

SCIENCE APPLICATIONS INTERNATIONAL CORP

Form 425

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Subject Company: Science Applications International Corporation

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

**SAIC Capital Restructuring & IPO**

## Supplemental Questions & Answers

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Letter from Ken Dahlberg

Video Address from

Ken Dahlberg

Press Release

The following questions and answers are provided for your convenience and briefly address some commonly asked questions about (i) our proposed merger, initial public offering and special dividend, (ii) our plan to reschedule our September limited market trade and (iii) the effect of these proposed transactions on our employee benefit and retirement plans. In this Supplemental Q&A, 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, 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.

**Updated November 15, 2005**

SEC Filings

On September 1, 2005, September 23, 2005 and October 14, 2005, we provided Supplemental Q&A that briefly addressed some commonly asked questions about (i) our proposed merger, initial public offering (IPO) and special dividend, (ii) our plan to reschedule our September limited market trade and (iii) the effect of these proposed transactions on our employee benefit and retirement plans.

Questions & Answers

Submit a Question

The Fourth Supplemental Q&A filed November 15, 2005, amends thirty-three of the questions and answers we provided in our previous Supplemental Q&A and adds six new questions and answers.

Who to Contact/Resources

**Additional Supplemental Q&A** (Questions 179 to 184) are now available.

Trade Date Information

Questions **9, 11, 14, 17, 23, 30, 33, 36, 40, 49, 66, 71, 80, 84, 85, 87, 88, 90, 91, 94, 95, 100, 104, 133, 134, 143, 147, 148, 156, 158, 165, 173** and **174** have been revised and supersede the same numbered questions and answers in the Supplemental Q&A filed with the SEC on September 1, 2005, September 23, 2005 and October 14, 2005.

Comparison of Benefits

**Questions/Feedback**

An alternate **Questions and Answers Sorted by Topic** index to all of the Q&As which appear in the Supplemental Q&A filed with the SEC is also available, which organizes the questions and answers by the topics most frequently asked and accessed by employees.

See the Who to Contact/Resources

page for contact information and

hotline listings.

View **Questions and Answers Sorted by Topic**

Merger, Initial Public Offering and Special Dividend

Overview of the Transactions

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? Updated 15 Nov 2005

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

Q11. Will our executive officers or the members of our board of directors change as a result of these transactions? Updated 15 Nov 2005

Q12. Does management still think employee ownership is important?

The Merger

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? Updated 15 Nov 2005

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? Updated 15 Nov 2005

**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?**

#### The Initial Public Offering

**Q21. What is an IPO?**

**Q22. How and when will we complete our IPO?**

**Q23. How will the IPO price be determined? Updated 15 Nov 2005**

**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 15 Nov 2005**

#### The Special Dividend

**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 15 Nov 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 15 Nov 2005

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

**The New Class A Preferred Stock**

**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? Updated 15 Nov 2005**

**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)?**

#### Transfer Restrictions

**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?**

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

#### Stock Transactions

**Q49. Can I buy or sell shares in the limited market before the completion of the IPO? Updated 15 Nov 2005**

**Q50. Will Bull, Inc. continue to maintain a limited market after the IPO?**

**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?**

#### New SAIC's Charter Documents

**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?**



## Rescheduling of Limited Market Trade

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

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

**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?**

**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?**

## Employee Benefits

### Overview of Employee Benefits

**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?**

**Q66. Will we continue to grant options under the 1999 Stock Incentive Plan? Updated 15 Nov 2005**

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

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

**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?** Updated 15 Nov 2005

## Valuation and Stock Pricing

**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?**

## The Special Dividend

**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**

**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?**

**Q80. What transfer restrictions will apply to the new class A preferred stock I acquire if I exercise my existing stock options after the merger and the IPO? Updated 15 Nov 2005**

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

**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?**

## Employee Stock Purchase Plan (ESPP)

**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? Updated 15 Nov 2005**

**Q85. What will be the purchase price at which shares are purchased under the 2006 ESPP? Updated 15 Nov 2005**

The Employee Stock Retirement Plan (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 Employee Stock Retirement Plan (ESRP)?** Updated 15 Nov 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?** Updated 15 Nov 2005

