180 days (series A-2 preferred stock)	
		270 days (series A-3 preferred stock)	
		360 days (series A-4 preferred)	
<b>Exceptions to</b>	Former employee program	Not applicable	Stockholders may hold shares indefinitely after affiliation with SAIC terminates
<b>Right of</b>	Alumni program		
<b>Repurchase</b>	Telcordia divestiture program		
<b>and Right of</b>			
<b>First Refusal</b>			
<b>Stock Trading</b>	Limited market trades facilitated by Bull, Inc. four times annually	Public market for new common stock	Greater liquidity upon expiration of transfer restrictions
<b>Employee</b>	First time buyers program	ESPP	Employees may purchase shares in public market
<b>Purchase</b>	Various matching option programs		
<b>Incentives</b>			
<b>Permitted</b>	ESPP		
<b>Transfers</b>	Transfers permitted to family members, trusts, charities, etc, all subject to SAIC's rights and restrictions	During transfer restriction periods, transfers only to parties permitted by certificate of incorporation	All restrictions lapse after 360 days and shares become freely transferable
		After expiration of transfer restriction periods, shares freely transferable	

		<b>After</b>	
<b>Employee Stock Retirement Plan Contributions</b>	<b>Before Merger and IPO</b> Discretionary contributions determined by SAIC board of directors and invested in Non-Exchangeable Company Stock Fund holding class A common stock	<b>Merger and IPO</b> Discretionary contributions determined by SAIC board of directors and invested in Non-Exchangeable Company Stock Fund	<b>Description of Change</b> No practical change, except participants will receive special dividend in cash or participant accounts will reflect equivalent value
		Special dividend either reinvested in participant accounts or, if favorable guidance is received from the IRS on proposed tax treatment of the dividend, distributed to participants in cash	
<b>Diversification of Non-Exchangeable Company Stock Fund</b>	At age 55 and after 10 or more years of service, sales from Non-Exchangeable Company Stock Fund to SAIC concurrent with limited market trades	At age 55 and after 10 or more years of service, either:  through periodic private sales to SAIC; or  through public market sales after expiration of transfer restriction periods.	No practical change, except greater liquidity after transfer restrictions lapse
<b>In-Kind Distributions</b>	In kind distributions of class A common stock available to terminated participants at age 59.5  In service in-kind distributions of class A common stock available on or after age 62	In kind distributions of common stock available to terminated participants at age 59.5  In service in-kind distributions of new common stock available on or after age 62	No practical change

<b>Put Option</b>	Participant who takes in-kind distributions can require SAIC to repurchase class A common stock during two 60 day windows	Participant who takes in-kind distributions will either maintain pre-IPO put option or sell into the public market	No practical change
<b>SAIC 401(k)</b>	<b>Before Merger and IPO</b> SAIC matches 50% of the first 6% of employee deferrals:	<b>Merger and IPO</b> SAIC matches 50% of the first 6% of employee deferrals:	<b>Description of Change</b>
<b>Plan Matching</b>	50% of matching contribution invested in Non-Exchangeable Company Stock Fund	50% of matching contribution invested in Non-Exchangeable Company Stock Fund	No practical change, except participants will receive special dividend in cash or participant accounts will reflect equivalent value
<b>Contributions</b>	50% of matching contribution invested according to employee deferral elections	50% of matching contribution invested according to employee deferral election	Special dividend either re-invested in participant accounts or, if favorable guidance is received from the IRS on proposed tax treatment of the dividend, distributed to participants in cash

<b>Profit Sharing</b>	Invested according to participant deferral elections	Invested according to participant deferral elections	No practical change, except participants will receive special
<b>Contributions</b>	(Discretionary-determined by SAIC board of directors)	Special dividend either re-invested in participant accounts or, if favorable guidance is received from the IRS on proposed tax treatment of the dividend, distributed to participants in cash	dividend in cash or participant accounts will reflect equivalent value
<b>Reallocation of Non-Exchangeable Company</b>	No reallocation of stock in Non-Exchangeable Company Stock Fund	No reallocation of stock in Non-Exchangeable Company Stock Fund	No change
<b>Stock Fund Reallocation of Exchangeable Company Stock Fund</b>	Participant may exchange out of Exchangeable Company Stock Fund under normal plan procedures concurrent with limited market trades	Participant may exchange out of Exchangeable Company Stock Fund under normal plan procedures at regularly scheduled times	No practical change

