

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.

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[Ken Dahlberg](#)

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Stock	Before Merger and IPO	After Merger and IPO	Description of Change
Programs and Provisions			
Stock Bonus Awards	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.
Stock Options	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
Option Exercise Process	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.

Vesting	20%, 20%, 20%, 40% over four years	20%, 20%, 20%, 40% over four years	No change
Schedule for			
Stock and			
Option			
Awards		After	
Valuation	Before Merger and IPO	Merger and IPO	Description of Change
Pricing for	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
Stock Trades			
Pricing for	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
Plan			
Transactions (e.g., exchanges to and from SAIC Stock Funds in retirement plans; SAIC purchases from retirement plans in private transactions; ESPP purchases)			
Valuation for	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
Exercise of			
Options and			
Vesting of			
Stock Bonus			
Awards			

		After	
	Before Merger and IPO	Merger and IPO	Description of Change
Liquidity Features			
Transfer	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
Restrictions		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)	
Exceptions to	Former employee program	Not applicable	Stockholders may hold shares indefinitely after affiliation with SAIC terminates
Right of	Alumni program		
Repurchase	Telcordia divestiture program		
and Right of			
First Refusal			
Stock Trading	Limited market trades facilitated by Bull, Inc. four times annually	Public market for new common stock	Greater liquidity upon expiration of transfer restrictions
Employee	First time buyers program	ESPP	Employees may purchase shares in public market
Purchase	Various matching option programs		
Incentives			
Permitted	ESPP		
Transfers	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	

		After	
Employee Stock Retirement Plan Contributions	Before Merger and IPO Discretionary contributions determined by SAIC board of directors and invested in Non-Exchangeable Company Stock Fund holding class A common stock	Merger and IPO Discretionary contributions determined by SAIC board of directors and invested in Non-Exchangeable Company Stock Fund	Description of Change No practical change, except participants will receive special dividend in cash or participant accounts will reflect equivalent value
Diversification of Non-Exchangeable Company Stock Fund	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	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 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
In-Kind Distributions	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

Put Option	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
SAIC 401(k)	Before Merger and IPO SAIC matches 50% of the first 6% of employee deferrals:	Merger and IPO SAIC matches 50% of the first 6% of employee deferrals:	Description of Change
Plan Matching	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
Contributions	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

<p>Profit Sharing Contributions</p>	<p>Invested according to participant deferral elections</p>	<p>Invested according to participant deferral elections</p>	<p>No practical change, except participants will receive special dividend in cash or participant accounts will reflect equivalent value</p>
<p>(Discretionary-determined by SAIC board of directors)</p>		<p>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</p>	
<p>Reallocation of Non-Exchangeable Company Stock Fund</p>	<p>No reallocation of stock in Non-Exchangeable Company Stock Fund</p>	<p>No reallocation of stock in Non-Exchangeable Company Stock Fund</p>	<p>No change</p>
<p>Stock Fund Reallocation of Exchangeable Company Stock Fund</p>	<p>Participant may exchange out of Exchangeable Company Stock Fund under normal plan procedures concurrent with limited market trades</p>	<p>Participant may exchange out of Exchangeable Company Stock Fund under normal plan procedures at regularly scheduled times</p>	<p>No practical change</p>

		After	
AMSEC 401(k) Plan Matching Contributions	<p>Before Merger and IPO 50% of matching contribution invested in Non-Exchangeable Company Stock Fund</p> <p>50% of matching contribution invested according to employee deferral elections</p>	<p>Merger and IPO 50% of matching contribution invested in Non-Exchangeable Company Stock Fund</p> <p>50% or matching contribution invested according to employee deferral election</p> <p>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</p>	<p>Description of Change No practical change, except participants will receive special dividend in cash or participant accounts will reflect equivalent value</p>
Reallocation of Non-Exchangeable Company Stock Fund	No reallocation of stock in Non-Exchangeable Company Stock Fund	No reallocation of stock in Non-Exchangeable Company Stock Fund	No change
Stock Fund Reallocation of Exchangeable Company Stock Fund	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

		After	
Non-Qualified Deferral Plans Management	Before Merger and IPO	Merger and IPO	Description of Change
Stock	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
Compensation Plan (MSCP)			
(a/k/a rabbi trust plan)		Participants will receive the special dividend in cash	
Stock	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
Compensation Plan (SCP)			
(a/k/a rabbi trust plan)		Participants will receive the special dividend in cash	
Key Executive Stock	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
Deferral Plan (KESDP)			
		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.

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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.