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SAIC, Inc.  
Form DEF 14A  
May 01, 2007

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to § 240.14a-12

**SAIC, Inc.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box)

- ☒ No fee required.
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**1.** Title of each class of securities to which transaction applies:

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**2.** Aggregate number of securities to which transaction applies:

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**3.** Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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**4.** Proposed maximum aggregate value of transaction:

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6. Amount Previously Paid:

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7. Form, Schedule or Registration Statement No.:

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8. Filing Party:

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9. Date Filed:

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**SAIC, INC.**

10260 Campus Point Drive

San Diego, California 92121

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

To Be Held June 8, 2007

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NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of SAIC, Inc., a Delaware corporation (the Company), will be held at the SAIC Conference Center, 1710 SAIC Drive, McLean, Virginia, on Friday, June 8, 2007, at 1:00 p.m. (local time). For the convenience of our employees and stockholders, the meeting will be videocast to Conference Room 2040 in Building D of our offices at 10260 Campus Point Drive, San Diego, California and to other locations and will be webcast on our website ([www.saic.com](http://www.saic.com)) and our internal website, ISSAIC. The Annual Meeting is being held for the following purposes:

1. To elect four Class I directors;
2. To approve an amendment to our certificate of incorporation to provide for the annual election of directors;
3. To approve an amendment to our certificate of incorporation to eliminate the distinction between series of our class A preferred stock;
4. To approve the material terms of and certain amendments to our 2006 Equity Incentive Plan;
5. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2008; and
6. To transact such other business as may properly come before the meeting or any adjournments, postponements or continuations thereof.

Only stockholders of record at the close of business on April 10, 2007, are entitled to notice of and to vote at the Annual Meeting and at any and all adjournments, postponements or continuations thereof. A list of stockholders entitled to vote at the meeting will be available for inspection at

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10010 Campus Point Drive, San Diego, California, and 1710 SAIC Drive, McLean, Virginia for at least 10 days prior to the meeting and will also be available for inspection at the meeting.

By Order of the Board of Directors

Douglas E. Scott

*Senior Vice President,*

*General Counsel and Corporate Secretary*

San Diego, California

May 7, 2007

**YOUR VOTE IS IMPORTANT**

**You are cordially invited to attend the Annual Meeting. However, to ensure that your shares are represented at the meeting, please submit your proxy or voting instructions (1) over the Internet, (2) by telephone or (3) by mail. For specific instructions regarding how to vote, please refer to the questions and answers beginning on the first page of this proxy statement or the instructions on the proxy and voting instruction card. Submitting a proxy or voting instructions will not prevent you from attending the Annual Meeting and voting in person, if you so desire, but will help us secure a quorum and reduce the expense of additional proxy solicitation.**

**SAIC, INC.**

10260 Campus Point Drive

San Diego, California 92121

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**ANNUAL MEETING OF STOCKHOLDERS**

To Be Held June 8, 2007

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**PROXY STATEMENT**

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This proxy statement is being furnished to the stockholders of SAIC, Inc., a Delaware corporation (the "Company"), in connection with the solicitation of proxies by our Board of Directors for use at the Annual Meeting of Stockholders of the Company (the "Annual Meeting") to be held at the SAIC Conference Center, 1710 SAIC Drive, McLean, Virginia, on Friday, June 8, 2007, at 1:00 p.m. (local time) and at any and all adjournments, postponements or continuations thereof. In this proxy statement, we use the terms "Company," "we," "us" and "our" to refer collectively to SAIC, Inc. and its wholly-owned subsidiary, Science Applications International Corporation. This proxy statement and the proxy and voting instruction card are first being mailed or delivered to the stockholders of the Company on or about May 7, 2007.

**INFORMATION ABOUT THE ANNUAL MEETING**

**What is the purpose of the Annual Meeting?**

At the Annual Meeting, the stockholders of the Company are being asked to consider and vote upon the following matters:

1. The election of four Class I directors;
2. An amendment to our certificate of incorporation to provide for the annual election of directors;
3. An amendment to our certificate of incorporation to eliminate the distinction between series of our class A preferred stock;

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4. The material terms of and certain amendments to our 2006 Equity Incentive Plan;
5. The ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending January 31, 2008; and
6. Such other business as may properly come before the meeting or any adjournments, postponements or continuations thereof.

### **When and where will the Annual Meeting be held?**

The Annual Meeting will be held at the SAIC Conference Center, 1710 SAIC Drive, McLean, Virginia, on Friday, June 8, 2007, at 1:00 p.m. (local time).

**Who can attend the Annual Meeting?**

All stockholders or their duly appointed proxies may attend the meeting.

**INFORMATION ABOUT VOTING RIGHTS AND SOLICITATION OF PROXIES**

**Who is entitled to vote at the Annual Meeting?**

Only stockholders of record of our common stock, par value \$0.0001 per share ( common stock ), and our class A preferred stock, par value \$0.0001 per share ( class A preferred stock ), as of the close of business on our record date of April 10, 2007, are entitled to notice of and to vote at the Annual Meeting. As of April 10, 2007, there were 98,876,831 shares of common stock and 318,010,754 shares of class A preferred stock outstanding. We have no other class of capital stock outstanding. The common stock and the class A preferred stock vote together as a single class on all matters.

**What constitutes a quorum?**

The presence, either in person or by proxy, of the holders of a majority of the total voting power of the shares of common stock and class A preferred stock outstanding as of April 10, 2007, is necessary to constitute a quorum and to conduct business at the Annual Meeting. Abstentions and broker non-votes will be counted as present for purposes of determining the presence of a quorum. A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that matter and has not received voting instructions from the beneficial owner.

**How many votes am I entitled to?**

Each holder of common stock will be entitled to one vote per share and each holder of class A preferred stock will be entitled to 10 votes per share, in person or by proxy, for each share of stock held in such stockholder's name as of April 10, 2007, on any matter submitted to a vote of stockholders at the Annual Meeting. However, in the election of directors, all shares are entitled to be voted cumulatively. Accordingly, in voting for directors: (i) each share of common stock is entitled to as many votes as there are directors to be elected; (ii) each share of class A preferred stock is entitled to 10 times as many votes as there are directors to be elected and (iii) each stockholder may cast all of such votes for a single nominee or distribute them among any two or more nominees as such stockholder chooses. To apportion your votes among two or more nominees other than on a pro rata basis, you must either submit your proxy or voting instructions using a proxy and voting instruction card or by ballot in person at the Annual Meeting, stating explicitly how you intend to apportion your votes. You may not submit your proxy or voting instructions over the Internet or by telephone if you wish to distribute your votes unevenly among two or more nominees. Unless otherwise directed, shares represented by properly executed proxies will be voted at the discretion of the proxy holders so as to elect the maximum number of the Board of Directors' nominees that may be elected by cumulative voting.

**How do I vote my shares?**

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Shares of common stock and class A preferred stock represented by properly executed proxies received in time for voting at the Annual Meeting will, unless such proxies have previously been revoked, be voted in accordance with the instructions indicated thereon. In the absence of specific instructions, the shares represented by properly executed proxies will be voted as follows:

FOR the election of directors so as to elect the maximum number of the Board of Directors nominees that may be elected by cumulative voting;



FOR the amendment of our certificate of incorporation to provide for the annual election of directors;

FOR the amendment of our certificate of incorporation to eliminate the distinction between series of our class A preferred stock;

FOR the approval of the material terms of and certain amendments to our 2006 Equity Incentive Plan; and

FOR the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending January 31, 2008.

No business other than that set forth in the accompanying Notice of Annual Meeting is expected to come before the Annual Meeting; however, should any other matter requiring a vote of stockholders properly come before the Annual Meeting, it is the intention of the proxy holders to vote such shares in accordance with their best judgment on such matter.

There are four different ways to vote your shares:

*By Internet:* You may submit a proxy or voting instructions over the Internet by following the instructions at [www.proxyvote.com](http://www.proxyvote.com).

*By Telephone:* You may submit a proxy or voting instructions by calling 1-800-690-6903 and following the instructions.

*By Mail:* If you received your proxy materials via the U.S. mail, you may complete, sign and return the accompanying proxy and voting instruction card in the postage-paid envelope provided.

*In Person:* If you are a stockholder as of the record date of April 10, 2007, and attend the meeting at the SAIC Conference Center in McLean, Virginia, you may vote in person at the meeting.

Submitting a proxy will not prevent a stockholder from attending the Annual Meeting and voting in person. Any proxy may be revoked at any time prior to the exercise thereof by delivering in a timely manner a written revocation or a new proxy bearing a later date to the Corporate Secretary of the Company as described below, or by attending the Annual Meeting and voting in person. The mailing address of the Corporate Secretary is 10260 Campus Point Drive, San Diego, California 92121. Attendance at the Annual Meeting will not, however, in and of itself constitute a revocation of a proxy.

Proxies or notices of revocation of proxies must be submitted no later than 11:59 p.m. Eastern time on June 7, 2007 and voting instructions or notices of revocation of voting instructions must be submitted no later than 11:59 p.m. Eastern time on June 5, 2007.

**How are the shares held by the Retirement Plans voted?**

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Each participant in the Science Applications International Corporation Retirement Plan (the SAIC Retirement Plan ), the Telcordia Technologies 401(k) Savings Plan of Telcordia Technologies, Inc., a wholly-owned subsidiary of the Company prior to its sale on March 15, 2005 (the Telcordia Plan ) and the AMSEC Employees 401(k) Profit Sharing Plan of AMSEC LLC, a joint venture of which the Company owns 55% (the AMSEC Plan ) (collectively, the Retirement Plans ) has the right to instruct Vanguard Fiduciary Trust Company, as trustee of the Retirement Plans (the Trustee ), on a confidential basis as to how to vote his or her proportionate interests in all allocated shares of common stock and class A preferred stock held in the Retirement Plans. The Trustee will vote all allocated shares held in the Retirement Plans as to which no voting instructions are received, together with all unallocated shares held in the Retirement Plans, in the same proportion, on a

plan-by-plan basis, as the allocated shares for which voting instructions have been received. The Trustee's duties with respect to voting the common stock and class A preferred stock in the Retirement Plans are governed by the fiduciary provisions of the Employee Retirement Income Security Act of 1974, as amended ( ERISA ). The fiduciary provisions of ERISA may require, in certain limited circumstances, that the Trustee override the votes of participants with respect to the common stock and class A preferred stock held by the Trustee and to determine, in the Trustee's best judgment, how to vote the shares.