		<b>After</b>	
<b>AMSEC 401(k) Plan Matching Contributions</b>	<b>Before Merger and IPO</b> 50% of matching contribution invested in Non-Exchangeable Company Stock Fund  50% of matching contribution invested according to employee deferral elections	<b>Merger and IPO</b> 50% of matching contribution invested in Non-Exchangeable Company Stock Fund  50% or matching contribution invested according to employee deferral election  Special dividend either re-invested in participant accounts or, if favorable guidance is received from the IRS on proposed tax treatment of the dividend, distributed to participants in cash	<b>Description of Change</b> No practical change, except participants will receive special dividend in cash or participant accounts will reflect equivalent value
<b>Reallocation of Non-Exchangeable Company Stock Fund</b>	No reallocation of stock in Non-Exchangeable Company Stock Fund	No reallocation of stock in Non-Exchangeable Company Stock Fund	No change
<b>Reallocation of Exchangeable Company Stock Fund</b>	Participant may exchange out of Exchangeable Company Stock Fund under normal plan procedures concurrent with limited market trades	Participant may exchange out of Exchangeable Company Stock Fund under normal plan procedures at regularly scheduled times	No change



		<b>After</b>	
<b>Non-Qualified Deferral Plans Management</b>	<b>Before Merger and IPO</b>	<b>Merger and IPO</b>	<b>Description of Change</b>
<b>Stock</b>	SAIC stock unit-based plan for key executives funded by the rabbi trust	SAIC stock unit-based plan for key executives funded by the rabbi trust	No practical change, except participants will receive special dividend in cash
<b>Compensation Plan (MSCP)</b>			
(a/k/a rabbi trust plan)		Participants will receive the special dividend in cash	
<b>Stock</b>	SAIC stock unit-based plan for high potential employees funded by the rabbi trust	SAIC stock unit-based plan for high potential employees funded by the rabbi trust	No practical change, except participants will receive special dividend in cash
<b>Compensation Plan (SCP)</b>			
(a/k/a rabbi trust plan)		Participants will receive the special dividend in cash	
<b>Key Executive Stock</b>	Deferred compensation plans for key executives funded by rabbi trust	Deferred compensation plans for key executives funded by the rabbi trust	No practical change, except participants will receive special dividend in cash
<b>Deferral Plan (KESDP)</b>			
		Participants will receive the special dividend in cash	

#### 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 cautioned not to place undue reliance on any forward-looking statements included in this communication. These risks, uncertainties and factors are discussed in the filings of Science Applications International Corporation and SAIC, Inc. with the SEC, which are available without charge at the SEC's internet site at <http://www.sec.gov>. The forward-looking statements speak only as of the date made. Neither Science Applications International Corporation nor SAIC, Inc. assume any obligation to update any forward-looking statements to reflect events or circumstances arising after the date as of which they are made or to conform such statements to actual results.

#### Additional Information and Where to Find It

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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).

This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

**Participants in the Solicitation**

Science Applications International Corporation, SAIC, Inc. and their respective directors and executive officers may be deemed, under the SEC's rules, to be participants in the solicitation of proxies from the stockholders of Science Applications International Corporation in connection with the proposed merger and related proposals. The names of the directors and executive officers of Science Applications International Corporation and SAIC, Inc. and their interests, direct or indirect, by security holdings or otherwise, in the proposed merger and related proposals are contained in the proxy statement/prospectus contained in a registration statement on Form S-4 filed by SAIC, Inc., which may be obtained without charge at the SEC's internet site at <http://www.sec.gov>, or 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).