**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 after the IPO? Will the distribution be in new class A preferred stock?** Updated 15 Nov 2005

**Q91. If I have taken a distribution of shares from the ESRP prior to the IPO and those shares are eligible for the put right under the ESRP (i.e., the right to require us to repurchase those shares), will we repurchase these shares?** Updated 15 Nov 2005

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

The SAIC 401(k) Plan

**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 15 Nov 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?** Updated 15 Nov 2005

**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?**

The AMSEC 401(k) Plan

**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?** Updated 15 Nov 2005

**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?**

#### The Telcordia 401(k) Plan

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

#### The Non-Qualified Stock Deferral Programs

**Q104. How will the special dividend impact the stock deferral plans? Updated 15 Nov 2005**

#### Pending Repurchase Transactions

**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?**

#### Administration Matters

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

**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?**

**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?**

**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?**

**Q113. What happens if you have an outstanding loan under our stock purchase loan program?**



**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?**

**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?**

Additional Supplemental Q&A Added 23 Sep 2005

Buying stock before the proposed IPO

**Q120. How can SAIC employees buy stock before the proposed IPO?**

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

**Q122. What do I need to do to purchase stock in the October limited market trade?**

**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?**

**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?**

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

**Q126. What is the 2004 ESPP? Will this program continue to be available until the proposed IPO?**

The Special Dividend

**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?**

**Q129. What will be the record date for determining shares upon which the special dividend will be paid?**

**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?**

**Q132. Which securities are entitled to receive dividends and which securities are not?**

**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 will receive cash proceeds from the special dividend paid with respect to Old SAIC common stock held in the ESRP and the SAIC 401(k) plan? Updated 15 Nov 2005**

**Q134. How will the special dividend be paid on stock held in rabbi trusts? Updated 15 Nov 2005**

#### Stock Options

**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?**

**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?**

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

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

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

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

**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?**

**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?**

**Q143. What class of stock will I receive if I exercise my stock options after the merger? Updated 15 Nov 2005**

#### Tax Consequences of the Proposed Transactions

**Q144. What are the anticipated tax consequences of the merger and the IPO for foreign stockholders?**

**Q145. How will the merger and the IPO impact the tax basis of my stock?**

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

**Q147. How will the special dividend be taxed?** Updated 15 Nov 2005

**Q148. At what rate will the special dividend be taxed? Are there holding period requirements to receive favorable dividend tax treatment?** Updated 15 Nov 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?**

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

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

#### SAIC Stock Funds

**Q152. What are the SAIC stock funds?**

**Q153. What is the difference between units in the SAIC stock funds and shares of SAIC stock?**

**Q154. How do I determine the number of shares I hold through my accounts in the SAIC retirement plans?**

**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?**

**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?** Updated 15 Nov 2005

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

**Q158. What are the scheduled dates for private transactions between SAIC and our retirement plans during 2006?** Updated 15 Nov 2005

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

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

**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?**

**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?**

**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?**

#### Stock Programs and Awards

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

**Q165. How often will participants be able to buy stock through the proposed 2006 ESPP? Updated 15 Nov 2005**

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

**Q167. What do I need to do to sell my shares through a broker after the merger and the IPO?**

**Q168. Will SAIC establish arrangements with any particular brokerage firms?**

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

**Q170. Will stock options be transferable after the merger and the IPO?**

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

**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?**

**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? Updated 15 Nov 2005**

#### Employee Ownership and Voting Control

**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? Updated 15 Nov 2005**

**Q175. Will the Certified Employee Owner (C.E.O.) program continue after the IPO?**

Other Questions

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

Additional Supplemental Q&A Added 14 Oct 2005

**Q177. Why did the Company file Amendments to the Form S-1 and Form S-4 Registration Statements?**

**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?**

Additional Supplemental Q&A Added 15 Nov 2005

**Q179. Why will options granted under the 2006 Equity Incentive Plan be for the purchase of new common stock rather than for new class A preferred stock?**

**Q180. Will these proposed IRS tax regulations impact options that have already been granted?**

**Q181. Is it possible that changes will be made to these proposed IRS tax regulations prior to their becoming final?**

**Q182. Where can I find information regarding the special rules that apply to in-kind distributions from the Employee Stock Retirement Plan?**