#### **How are the shares held by the Stock Plans voted?**

Under the terms of our Stock Compensation Plan, Management Stock Compensation Plan and Key Executive Stock Deferral Plan (collectively, the Stock Plans ), Wachovia Bank, N.A. ( Wachovia ), as trustee of the Stock Plans, has the power to vote the shares of class A preferred stock held by Wachovia in the Stock Plans. Wachovia will vote all such shares in the same proportion that the other stockholders of the Company vote their shares of common stock and class A preferred stock.

#### **What is the difference between a stockholder of record and a beneficial holder?**

These terms describe how your shares are held. If your shares are registered directly with Mellon Investor Services, our transfer agent, then you are a stockholder of record. If your shares are held in the name of a broker, bank, trust or other nominee as a custodian, then you are a beneficial holder.

#### **Who is soliciting these proxies?**

The Board of Directors is soliciting these proxies and the cost of the solicitation will be borne by the Company, including the charges and expenses of persons holding shares in their name as nominee incurred in connection with forwarding proxy materials to the beneficial owners of such shares. In addition to the use of the mail, proxies may be solicited by our officers, directors and regular employees in person, by telephone or by email. Such individuals will not be additionally compensated for such solicitation but may be reimbursed for reasonable out-of-pocket expenses incurred in connection with such solicitation. We have also retained Morrow & Co., Inc. to assist in the solicitation of proxies for a fee of \$10,000 plus other charges and reimbursement of expenses.

## PROPOSAL I ELECTION OF DIRECTORS

Our Board of Directors has recommended four nominees for election as Class I directors. Our certificate of incorporation provides for a classified Board of Directors consisting of three classes which shall be as equal in number as possible. The number of directors is currently set at 12 directors, with four directors in each of Classes I, II and III.

### Effect of Reorganization Merger on Board Structure

In October 2006, in connection with becoming a publicly-traded company, we completed a reorganization merger pursuant to which our predecessor company, Science Applications International Corporation (which we refer to as Old SAIC), became our wholly-owned subsidiary. In connection with this reorganization merger, a certificate of incorporation was adopted for SAIC, Inc. which like that of Old SAIC provides for a classified Board of Directors consisting of Class I, Class II and Class III directors. Under the terms of the SAIC, Inc. certificate of incorporation, each director serves a three year term that ends on the third annual meeting following the annual meeting at which he or she was elected. However, the certificate of incorporation provides that the directors first elected to each of Class I, Class II and Class III prior to our initial public offering in October 2006 serve for slightly shortened terms. As a result:

the directors first elected to Class I serve for a term that ends following the annual meeting next following the completion of our initial public offering (i.e., our 2007 Annual Meeting of Stockholders);

the directors first elected to Class II serve for a term that ends on the second annual meeting next following the completion of our initial public offering (i.e., our 2008 Annual Meeting of Stockholders); and

the directors first elected to Class III serve for a term that ends on the third annual meeting next following the completion of our initial public offering (i.e., our 2009 Annual Meeting of Stockholders).

In connection with the adoption of the certificate of incorporation of SAIC, Inc., our directors were elected to each of the three classes in a manner that was intended to approximate their terms on the board of directors of Old SAIC. As a result:

the Old SAIC Class II directors (whose terms were to expire at the 2007 Annual Meeting of Stockholders) were appointed as our Class I directors;

the Old SAIC Class III directors (whose terms were to expire at the 2008 Annual Meeting of Stockholders) were appointed as our Class II directors; and

the Old SAIC Class I directors (whose terms were to expire at the 2009 Annual Meeting of Stockholders) were appointed as our Class III directors.

The only exception made to the above appointments of active directors was with respect to H.M.J. Kraemer, Jr., who was a Class I director of Old SAIC and who was elected as one of our Class I directors in order to even out the number of directors in each class. We have identified below each of the relevant classes in which our directors are serving.

**Nominees for Class I Directors**

At the Annual Meeting, four Class I directors are to be elected to serve three-year terms ending in 2010 or until their successors are elected and qualified. Currently, K.C. Dahlberg, H.M.J. Kraemer, Jr., J.P. Walkush and

A.T. Young serve as Class I directors. At the Annual Meeting, each of K.C. Dahlberg, H.M.J. Kraemer, Jr. and A.T. Young has been nominated to serve as Class I directors for a three-year term. In addition, General J.P. Jumper, who was originally appointed to fill a vacancy in our Class II directors, effective June 8, 2007, has also been nominated to serve as a Class I director. However, if the proposed amendment to our certificate of incorporation to provide for the annual election of directors is approved, then the terms of all directors, including those elected at the Annual Meeting, will end at the next annual meeting of stockholders, or until their successors are elected and qualified. Thereafter, all directors will be elected for one-year terms or until their successors are elected and qualified. Assuming that each of the proposed Class I nominees is elected, the number of directors will thereafter be set at 11, with four directors in Class I, three directors in Class II and four directors in Class III.

All Class I nominees have been nominated by the Board of Directors based on the recommendation of the Nominating and Corporate Governance Committee. To the best knowledge of the Board of Directors, all of the nominees are, and will be, able and willing to serve. Each nominee has consented to be named in this proxy statement and to serve if elected.

#### **Unanimous Recommendation of the Board of Directors; Vote Required**

**The Board of Directors unanimously recommends a vote FOR each nominee.** The four nominees who receive the most FOR votes will be elected as Class I directors, and abstentions and withheld votes will generally not have an effect on the outcome of this vote. The Board of Directors, however, has adopted a policy whereby any nominee for director in an uncontested election (i.e., an election in which the number of nominees does not exceed the number of directors to be elected) who receives a greater number of votes withheld from his or her election than voted for such election will tender his or her resignation for consideration by the Nominating and Corporate Governance Committee. In such a circumstance, the Nominating and Corporate Governance Committee will recommend to the Board of Directors the action to be taken with respect to such offer of resignation, and the Board of Directors will promptly disclose its decision as to whether or not to accept or reject the tendered resignation in a press release, current report on Form 8-K filed with the Securities and Exchange Commission or some other permissible manner.

Shares of common stock and class A preferred stock represented by properly executed, timely received and unrevoked proxies will be voted in accordance with the instructions indicated thereon. In the absence of specific instructions, the shares represented by properly executed proxies will be voted FOR the election of directors so as to elect the maximum number of the Board of Directors nominees that may be elected by cumulative voting. In the event that any of the four nominees listed below should become unable to stand for election at the Annual Meeting, the proxy holders intend to vote for such other person, if any, as may be designated by the Board of Directors, in the place and stead of any nominee unable to serve.

#### **Nominees and Members of the Board of Directors**

Set forth below is a brief biography of each nominee for election as a Class I director and of all other members of the Board of Directors who will continue in office. All references below to duration of service as one of our directors include service as a director of Old SAIC.

#### ***NOMINEES FOR ELECTION AS CLASS I DIRECTORS TERM ENDING 2010***

##### **K.C. Dahlberg, age 62**

*Chief Executive Officer and Chairman of the Board and Director*

**Director since 2003**

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Mr. Dahlberg has served as Chairman of the Board since July 2004 and Chief Executive Officer and director since November 2003. Mr. Dahlberg served as President from November 2003 to March 2006. Prior to joining us, Mr. Dahlberg served as Corporate Executive Vice President of General Dynamics Corp. from March 2001 to October 2003. Mr. Dahlberg served as President of Raytheon International from February 2000 to March 2001, and from 1997 to 2000 he served as President and Chief Operating Officer of Raytheon Systems Company. Mr. Dahlberg held various positions with Hughes Aircraft from 1967 to 1997. Mr. Dahlberg is also on the board of directors of Teledyne Technologies, Incorporated.

**General J.P. Jumper (USAF Retired), age 62**

*Director*

**Director since 2007**

General Jumper retired from the United States Air Force, effective November 1, 2005. From September 2001 through November 2005, General Jumper was Chief of Staff of the United States Air Force, serving as the senior uniformed Air Force officer responsible for the organization, training and equipping of active-duty, guard, reserve and civilian forces serving in the United States and overseas. As a member of the Joint Chiefs of Staff, General Jumper functioned as a military advisor to the Secretary of Defense, National Security Council and the President. General Jumper is also a member of the boards of directors of Goodrich Corporation, Jacobs Engineering Group Inc., TechTeam Global, Inc. and Vought Aircraft Industries, Inc.

**H.M.J. Kraemer, Jr., age 52**

*Director*

**Director since 1997**

Mr. Kraemer has been an executive partner of Madison Dearborn Partners, LLC, a private equity investment firm, since April 2005, and has served as a professor at the Kellogg School of Management at Northwestern University since January 2005. Mr. Kraemer previously served as the Chairman of Baxter International, Inc., or Baxter, a health-care products, systems and services company, from January 2000 until April 2004, as Chief Executive Officer of Baxter from January 1999 until April 2004 and as President of Baxter from April 1997 until April 2004. Mr. Kraemer also served as the Senior Vice President and Chief Financial Officer of Baxter from November 1993 to April 1997. Mr. Kraemer is also on the board of directors of Sirona Dental Systems, Inc.

**A.T. Young, age 69**

*Lead Director*

**Director since 1995**

Mr. Young retired from Lockheed Martin Corp. in 1995 after having served as an Executive Vice President from March 1995 to July 1995. Prior to its merger with Lockheed Corporation, Mr. Young served as the President and Chief Operating Officer of Martin Marietta Corp. from 1990 to 1995. Mr. Young is also on the board of directors of Goodrich Corporation.

**CLASS II DIRECTORS TERM ENDING 2008**

**J.J. Hamre, age 56**

*Director*

**Director since 2005**

Dr. Hamre has served as the President and Chief Executive Officer of the Center for Strategic & International Studies, a public policy research institution, since 2000. Dr. Hamre served as U.S. Deputy Secretary of Defense from 1997 to 2000 and Under Secretary of Defense (Comptroller) from 1993 to 1997. Dr. Hamre is also a member of the boards of directors of ChoicePoint, Inc., ITT Industries, Inc. and MITRE Corporation.

**A.K. Jones, age 65**

*Director*

**Director since 1998**

Dr. Jones is the Quarles Professor of Engineering at the University of Virginia, where she has taught since 1989. From 1993 to 1997, Dr. Jones was on leave of absence from the University to serve as Director of Defense Research and Engineering in the U.S. Department of Defense. Dr. Jones also served as a director of the Company from 1987 to 1993.

**E.J. Sanderson, Jr., age 58**

*Director*

**Director since 2002**

Mr. Sanderson retired from Oracle Corporation in 2002 after having served as an Executive Vice President since 1995. At Oracle, Mr. Sanderson was responsible for Oracle Product Industries, Oracle Consulting, and the Latin American Division. Prior to that he was President of Unisys World-wide Services and partner at both McKinsey & Company and Accenture (formerly Andersen Consulting).



**CLASS III DIRECTORS TERM ENDING 2009**

**W.H. Demisch, age 62**

*Director*

**Director since 1990**

Mr. Demisch has been a principal of Demisch Associates LLC, a consulting firm, since 2003. He was a Managing Director of Dresdner Kleinwort Wasserstein, formerly Wasserstein Perella Securities, Inc., from 1998 to 2002. From 1993 to 1998, he was Managing Director of BT Alex. Brown, and from 1988 to 1993, he was Managing Director of UBS Securities, Inc.

**J.A. Drummond, age 67**

*Director*

**Director since 2003**

Mr. Drummond was employed by BellSouth Corporation from 1962 until his retirement in December 2001. He served as Vice Chairman of BellSouth Corporation from January 2000 until his retirement. He was President and Chief Executive Officer of BellSouth Communications Group, a provider of traditional telephone operations and products, from January 1998 until December 1999. He was President and Chief Executive Officer of BellSouth Telecommunications, Inc. from January 1995 until December 1997. Mr. Drummond is also a member of the boards of directors of Borg-Warner Automotive, AirTran Holdings, Inc. and Centillium Communications, Inc.

**M.E. John, age 58**

*Director*

**Director since 2007**

Dr. John retired from Sandia National Laboratories, a science and engineering laboratory, in September 2006, after having served as Vice President of Sandia's California Division from April 1999 to September 2006. She previously served in a number of managerial and technical roles for Sandia from 1982 to 1999. Dr. John is a member of the Department of Defense's Defense Science Board and Threat Reduction Advisory Committee and the National Research Council's Naval Studies Board.

**L.A. Simpson, age 68**

*Director*

**Director since 2006**

Mr. Simpson has served as President and Chief Executive Officer, Capital Operations, of GEICO Corporation, an auto insurer, since May 1993. Mr. Simpson previously served as Vice Chairman of the Board of GEICO from 1985 to 1993. Mr. Simpson is also a member of the boards of directors of VeriSign, Inc., Western Asset Funds, Inc. and Western Asset Income Fund and serves as a trustee of Western Asset Premier Bond Fund.

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## CORPORATE GOVERNANCE

### Corporate Governance Guidelines

Our Board of Directors has adopted Corporate Governance Guidelines which include criteria for determining the independence and qualification of our directors. These guidelines are available on our website at [www.saic.com](http://www.saic.com) by clicking on the link entitled "Investor Relations" and then on the link entitled "Corporate Governance." These guidelines were adopted by the Board to help ensure that the Board is independent from management and adequately performs its oversight responsibility over the Company and management and to help align the interests of the Board and management with those of our stockholders. The Nominating and Corporate Governance Committee regularly reviews corporate governance developments and recommends revisions to these Corporate Governance Guidelines, as necessary.

### Director Independence

The Board of Directors annually determines the independence of each of our directors and nominees in accordance with the Corporate Governance Guidelines. These guidelines provide that "independent" directors are those who are independent of management and free from any relationship that, in the judgment of the Board of Directors, would interfere with their exercise of independent judgment. No director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The Board has established independence standards set forth in the Corporate Governance Guidelines that include all elements of independence required by the listing standards of the New York Stock Exchange.

All members of the Audit, Compensation and Nominating and Corporate Governance Committees must be independent directors as defined by the Corporate Governance Guidelines. Members of the Audit Committee must also satisfy a separate independence requirement pursuant to the Securities Exchange Act of 1934, as amended, which requires that they may not accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries other than their directors' compensation.

Each year, our directors are obligated to complete a questionnaire which requires them to disclose any transactions with the Company in which the director or any member of his or her immediate family might have a direct or potential conflict of interest. Based on its review, the Board of Directors determined that all of its non-employee directors, each of whom is named below, are independent under its guidelines and free from any relationship that would interfere with the exercise of their independent judgment:

W.H. Demisch  
J.A. Drummond  
J.J. Hamre  
M.E. John  
A.K. Jones

J.P. Jumper  
H.M.J. Kraemer, Jr.  
E.J. Sanderson, Jr.  
L.A. Simpson  
A.T. Young

In addition to these current non-employee directors, the Board of Directors made a similar independence determination during the fiscal year ended January 31, 2007 ( "fiscal 2007" ) with respect to C.B. Malone, whose term expired at our 2006 Annual Meeting of Stockholders as a result of her having reached our mandatory retirement age for directors under our Corporate Governance Guidelines.

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With respect to our current employee directors, K.C. Dahlberg (our Chairman and Chief Executive Officer) and J.P. Walkush (an Executive Vice President) were not considered independent since they are officers and employees of the Company. Similarly, J.H. Warner, Jr. (an Executive Vice President and our former Chief Administrative Officer) and D.H. Foley (an Executive Vice President and our former Chief Engineering and Technology Officer), each of whom served as directors during fiscal 2007, were also not deemed to be independent.

## **Board of Directors Meetings and Committees**

During the fiscal year ended January 31, 2007 ( fiscal 2007 ), the Board of Directors held 15 meetings of the entire board and 7 meetings of only the independent directors. Average attendance at such meetings of the Board of Directors was 94%. During fiscal 2007, all incumbent directors attended at least 75% of the aggregate of the meetings of the Board of Directors and committees of the Board of Directors on which they served. In addition, all directors attended the 2006 Annual Meeting of Stockholders. It is the Company's policy that all directors attend our annual meetings.

The Board of Directors has the following principal standing committees: an Audit Committee, a Compensation Committee, an Ethics and Corporate Responsibility Committee, a Finance Committee and a Nominating and Corporate Governance Committee. The charters of these committees are available on our website at [www.saic.com](http://www.saic.com) by clicking on the links entitled Investor Relations, Corporate Governance and then Board Committees.

### ***Audit Committee***

The current members of the Audit Committee are H.M.J. Kraemer, Jr (Chairperson), W.H. Demisch, J.A. Drummond, A.K. Jones and A.T. Young. The Board of Directors has determined that each of the members of the Audit Committee is independent for purposes of our Corporate Governance Guidelines, as well as for purposes of the requirements of the Securities Exchange Act of 1934, as amended. In addition, the Board of Directors has determined that W.H. Demisch, J.A. Drummond, H.M.J. Kraemer, Jr. and A.T. Young qualify as Audit Committee financial experts as defined by the rules under the Securities Exchange Act of 1934, as amended. The backgrounds and experience of the Audit Committee financial experts are set forth above in Proposal I Election of Directors. The responsibilities of the Audit Committee are described below under the caption Audit Committee Report. The Audit Committee held 14 meetings during fiscal 2007.

### ***Compensation Committee***

The current members of the Compensation Committee are E.J. Sanderson, Jr. (Chairperson), W.H. Demisch, A.K. Jones and H.M.J. Kraemer, Jr. The Board of Directors has determined that each of the members of the Compensation Committee is independent for purposes of our Corporate Governance Guidelines. The responsibilities of the Compensation Committee are set forth in its charter and include:

determining the compensation of our Chief Executive Officer and reviewing and approving the compensation of our other executive officers;

exercising all rights, authority and functions under all of our stock, retirement and other compensation plans;

approving and making recommendations to the Board regarding non-employee director compensation;

preparing an annual report on executive compensation for inclusion in our proxy statement or annual report on Form 10-K, in accordance with the rules and regulations of the Securities and Exchange Commission; and

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providing guidance and monitoring the formulation and implementation of human resource management.

In the exercise of its responsibilities, the Compensation Committee may delegate such of its authorities and responsibilities as the Committee deems proper to members of the Committee or to a subcommittee. The

Compensation Committee's processes and procedures for the consideration and determination of executive compensation are discussed in further detail under "Compensation Discussion and Analysis" below. The Compensation Committee held ten meetings during fiscal 2007.

#### ***Ethics and Corporate Responsibility Committee***

The current members of the Ethics and Corporate Responsibility Committee are A.K. Jones (Chairperson), K.C. Dahlberg, J.A. Drummond, and J.J. Hamre. The responsibilities of the Ethics and Corporate Responsibility Committee are set forth in its charter and include:

reviewing and making recommendations regarding the ethical responsibilities of the Company's employees and consultants under our administrative policies and procedures;

reviewing and assessing our policies and procedures addressing the resolution of conflicts of interest involving the Company, our employees, officers and directors and addressing any potential conflict of interest involving the Company and a director or an executive officer;

reviewing and establishing procedures for the receipt, retention and treatment of complaints regarding violations of our policies, procedures and standards related to ethical conduct and legal compliance; and

reviewing and evaluating the effectiveness of our ethics, compliance and training programs and related administrative policies.

The Ethics and Corporate Responsibility Committee held four meetings during fiscal 2007.

#### ***Finance Committee***

The current members of the Finance Committee are L.A. Simpson (Chairperson), W.H. Demisch, E.J. Sanderson, Jr., and A.T. Young. The responsibilities of the Finance Committee are set forth in its charter and include periodically reviewing and making recommendations to the Board of Directors and management of the Company concerning:

our capital structure, including the issuance of equity and debt securities, the incurrence of indebtedness, payment of dividends and related matters;

general financial planning, including cash flow and working capital management, capital budgeting and expenditures, tax planning and compliance and related matters;

mergers, acquisitions and strategic transactions;

proposed offers for the purchase or acquisition of our stock or assets;

investor relations programs and policies;

investment policies, financial performance and funding of our employee benefit and pension plans; and

any other transactions or financial issues that the Board of Directors or management would like the committee to review.

The Finance Committee held three meetings during fiscal 2007.

*Nominating and Corporate Governance Committee*

The current members of the Nominating and Corporate Governance Committee are J.A. Drummond (Chairperson), J.J. Hamre, L.A. Simpson and A.T. Young. The Board of Directors has determined that each of the members of the Nominating and Corporate Governance Compensation Committee is independent for purposes of our Corporate Governance Guidelines. Currently, A.T. Young serves as the Company's Lead Director. The responsibilities of the Nominating and Corporate Governance Committee are set forth in its charter and include:

evaluating, identifying and recommending nominees to the Board, including nominees proposed by stockholders;

reviewing and making recommendations regarding the composition and procedures of the Board;

making recommendations regarding the size, composition and charters of the committees of the Board;

reviewing and developing long-range plans for Chief Executive Officer and management succession;

developing and recommending to the Board a set of corporate governance principles, including recommending to the Board an independent director to serve as the Lead Director; and

developing and overseeing an annual self-evaluation process of the Board and its committees.

The Nominating and Corporate Governance Committee held five meetings during fiscal 2007.

*Director Nominations Process*

As indicated, the Board of Directors has delegated to the Nominating and Corporate Governance Committee the responsibility for recommending nominees for membership on the Board. The Board believes its membership should reflect a broad range of experience, knowledge and judgment beneficial to the broad business diversity of the Company. The Board of Directors expects a high level of commitment from its members and will review a candidate's other commitments and service on other boards to ensure that the candidate has sufficient time to devote to the Company. In recommending nominees for membership on the Board, the Nominating and Corporate Governance Committee has been directed by the Board to observe the following principles:

a majority of directors must meet the independence criteria established by the Board of Directors;

based upon the desired Board size of 12 directors, no more than three directors may be employees of the Company;

only a full-time employee who serves as either the Chief Executive Officer or one of his or her direct reports will be considered as a candidate for an employee director position; and



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no director nominee may be a consultant to the Company.

It is the policy of the Nominating and Corporate Governance Committee to only nominate candidates who will not attain the applicable retirement age during their term of office or who have agreed to resign from the Board upon their applicable birthday. The retirement age for non-employee directors is age 72 and the retirement age for employee directors is age 65.

The Nominating and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Committee regularly assesses the Board's current and projected strengths

and needs by, among other things, reviewing the Board's current profile, its director membership criteria as stated in the Corporate Governance Guidelines and our current and future needs. In considering candidates for election at annual meetings of stockholders, the Committee first identifies those incumbent directors whose terms expire at the upcoming meeting and who wish to continue their service on the Board. The Board of Directors and the Committee believe that the continuing service of qualified incumbent directors promotes stability and continuity, contributing to the Board's ability to work together as a collective body and giving us the benefit of experience and insight that its directors have accumulated during their tenure. Accordingly, the Committee's process for identifying and evaluating nominees reflects the Committee's general practice of re-nominating incumbent directors who the Committee believes continue to satisfy the Board's criteria for membership on the Board and who continue to make important contributions to the Board and the Company.

To the extent that vacancies in the Board are anticipated or otherwise arise, the Committee prepares a target candidate profile and develops an initial list of director candidates identified by the current members of the Board, business contacts, community leaders and members of management. The Committee may also retain a professional search firm to assist it in developing a list of qualified candidates, although the Committee has not utilized the services of such firms to date. The Nominating and Corporate Governance Committee would also consider any stockholder recommendations for director nominees that are properly received in accordance with our bylaws, as discussed below, and applicable rules and regulations of the Securities and Exchange Commission.

The Committee then screens and evaluates the resulting slate of director candidates to identify those individuals who best fit the target candidate profile and Board membership criteria and provides the Board of Directors with its recommendations. The Board of Directors then considers the recommendations and votes on whether to nominate the director candidate for election by the stockholders at the annual meeting or to appoint the director candidate to fill a vacancy on the Board.

#### *Stockholder Nominations*

As indicated above, any stockholder may nominate a person for election as a director of the Company by complying with the procedures set forth in our bylaws. Under Section 3.03 of our bylaws, in order for a stockholder to nominate a person for election as a director, such stockholder must give timely notice to our Corporate Secretary prior to the meeting at which directors are to be elected. To be timely, notice must be delivered to the Corporate Secretary not later than the close of business on the 90th day, nor earlier than the close of business on the 120th day, prior to the first anniversary of the preceding year's annual meeting. (In the event, however, that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, notice by the stockholder must be delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Company, whichever occurs later).

Such stockholder's notice must include certain information about the nominee, including his or her name, age, business address and residence address, principal occupation or employment, the class and number of shares of our capital stock which are beneficially owned by the person and such other information as would be required to be disclosed in a proxy statement soliciting proxies for the election of the proposed nominee. In addition, the notice must contain certain information about the stockholder proposing to nominate that person. The foregoing requirements of Section 3.03 of our bylaws are deemed satisfied by a stockholder if the stockholder has notified the Company of his or her intention to present a nomination at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's nomination has been included in a proxy statement that has been prepared by us to solicit proxies for such annual meeting. We may require any proposed nominee to furnish such other information as may reasonably be required to determine the eligibility of such proposed nominee to serve as a director.

### **Compensation Committee Interlocks and Insider Participation**

None of the members of our Compensation Committee has, at any time, been an officer or employee of ours. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board of Directors or Compensation Committee.

### **Related Party Transactions**

The Board of Directors has adopted policies and procedures for the review and approval of transactions between the Company and certain related parties, which are generally considered to be our directors and executive officers, nominees for director, holders of five percent or more of our outstanding capital stock and members of their immediate families. The Board of Directors has delegated to the Ethics and Corporate Responsibility Committee the authority to review and approve the material terms of any proposed related party transactions. To the extent that a proposed related party transaction may involve a non-employee director or nominee for election as a director and may be material to a consideration of that person's independence, the matter is also considered by the Chairman of the Board of Directors and the Chairperson of the Nominating and Corporate Governance Committee.

In determining whether to approve or ratify a related party transaction, the Ethics and Corporate Responsibility Committee considers, among other factors it deems appropriate, the potential benefits to the Company, the impact on a director's or nominee's independence or an executive officer's relationship with or service to the Company, whether the related party transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the transaction. In deciding to approve a transaction, the Committee may, in its sole discretion, impose such conditions as it deems appropriate on the Company or the related party. Any transactions involving the compensation of executive officers, however, are to be reviewed and approved by the Compensation Committee. If a related party transaction will be ongoing, the Ethics and Corporate Responsibility Committee may establish guidelines to be followed in the Company's ongoing dealings with the related party. Thereafter, the Ethics and Corporate Responsibility Committee, on at least an annual basis, is to review and assess ongoing relationships with the related party to see that they are in compliance with the Committee's guidelines and that the related party transaction remains appropriate.

### **Communications with the Board**

Stockholders may contact directors by writing to them either individually, the independent directors as a group, or the Board of Directors generally at the following address:

SAIC, Inc.

Attention: Corporate Secretary

10260 Campus Point Drive, M/S F-3

San Diego, CA 92121

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Communications sent to an individual director will be forwarded directly to the individual director. Communications sent to the Board of Directors will be forwarded to the Chairman of the Board of Directors and to the Lead Director. Communications sent to the independent directors as a group will be forwarded to the Lead Director on behalf of all independent directors.

## COMPENSATION DISCUSSION AND ANALYSIS

### Overview and Objectives of Compensation Program

Our compensation program is designed to attract, retain, motivate and reward talented employees who can help contribute to our long-term financial performance and build value for our stockholders. The Compensation Committee of our Board of Directors is responsible for overseeing our compensation program, including compensation awarded to those officers who have been designated as our Named Executive Officers for fiscal 2007.

In overseeing this program and determining the relevant amounts, combination and type of compensation to be awarded to our executives, the Compensation Committee considers the following principles:

***Compensation Should Reflect an Individual's Responsibility and Specific Contributions.*** The amount and type of compensation awarded to our executive officers should reflect their individual job responsibilities, the expectations placed upon them by our Board of Directors, Compensation Committee and Chief Executive Officer and their previous and expected future contributions to the Company.

***Compensation Should Reflect Company Performance.*** A substantial portion of total compensation received by our executive officers should be directly tied to and contingent upon the performance of the Company as a whole, including the performance of operational units under their management.

***Compensation Should Focus our Executives on Long-Term Financial Performance.*** A substantial portion of total compensation should be delivered in the form of vesting equity awards in order to align the long-term interests of our executive officers with those of our stockholders.

***Compensation Should Be Competitive in the Marketplace.*** In order to help us attract and retain talented executives, the amount and type of compensation that we provide needs to be competitive when compared to that provided by other peer companies with whom we compete for talent.

***Compensation Should Be Fair.*** Individual compensation levels should reflect differences in job responsibilities, geographies and marketplace considerations, and the overall structure and components of our compensation program should be broadly similar and equitable across all executives with similar responsibilities and expectations.

***Perquisites and Personal Benefits Should be Limited in Amount.*** Any perquisites and other personal benefits should be modest in amount and limited in nature to those that help assist our executive officers in effectively carrying out their responsibilities.

***Compensation Should Be Cost Effective.*** The compensation we provide should be cost-effective and structured, to the extent possible, to maximize favorable tax and accounting benefits for the Company.

### Methodology for Determining Compensation

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The Compensation Committee approves the compensation to be awarded to all of our executive officers, including our Named Executive Officers. The Compensation Committee consists entirely of independent directors who have significant industry and operational experience with respect to executive compensation matters. The duties and responsibilities of our Compensation Committee are set forth in a written charter, which has been approved by our Board of Directors, and are described in this proxy statement under the caption Corporate Governance Board of Directors Meetings and Committees.

### ***Principal Elements of Compensation***

Under the direction of our Compensation Committee, we provide the following principal elements of compensation to our executive officers, which we collectively refer to as direct compensation :

***Base salary*** We provide a fixed base salary to our executive officers to compensate them for services provided to the Company during the fiscal year;

***Cash incentive awards*** We provide cash incentive awards to our executive officers which vary in amount depending upon the achievement of certain predetermined goals and objectives for the fiscal year; and

***Equity incentive awards*** We provide equity incentive awards to our executive officers comprised of stock options and shares of restricted stock which are intended to reward them for prior and future performance, as well as to motivate them to stay with the Company and build stockholder value.

In addition to these elements of direct compensation, we provide our executive officers with other benefits generally available to all eligible employees, such as participation in our health and retirement plans. We also provide or reimburse costs associated with certain limited perquisites and personal benefits and provide our executive officers with certain change-in-control benefits.

### ***Considerations in Determining Direct Compensation***

Our Compensation Committee reviews and approves the amounts of direct compensation to be provided to our executive officers for each fiscal year. At the beginning of each fiscal year, the Committee determines (i) the amount of base salary to be provided for the upcoming year, (ii) the target and maximum amount of the cash incentive awards that may be earned for the year and the performance goals and criteria upon which the amounts of the awards will be determined and (iii) the amount of equity incentive awards. At the end of each fiscal year, the Committee approves the payment of cash incentive awards depending upon the achievement of the predetermined performance goals and criteria.

As part of its methodology in determining the relevant amounts of direct compensation to be awarded to our executive officers, our Compensation Committee generally considers the following:

***Individual Performance.*** Our Compensation Committee considers individual performance during the prior fiscal year. As part of this exercise, the Committee reviews a performance assessment for each of our executive officers, as well as compensation recommendations provided by the Chief Executive Officer and director of human resources. In addition, the Committee considers whether the executive officer has achieved certain pre-determined objectives applicable to his or her organization, his or her individual contributions to the Company and other leadership accomplishments. With respect to our Chief Executive Officer, the Compensation Committee meets in executive session and evaluates his performance based on his achievement of certain performance objectives that were established and agreed-upon at the beginning of the fiscal year. The Committee also considers the Chief Executive Officer's general contributions to the Company's performance and other leadership accomplishments.

***Company Performance.*** The Committee considers the performance of the Company, including any corporate or operational units under an executive's management. In particular, Company performance determines the amount of any cash incentive awards to be paid at the end of the fiscal year, as such amounts are principally determined based upon the Company's achievement of financial and operational

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objectives set at the beginning of the fiscal year. In addition, Company performance may also be considered by the Committee in determining the amounts of base salary or equity compensation awards that an executive will receive.



**Comparable Market Data.** Finally, the Compensation Committee considers the amount of direct compensation we provide relative to that provided by other peer companies with whom we compete for executive talent. To assist with this exercise, the Compensation Committee engages a national compensation consulting firm, Pearl Meyer & Partners, to review and benchmark each element of direct compensation we provide to our executive officers. Pearl Meyer & Partners began providing these consulting services in 2005 and does not otherwise provide any other consulting or other services to our Company or to members of our executive management.

Pearl Meyer & Partners compares each element of direct compensation we provide to our Chief Executive Officer and Chief Financial Officer against that provided by other publicly-traded engineering, information technology, consulting and defense companies, which we refer to as our Compensation Peer Group. This Compensation Peer Group is periodically reviewed and updated by the Committee and consists of companies that the Committee believes have similar revenues and industry focus to ours, as well as companies against which we compete for talent and stockholder investment. The Compensation Peer Group for fiscal 2007 consisted of the following companies:

Accenture, Ltd.	Electronic Data Systems Corporation	Synnex Corporation
Affiliated Computer Services, Inc.	First Data Corporation	Unisys Corporation
Automatic Data Processing, Inc.	Fiserv, Inc.	URS Corporation
CA, Inc.	General Dynamics Corporation	Xerox Corporation
Computer Sciences Corporation	L-3 Communications Holdings, Inc.	
CGI Group, Inc.	Rockwell Collins, Inc.	

In order to help provide better comparative data and analysis, the Compensation Peer Group is structured so that no company within the survey has annual revenues greater than three times that of ours or less than approximately one-third that of ours. For comparison purposes for fiscal 2007, our annual revenues were at approximately 113% of the median revenues of the Compensation Peer Group.

In addition to the Compensation Peer Group, Pearl Meyer & Partners also reviews survey information regarding compensation that other comparable companies provide to their chief executive officer, chief financial officer and other members of senior management, which surveys include companies that have similar industry focus to ours. For our Group Presidents, we compare the compensation we provide against that provided by subsidiary units of similar size to our groups.

The Compensation Committee considers this survey data and analysis when considering appropriate levels of direct compensation. Because we compete for top executive-level talent, the Committee generally targets overall compensation for our executive officers at competitive levels to that paid to similarly situated executives of the companies in the Compensation Peer Group. However, the Committee may deviate from this objective when considering any element of compensation for a particular officer based upon his or her experience, specific contributions or other market factors.

#### ***Objectives of Direct Compensation***

The base salary and cash and equity incentive awards described above comprise the principal forms of compensation we provide to our executive officers. Our Compensation Committee has determined that designing our compensation program in this way furthers the compensation principles outlined above and helps fulfill our

objectives to attract, retain, motivate and reward talented employees who can help contribute to our long-term financial performance and build value for our stockholders.

## Direct Compensation for Fiscal 2007

The following section discusses the elements of direct compensation provided to our executive officers in fiscal 2007, including that provided to our Named Executive Officers. Our Named Executive Officers for fiscal 2007 consisted of the following persons:

K.C. Dahlberg (*Chairman and Chief Executive Officer*)

M.W. Sopp (*Executive Vice President and Chief Financial Officer*)

W.A. Roper, Jr. (*Executive Vice President*)

L.J. Peck (*Group President*)

G.T. Singley, III (*Group President*)

J.H. Warner, Jr. (*Executive Vice President and former Chief Administrative Officer*)

D.H. Foley (*Executive Vice President and former Chief Engineering and Technology Officer*)

The various amounts of direct compensation provided to our Named Executive Officers for fiscal 2007 are set forth in more detail in the tables in this proxy statement under the caption Executive Compensation. All information in this analysis and the following tables has been adjusted to reflect the completion in October 2006 of our initial public offering, reorganization merger with our predecessor company (Science Applications International Corporation, which we refer to as Old SAIC ) and the related declaration and payment of a special dividend, all of which are discussed in further detail under the caption Executive Compensation.

## Base Salary

We provided our executive officers with a base salary to compensate them for services provided to the Company during the year, which represented the fixed element of direct compensation for fiscal 2007. The fiscal 2007 base salaries for our Named Executive Officers were as follows:

**Named Executive Officer**

**Fiscal 2007 Base Salary**

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K.C. Dahlberg	\$	1,000,000
M.W. Sopp		475,000
W.A. Roper, Jr.		450,000
L.J. Peck		385,000
G.T. Singley, III		420,000
J.H. Warner, Jr		450,000
D.H. Foley		460,000

In determining the fiscal 2007 base salaries for our Named Executive Officers and other executives, the Compensation Committee considered the survey data and analysis which indicated that base salaries for our executive officers were generally competitive with that provided by companies in the Compensation Peer Group and in published surveys, including the base salary for our Chief Executive Officer. Following its consideration of this data and other factors, the Committee decided that the fiscal 2007 base salaries for our executive officers would be generally unchanged or modestly increased from the prior fiscal year levels, except for the base salaries for several of our Group Presidents (including Mr. Singley) which were increased in order to provide amounts that were competitive with that provided by our peers. The base salary of our Chief Executive Officer, however, remained unchanged at \$1,000,000. While base salaries of our executive officers are set at competitive levels, the Committee believes that a significant portion of our executive officers' direct compensation should consist of cash and equity incentive awards (described below) which are variable in amount and closely tied to financial and operational results and individual performance.

**Cash Incentive Awards**

We provided cash incentive awards to our executive officers in fiscal 2007, the amounts of which depended upon the achievement of specific financial, operational and individual performance goals approved by the Compensation Committee. For our Named Executive Officers, the target and maximum bonus amounts for the fiscal 2007 cash incentive awards, and the amounts of the awards actually earned by the officers, were as follows:

Named Executive Officer	Fiscal 2007 Cash Incentive Awards		
	Target Bonus	Maximum Bonus	Actual Payout
K.C. Dahlberg	\$ 1,250,000	\$ 1,875,000	\$ 1,325,000
M.W. Sopp	450,000	675,000	440,000
W.A. Roper, Jr	400,000	600,000	378,000
L.J. Peck	350,000	525,000	400,000
G.T. Singley, III	350,000	525,000	300,000

Because Dr. Warner and Dr. Foley ceased serving as executive officers during fiscal 2007, the amounts of cash incentive awards that they actually received was determined by our Chief Executive Officer not the Compensation Committee and are therefore not included above.

In the first quarter of fiscal 2007, the Compensation Committee approved the target and maximum bonus amounts for the cash incentive awards and the performance goals and criteria upon which the amounts of the awards would be determined. Following the end of fiscal 2007, the Committee approved the payment of cash incentive awards based upon the achievement of the predetermined goals and criteria. The methodology used by the Compensation Committee in determining these amounts was as follows:

**Target and Maximum Bonus.** The Compensation Committee set the target amount of the cash incentive award for each executive at between 50% and 125% of his or her base salary. In approving these targets, the Compensation Committee reviewed and considered the survey data and analysis which indicated that average targets for our cash incentive awards were generally at the market median for companies in the Compensation Peer Group and published surveys, including that for our Chief Executive Officer. In addition, the target amount was structured to comprise a significant portion of an executive's total cash compensation for the fiscal year. In structuring the components of direct compensation in this way, the Compensation Committee intended that a substantial portion of an executive's cash compensation for the fiscal year would therefore be at risk and dependent on performance during the fiscal year. The actual amount of the bonus was structured to range from 0 to 150% of the target amount, based upon the extent to which performance under each of the criteria was met, exceeded or was below target. However, to the extent that performance was less than 80% as measured against our performance goals, no bonus amount was to be paid.

**Performance Goals.** The actual amount of the cash incentive award to be paid at the end of fiscal 2007 was to be determined based upon the achievement of financial, operational and individual performance goals determined at the beginning of the fiscal year. In general, Company performance goals established by the Committee are based upon the stated financial and operating objectives of the Company and operating units. The individual performance goals generally consist of more qualitative objectives established by our Chief Executive Officer and relate to matters such as customer retention and relations, recruiting and training personnel and financial management.

Our Compensation Committee determined that 80% of the fiscal 2007 cash incentive awards for members of corporate executive management (other than our Chief Executive Officer) was to be determined according to the achievement of the following corporate financial performance goals, as measured against our fiscal 2007 financial plan:

- 20% based upon our revenue target
- 25% based upon our operating income target
- 15% based upon our operating income margin target
- 20% based upon our operating cash flow target
- 20% based upon our contract awards target

The remaining 20% of the cash incentive awards for our corporate executives was to be based upon the achievement of individual performance objectives.

For our Chief Executive Officer, 70% of the cash incentive awards was to be determined according to the achievement of the fiscal 2007 corporate financial performance goals described above, with the remaining 30% upon the achievement of individual performance objectives.

For our Group Presidents, 30% of the cash incentive awards was to be determined according to our achievement of the corporate financial and operational performance goals set forth above, with 50% of the award to be determined according to the financial performance of their respective group and 20% to be based upon other personal and operational goals for their group relating to their success obtaining new customers, training and retaining their personnel and certain other financial and operational goals.

***Determination of Award Amounts.*** Following the end of fiscal 2007, the Compensation Committee reviewed financial and individual performance during the year and approved the cash incentive award payments to be made to our executive officers. In evaluating fiscal 2007 financial performance, the Compensation Committee recognized that the Company exceeded its objectives with respect to operating income margin and operating cash flow but fell short with respect to its objectives regarding revenue, operating income and contract awards. In analyzing individual performance, the Compensation Committee observed that members of management had made significant progress against the Company's non-financial objectives, including customer retention, reducing employee turnover and the completion of our initial public offering.

In addition to making the cash incentive awards described above, the Compensation Committee also retains the discretion to award additional cash bonus amounts in the event that it feels that our executive officers have demonstrated exceptional performance during the fiscal year. For fiscal 2007, the Compensation Committee awarded additional cash bonuses to certain executive officers, including Mr. Roper and Mr. Sopp, in recognition of their significant efforts in completing our initial public offering and reorganization merger. These additional amounts are set forth under the caption Executive Compensation Summary Compensation Table in the column headed Bonus.

**Equity Incentive Awards**

We provided long-term equity incentive awards to our executive officers comprised of stock options and shares of restricted stock. In March 2006, the Compensation Committee approved the following fiscal 2007 grants to our Named Executive Officers:

Named Executive Officer	Fiscal 2007 Equity Incentive Awards			
	Stock Options		Restricted Stock	
	Number of Shares Underlying Options	Exercise Price	Dollar Value of Stock Award	Number of Shares Underlying Stock Awards
K.C. Dahlberg	600,000	\$ 14.64	\$ 400,023	18,216
M.W. Sopp				
W.A. Roper, Jr	120,000	\$ 14.64	100,006	4,554
L.J. Peck	120,000	\$ 14.64	100,006	4,554
G.T. Singley, III	120,000	\$ 14.64	100,006	4,554
J.H. Warner, Jr	75,000	\$ 14.64	100,006	4,554
D.H. Foley	120,000	\$ 14.64	100,006	4,554

Because Mr. Sopp joined us as our Chief Financial Officer at the end of fiscal 2006 and received equity incentive awards at that time, he did not receive additional awards at the beginning of fiscal 2007.

The Compensation Committee grants equity incentive awards to focus our executives on long-term financial performance and increased stockholder value and to motivate the executives to remain with us through the vesting periods for these awards. The amounts of these awards are determined based on market data and vary based upon an executive's position and responsibilities. Because these equity awards are generally intended to help motivate our executives to stay with the Company and to continue to build stockholder value, the Compensation Committee generally does not consider an executive's current stock or option holdings in making additional awards, except to the extent that the Committee determines that additional equity awards would further motivate the individual to remain with the Company. The Compensation Committee has determined that stock options (rather than restricted stock) should constitute the majority of the equity incentive awards, since such options only have value to the extent that our stock price appreciates.

Prior to making the fiscal 2007 equity incentive awards to our executive officers, the Compensation Committee reviewed the survey data which indicated that the value of the equity awards issued to our executive officers for the prior fiscal year was slightly higher on average than the median for companies in the Compensation Peer Group and published surveys. The Compensation Committee determined, however, that it was appropriate to continue to grant equity incentive awards with values slightly higher on average than the median when compared to our peers. As indicated above, the survey data indicated that our average base salaries for the prior fiscal year were generally competitive with companies in the Compensation Peer Group and published surveys. Moreover, a substantial portion of the equity incentive awards was comprised of stock option grants which have value only to the extent that our stock price appreciates during the term of the option. In addition, the remaining portion of the equity incentive awards consisted of shares of restricted stock which, like our stock options, vest over a four year period and thus motivate our executives to stay with the Company and build stockholder value.

The fiscal 2007 awards described above were made by Old SAIC prior to the completion of our initial public offering and reorganization merger pursuant to our 1999 Stock Incentive Plan and Amended and Restated 1984 Bonus Compensation Plan. As a result of the reorganization merger, these fiscal 2007 option and restricted stock awards were converted into awards for shares of our class A preferred stock. Since the completion of our initial public offering, equity incentive awards have been issued to our executive officers pursuant to our 2006 Equity Incentive Plan,

under which we issue options to purchase shares of common stock and restricted stock comprised of our class A preferred stock.

*Stock and Option Grant Practices*

Our Compensation Committee is responsible for the administration and operation of our stock option and incentive plans. The following description sets forth those processes and practices that have been adopted in the administration of these plans.

**Timing of Grants.** Prior to our initial public offering in October 2006, our stock was not publicly traded and the stock price was determined by the Board of Directors on a quarterly basis. During this time, we generally followed a practice of making option awards on a quarterly basis and making stock awards on a monthly basis. Following the completion of our initial public offering, the Compensation Committee adopted a policy by which all stock and option awards to new and current employees, including our executive officers, would be granted on pre-determined dates approved by the Committee and (to the extent possible) after we have released our annual or quarterly financial results. In connection with this policy, the Compensation Committee selected a date in March 2007 pursuant to which annual equity incentive awards would be made to our executive officers, as well as to our directors and all other eligible employees. In addition, the Committee approved four additional quarterly dates for fiscal 2008 on which any additional equity incentive awards would be made to eligible executive officers or other employees, such as in connection with a new hire, for retention purposes or otherwise. We do not otherwise have any plans or practices regarding the grant of options or stock awards relative to the release of material non-public information.

**Approval of Grants.** All stock and option awards to be made to our directors and executive officers must be approved by the Compensation Committee. In addition, our Board has formed a Stock and Acquisition Transactions Committee, of which K.C. Dahlberg, our Chief Executive Officer, is the sole member, and to which it has delegated the authority to approve grants of stock bonuses and options up to certain maximum amounts. In addition, Mr. Dahlberg may further delegate the authority to specified executive officers to approve grants of options up to certain threshold amounts, although he has not done so to date. All awards of stock and options to executives and other employees — whether approved by the Compensation Committee, the Stock and Acquisition Transactions Committee or by executive officers pursuant to delegated authority — are to be made on one of the pre-determined grant dates approved by the Compensation Committee.

**Determination of Grant Value or Exercise Price.** The value of any stock grant, as well as the exercise price of any option grant, is determined by reference to the fair market value of the shares, which our 2006 Equity Incentive Plan defines as the closing price of our common stock on the New York Stock Exchange on the previous trading day. Prior to the completion of our initial public offering, the value of shares underlying any stock grant or stock option exercise price was determined under our 1999 Stock Incentive Plan and Amended and Restated 1984 Bonus Compensation Plan by reference to the stock price which was determined by our Board of Directors generally on a quarterly basis. In either case, however, because stock options granted both before and after the completion of our initial public offering have been granted at fair market value, they only have value to the extent that the price of our common stock increases during the term of the option. Our stock option and restricted stock awards vest as to 20%, 20%, 20% and 40% of the underlying shares on the first, second, third and fourth year anniversaries of the dates of grant, respectively.

*Stock Ownership Guidelines and Policies*

We encourage our employees to have significant holdings in our stock so that they are motivated to maximize our long-term performance and stock value. Under stock ownership guidelines we have established, all executive officers are expected to acquire and maintain stockholdings in an amount equal to five times their base salary within seven years. For purposes of calculating an individual's holdings, we include vested shares,



including those held in our deferred compensation and retirement plans, as well as the in-the-money value of stock options. After an individual attains his or her minimum stockholdings during this initial seven-year period, we expect that he or she will retain enough shares from option exercises such that vested option equivalents will no longer be considered in determining their ownership multiple.

In addition to these ownership guidelines, we have also established policies for our executive officers relating to certain short-term or speculative transactions in our securities that we believe carry a greater risk of liability for insider trading violations and also create an appearance of impropriety. For example, our executive officers are not permitted to engage in any short sales or any trading in puts, calls or other derivatives on an exchange or other organized market. In addition, our executive officers are required to preclear certain other transactions in our securities, such as pledge and margin transactions, as well as other hedging transactions, such as cashless collars or forward contracts.

#### **Other Benefits Provided in Fiscal 2007**

In addition to the elements of direct compensation described above, we also provide our executive officers with the following benefits:

##### ***Health and Welfare Benefits***

Our executive officers are entitled to participate in all health and welfare plans that we generally offer to all of our eligible employees, which provide medical, dental, health, group term life insurance and disability benefits. In addition to disability benefits that we generally make available to all of our employees, we have agreed to provide our Chief Executive Officer with disability payments in an amount up to 70% of his then-current salary if he is disabled prior to his reaching age 65. We believe that these health and welfare benefits are reasonable in scope and amount and are typically offered by other companies against which we compete for executive talent.

##### ***Retirement Benefits***

Our executive officers are entitled to participate in our retirement plans that are generally available to all eligible employees. The Compensation Committee believes that these retirement programs permit our executives to save for their retirement in a tax-effective manner at minimal cost to us and are of the kind typically offered by other companies against which we compete for executive talent.

***SAIC Retirement Plan.*** We maintain the SAIC Retirement Plan, which is a combined 401(k) plan and employee stock ownership plan, or ESOP. The plan allows eligible participants to defer a portion of their income through payroll deductions, and we currently provide a matching 50% contribution for each dollar an employee contributes to the plan, up to 6% of the employee's eligible compensation. In addition, we also have the discretion to provide profit sharing and ESOP contributions, which historically have been comprised of cash or stock contributions to the plan for the benefit of plan participants based upon amounts determined annually by our Board of Directors. Beginning with the contributions made with respect to fiscal 2007, all Company contributions to the plan will be made in cash. Participants' interests in our matching, discretionary profit sharing and ESOP contributions vest in equal proportionate amounts over five years and become fully vested (regardless of when contributed) upon the participant's having completed five years of service, reaching age 59 1/2, permanent disability or death. Any participant who is 59 1/2 or older may elect to take a distribution from the plan in the form of shares of our common stock from the balances of their account invested in our stock.

***Deferred Compensation Plans.*** We maintain two deferred compensation plans, the Keystaff Deferral Plan and the Key Executive Stock Deferral Plan. The Keystaff Deferral Plan allows eligible participants to elect to defer all or a portion of any cash or vested equity

incentive awards granted to them under our

cash incentive or stock plans. We make no contributions to participant accounts under the Keystaff Deferral Plan, although participant deferrals, which are reflected in dollars, earn interest during the deferral period. Distributions under the Keystaff Deferral Plan are made to participants in cash. The Key Executive Stock Deferral Plan allows eligible participants to elect to defer all or a portion of any cash or equity incentive awards granted to them under our cash incentive or stock incentive plans. Participant deferrals generally correspond to units representing shares of our class A preferred stock. Shares equivalent to deferrals may be deposited to a rabbi trust to fund benefits for participants. We make no contributions to participant accounts under the Key Executive Stock Deferral Plan. Distributions under the Key Executive Stock Deferral Plan are made to participants in shares of class A preferred stock corresponding to the number of units they hold. Deferred balances under either plan will generally be paid upon retirement or termination.

**Stock Compensation Plans.** We maintain two stock compensation plans, the Stock Compensation Plan, which is an unfunded compensation arrangement designed to allow us to make deferred stock awards to selected employees, and our Management Stock Compensation Plan, which is an unfunded compensation arrangement designed to allow us to make deferred stock awards to a select group of management. Following the making of an award under either plan, we may elect to contribute shares of our class A preferred stock to a rabbi trust in an amount that generally corresponds to the number of share units credited to participants' accounts. Each award is subject to a vesting schedule not to exceed seven years. The unvested portion of an awardee's account is forfeited upon termination of employment but becomes fully vested and will be immediately distributed upon the occurrence of a change in control, as defined in the plan. Although certain members of management have been issued awards under our stock compensation plans in prior fiscal years, we did not issue any awards to our executive officers in fiscal 2007 and the Compensation Committee currently does not expect that awards will be issued to them in future years.

**Continued Vesting on Restricted Stock and Options for Retirees.** Under a continued vesting program that we have implemented, certain qualifying retirees, including our directors and executive officers, may continue holding and vesting in their stock options and shares of restricted stock (including units held in the Key Executive Stock Deferral Plan) issued after July 1, 2004, if they have held such securities for at least 12 months prior to retirement. Qualifying retirement is defined as terminating service with us (i) after age 59 1/2 with at least ten years of service or (ii) after age 59 1/2 when age at termination plus years of service equals at least 70. Our directors and executive officers who retire after reaching the applicable mandatory retirement age, however, will be allowed to continue to vest in such awards without regard to the one-year holding requirement. We have the right to terminate this continued vesting in certain circumstances.

#### ***Perquisites and Personal Benefits***

We do not provide substantial perquisites and personal benefits to our executive officers that are not otherwise available to other employees, such as company cars, permanent lodging or personal security. In fiscal 2007, we provided our executive officers up to \$14,500 for financial planning and tax preparation services, which we believe helped our executives minimize the amount of their personal time used in connection with these matters and are benefits generally provided by peer companies against whom we compete for talent. In addition, during fiscal 2007 we either paid or reimbursed certain modest costs incurred by our Named Executive Officers for airline club and social club memberships.

In determining overall compensation for fiscal 2008, our Compensation Committee has reevaluated the perquisites and personal benefits we provide to our executive officers and has decided to cease offering financial planning and tax preparation services in the future, as well as the reimbursement of costs for social club memberships.

## ***Dividend Compensation***

In October 2006, prior to our reorganization merger with Old SAIC, the board of directors of Old SAIC declared a special cash dividend on shares of Old SAIC common stock, which was paid in November 2006. Dividends paid on shares of Old SAIC restricted stock, as well as units corresponding to shares of Old SAIC common stock held in a rabbi trust for the Management Stock Compensation Plan, the Stock Compensation Plan and the Key Executive Stock Deferral Plan, constituted compensation received by the recipients, taxable at ordinary income rates.

Our directors and executive officers were entitled to receive the special dividend based on their respective holdings of Old SAIC common stock on the same terms and conditions as all other stockholders. However, because a portion of the special dividend paid to our directors and executive officers constituted compensation to them under applicable federal tax requirements, we have included this amount in this proxy statement under the caption *Executive Compensation* in the Summary Compensation Table in the column headed *All Other Compensation*. As a result, this special dividend significantly influenced the composition of our Named Executive Officers for fiscal 2007. Prior to this special dividend, we had never declared or paid any cash dividends on our capital stock, nor do we expect to do so in the foreseeable future. As a result, we do not expect that cash dividends will significantly influence the composition of our Named Executive Officers in the future.

## ***Potential Change in Control Benefits***

We have entered into severance protection agreements with our executive officers that would provide them with certain payments and benefits in the event that their employment were to be involuntarily terminated following an acquisition of the Company. We believe that these agreements provide an important benefit to the Company by helping alleviate any concern the executives might have during a potential change in control of the Company and permitting them to focus their attention on completing a pending acquisition. In addition, we believe that these agreements are an important recruiting and retention tool, as many of the companies with which we compete for talent have similar arrangements in place for their senior management.

These severance protection agreements renew for successive one-year terms each year, unless not later than October 31<sup>st</sup> of the prior year either we or the executive officer decides not to extend the term of the agreement. This annual term permits our Compensation Committee to regularly review the amount of benefits that would be provided to our executive officers in connection with a change in control and to consider whether to continue providing such benefits. During fiscal 2007, our Compensation Committee determined not to renew the severance protection agreements that we had entered into with our executive officers from time to time beginning on September 1, 2005 and decided to enter into new severance protection agreements on modified terms. As a result, the prior agreements expired according to their terms on December 31, 2006 and the new agreements became effective on January 1, 2007. Each of the new agreements is in substantially the same form and contains substantially similar terms as the prior agreements, except that we reduced the amount of cash severance benefits to be paid upon a change in control. In addition, the agreements were revised to automatically terminate upon the occurrence of certain events, such as a change in the officer's status, position or responsibilities, in order to permit the Compensation Committee to consider whether to continue providing such benefits.

In addition to the benefits provided by the severance protection agreements, the terms of our equity incentive and deferred compensation plans provide for accelerated vesting upon the occurrence of a change in control. Outstanding stock options, awards and units issued by Old SAIC under its predecessor plans including the 1999 Stock Incentive Plan, Amended and Restated 1984 Bonus Compensation Plan, Key Executive Stock Deferral Plan, Management Stock Compensation Plan and Stock Compensation Plan become fully vested upon the occurrence of a change in control. Our 2006 Equity Incentive Plan, under which we have issued stock and option awards since the completion of our initial public offering and reorganization merger, generally provides that vesting will accelerate if the holder is involuntarily terminated within 18 months following a change in



control. The terms of the 2006 Equity Incentive Plan are set forth in further detail in *Proposal IV Approval of Material Terms of and Certain Amendments to our 2006 Equity Incentive Plan*. These acceleration provisions are generally applicable to all grants of options or restricted stock made to all of our employees, including our executive officers.

Other than the change in control benefits described above, we do not offer any kind of severance benefits to our executive officers. In addition, our executive officers are employees-at-will and as such do not have any employment agreements with us, other than standard employee offer letters.

### **Tax and Accounting Considerations**

We attempt to provide compensation that is structured, to the extent possible, to maximize favorable accounting, tax and similar benefits for the Company.

#### ***Deductibility of Executive Compensation***

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally limits the deductibility of certain compensation in excess of \$1,000,000 paid in any one year to the Chief Executive Officer and the other four highest paid executive officers. Qualified performance-based compensation will not be subject to this deduction limit if certain requirements are met.

The Compensation Committee periodically reviews and considers the deductibility of executive compensation under Section 162(m) in designing our compensation programs and arrangements. As indicated above, a portion of our cash incentive awards is determined based upon the achievement of certain predetermined financial performance goals, which permits us to deduct such amounts pursuant to Section 162(m). In addition, under *Proposal IV Approval of Material Terms of and Certain Amendments to our 2006 Equity Incentive Plan*, we are seeking stockholder approval of certain matters for purposes of Section 162(m).

While we will continue to monitor our compensation programs in light of Section 162(m), the Compensation Committee considers it important to retain the flexibility to design compensation programs that are in the best long-term interests of the Company and our stockholders. As a result, the Compensation Committee may conclude that paying compensation at levels that are not deductible under Section 162(m) is nevertheless in the best interests of the Company and our stockholders.

#### ***Nonqualified Deferred Compensation***

As described above, we currently offer deferral plans and other arrangements designed to provide deferred compensation to our executives. On October 22, 2004, the American Jobs Creation Act of 2004 was signed into law, changing the tax rules applicable to nonqualified deferred compensation arrangements. Our deferred compensation plans and arrangements have been restated to comply in good faith with these new rules and we will review these arrangements again during calendar 2007 to ensure their compliance with final deferred compensation regulations issued in April 2007. In addition, there is currently legislation pending in Congress that, if passed, could limit the amount that could be deferred by our executives to the lesser of \$1,000,000 or their average annual compensation over specified prior tax years. We will continue to monitor these and other legislative developments as we design our deferred compensation arrangements.

*Accounting for Stock-Based Compensation*

We adopted Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment, on February 1, 2006, which requires that we recognize as compensation expense the fair value of all stock-based awards, including stock options, granted to employees and others in exchange for services over the requisite service period. We adopted SFAS No. 123(R) using the modified prospective transition method for stock-based

awards granted after September 1, 2005, the date we made our initial filing with the Securities and Exchange Commission for our initial public offering. For more information regarding our application of SFAS No. 123(R), please refer to Note 1. Summary of Significant Accounting Policies - Stock Based Compensation in the Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K filed with the SEC on April 12, 2007.

### **COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed with our management the Compensation Discussion and Analysis included in this proxy statement. Based upon this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

W.H. Demisch

A.K. Jones

H.M.J. Kraemer, Jr.

E.J. Sanderson, Jr.

March 30, 2007



## EXECUTIVE COMPENSATION

The following tables set forth information regarding certain cash, incentive, equity and other compensation earned during the end of fiscal 2007 by (i) our Chief Executive Officer, (ii) our Executive Vice President and Chief Financial Officer, (iii) our three other most highly-compensated executive officers for fiscal 2007, (iv) our Executive Vice President and former Chief Administrative Officer and (v) our Executive Vice President and former Chief Engineering and Technology Officer. We refer to these executives in this proxy statement as our Named Executive Officers. Effective as of June 2, 2007, G.T. Singley, III resigned as a Group President in connection with his upcoming retirement and L.J. Peck resigned as a Group President but will continue to serve as an Executive Vice President.

### Introductory Note Regarding Reorganization Merger and Special Cash Dividend

In October 2006, in connection with becoming a publicly-traded company, we completed a reorganization merger pursuant to which our predecessor company, Science Applications International Corporation (which we refer to as Old SAIC), became our wholly-owned subsidiary and shares of Old SAIC common stock were exchanged for shares of our class A preferred stock. Prior to this reorganization merger, the board of directors of Old SAIC declared a special cash dividend on shares of Old SAIC common stock, which was paid in November 2006. As a result of these transactions, outstanding stock and option awards previously issued by Old SAIC under its equity incentive and deferred compensation plans for shares of Old SAIC common stock were converted into awards for shares of our class A preferred stock and the number and exercise prices of outstanding options were proportionately adjusted for the reorganization merger and the payment of the special dividend. These prior awards were issued by Old SAIC under its predecessor plans, including the 1999 Stock Incentive Plan, the Amended and Restated 1984 Bonus Compensation Plan, the Key Executive Stock Deferral Plan, the Management Stock Compensation Plan and the Stock Compensation Plan.

All information in the following tables with respect to stock and option awards issued under these predecessor plans has been adjusted to reflect this exchange and the declaration and payment of the special dividend. For more information regarding the initial public offering, reorganization merger and special dividend, please refer to Note 1. Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K filed with the SEC on April 12, 2007.

## Summary Compensation Table

The following table sets forth information regarding compensation earned by our Named Executive Officers for service to the Company during fiscal 2007, whether or not such amounts were paid in such year:

Name and principal position	Year	Salary(1)	Bonus(2)	Stock awards(3)	Option awards(3)	Non-equity incentive plan compensation	All other compensation(4)	Total
K.C. Dahlberg Chairman and Chief Executive Officer	2007	\$ 1,000,000		\$ 859,381	\$ 2,263,425	\$ 1,325,000	\$ 1,544,160(5)	\$ 6,991,966
M.W. Sopp Executive Vice President and Chief Financial Officer	2007	474,038	\$ 60,000	25,003	224,849	440,000	41,233(6)	1,265,123
W.A. Roper, Jr Executive Vice President	2007	467,308	37,000	250,075	1,560,710	378,000	2,811,017(7)	5,504,110
L.J. Peck (8) Group President	2007	384,423		178,230	1,134,984	400,000	521,630(9)	2,619,267
G.T. Singley, III (10) Group President	2007	418,269		161,100	1,189,276	300,000	157,986(11)	2,226,631
J.H. Warner, Jr. (12) Executive Vice President and former Chief Administrative Officer	2007	450,000	50,000	196,200	1,428,689	450,000	726,855(13)	3,301,744
D.H. Foley (14) Executive Vice President and former Chief Engineering and	2007	459,231		216,762	1,668,033	425,000	309,467(15)	3,078,493

- (1) This column includes amounts paid in lieu of accrued and unused comprehensive leave time.
- (2) This column includes amounts awarded to our Named Executive Officers in special recognition for their efforts in completing our initial public offering and reorganization merger. All other cash bonuses awarded to our Named Executive Officers for their service in fiscal 2007 are included under Non-equity incentive plan compensation.
- (3) These columns reflect the dollar amounts that were recognized in fiscal 2007 for financial statement reporting purposes under SFAS 123(R) with respect to stock and option awards granted to our Named Executive Officers in and prior to fiscal 2007. In addition, because we adopted SFAS 123(R) utilizing the prospective method for stock-based awards granted prior to September 1, 2005 (the date we made our initial filing with the SEC for our initial public offering), for purposes of this Summary Compensation Table we have computed and determined the associated value for option awards granted prior to September 1, 2005 as if we had adopted SFAS 123(R) utilizing the modified prospective method for those awards. As required by SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based conditions. For more information regarding our application of SFAS 123(R), including the assumptions used in the calculations of these amounts, please refer to Note 1 of Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K filed with the SEC on April 12, 2007.

Because these amounts reflect accounting expenses for these awards, they do not necessarily correspond to the actual value that will be realized by the Named Executive Officers.

- (4) This column includes the following amounts with respect to our Named Executive Officers:

the amounts of the special cash dividend paid to our Named Executive Officers in connection with our initial public offering with respect to shares of our restricted stock held directly by them or stock units held in their accounts under our Key Executive Stock Deferral Plan or Management Stock Compensation Plan;

matching funds and profit sharing and ESOP contributions made by us on their behalf into the SAIC Retirement Plan;

any amounts paid or reimbursed by us with respect to financial planning and tax preparation services and

any amounts paid or reimbursed by us with respect to airline or social club memberships.

- (5) With respect to Mr. Dahlberg, this amount includes: (a) \$1,515,765 in special cash dividend and (b) \$14,805 in matching funds and profit sharing and ESOP contributions.
- (6) With respect to Mr. Sopp, this amount includes: (a) \$34,575 in special cash dividend and (b) \$6,657 in matching funds.
- (7) With respect to Mr. Roper, this amount includes: (a) \$2,770,200 in special cash dividend and (b) \$14,712 in matching funds and profit sharing and ESOP contributions.
- (8) Effective as of June 2, 2007, Mr. Peck resigned as a Group President but will continue to serve as an Executive Vice President.
- (9) With respect to Mr. Peck, this amount includes: (a) \$506,790 in special cash dividend and (b) \$14,840 in matching funds and profit sharing and ESOP contributions.
- (10) Effective as of June 2, 2007, Mr. Singley resigned as a Group President in connection with his upcoming retirement.
- (11) With respect to Mr. Singley, this amount includes: (a) \$126,210 in special cash dividend and (b) \$14,750 in matching funds and profit sharing and ESOP contributions.
- (12) Dr. Warner resigned as our Chief Administrative Officer, effective July 14, 2006, as a result of reaching the mandatory retirement age for executive officers.
- (13) With respect to Dr. Warner, this amount includes: (a) \$691,710 in special cash dividend and (b) \$14,805 in matching funds and profit sharing and ESOP contributions.
- (14) Dr. Foley resigned as our Chief Engineering and Technology Officer, effective January 10, 2007.

(15)

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With respect to Dr. Foley, this amount includes: (a) \$279,636 in special cash dividend and (b) \$14,090 in matching funds and profit sharing and ESOP contributions.

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**Grants of Plan-Based Awards**

The following table sets forth information regarding the cash and equity incentive awards made to our Named Executive Officers in fiscal 2007 pursuant to our 1999 Stock Incentive Plan and our Amended and Restated 1984 Bonus Compensation Plan, including with respect to awards deferred into our Key Executive Stock Deferral Plan:

<b>Name</b>	<b>Grant date</b>	<b>Estimated future payouts under non-equity incentive plan awards(1)</b>	<b>All other stock awards; number of shares of stock or units</b>	<b>All other option awards; number of securities</b>
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