

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2009

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-33072

SAIC, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

1710 SAIC Drive, McLean, Virginia  
(Address of principal executive offices)

20-3562868

(I.R.S. Employer  
Identification No.)

22102  
(Zip Code)

(703) 676-4300

(Registrant's telephone number, including area code)

10260 Campus Point Drive, San Diego, California 92121

(Former name, former address and  
former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of November 27, 2009, the registrant had 395,913,231 shares of common stock, \$.0001 par value per share, issued and outstanding.

## Item 1. Financial Statements.

SAIC, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)

	Three Months Ended October 31		Nine Months Ended October 31	
	2009	2008	2009	2008
	(in millions, except per share amounts)			
Revenues	<b>\$2,765</b>	\$2,631	<b>\$8,163</b>	\$7,552
Costs and expenses:				
Cost of revenues	<b>2,378</b>	2,277	<b>7,042</b>	6,529
Selling, general and administrative expenses	<b>154</b>	149	<b>463</b>	455
Operating income	<b>233</b>	205	<b>658</b>	568
Non-operating income (expense):				
Interest income	<b>1</b>	4	<b>2</b>	18
Interest expense	<b>(19)</b>	(19)	<b>(57)</b>	(59)
Other income (expense), net	<b>2</b>	(16)	<b>5</b>	(5)
Income from continuing operations before income taxes	<b>217</b>	174	<b>608</b>	522
Provision for income taxes	<b>(82)</b>	(56)	<b>(231)</b>	(194)
Income from continuing operations	<b>135</b>	118	<b>377</b>	328
Discontinued operations (Note 1):				
Loss from discontinued operations before income taxes	<b>(1)</b>	(12)	<b>(5)</b>	(20)
Benefit for income taxes	<b>1</b>	14	<b>2</b>	24
Income (loss) from discontinued operations	<b>—</b>	2	<b>(3)</b>	4
Net income	<b>\$ 135</b>	\$ 120	<b>\$ 374</b>	\$ 332
Earnings per share (Note 2):				
Basic:				
Income from continuing operations	<b>\$ .34</b>	\$ .29	<b>\$ .94</b>	\$ .80
Income from discontinued operations	<b>—</b>	.01	<b>—</b>	.01
	<b>\$ .34</b>	\$ .30	<b>\$ .94</b>	\$ .81
Diluted:				
Income from continuing operations	<b>\$ .34</b>	\$ .29	<b>\$ .93</b>	\$ .79
Income from discontinued operations	<b>—</b>	—	<b>—</b>	.01
	<b>\$ .34</b>	\$ .29	<b>\$ .93</b>	\$ .80

See accompanying notes to condensed consolidated financial statements.

**SAIC, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	<b>October 31, 2009</b>	<b>January 31, 2009</b>
	(in millions)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 991	\$ 936
Receivables, net	2,156	1,889
Inventory, prepaid expenses and other current assets	281	385
Assets of discontinued operations	—	7
Total current assets	3,428	3,217
Property, plant and equipment (less accumulated depreciation and amortization of \$370 million and \$329 million at October 31, 2009 and January 31, 2009, respectively)	392	357
Intangible assets, net	92	88
Goodwill	1,353	1,249
Deferred income taxes	73	86
Other assets	70	51
	<b>\$ 5,408</b>	<b>\$ 5,048</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,212	\$ 1,178
Accrued payroll and employee benefits	631	487
Notes payable and long-term debt, current portion	3	17
Liabilities of discontinued operations	—	1
Total current liabilities	1,846	1,683
Notes payable and long-term debt, net of current portion	1,103	1,099
Other long-term liabilities	180	182
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, \$.0001 par value, 1.5 billion shares authorized, 181 million and 196 million shares issued and outstanding at October 31, 2009 and January 31, 2009, respectively	—	—
Common stock, \$.0001 par value, 2 billion shares authorized, 215 million and 210 million shares issued and outstanding at October 31, 2009 and January 31, 2009, respectively	—	—
Additional paid-in capital	2,061	1,950
Retained earnings	260	183
Accumulated other comprehensive loss	(42)	(49)
Total stockholders' equity	2,279	2,084
	<b>\$ 5,408</b>	<b>\$ 5,048</b>

See accompanying notes to condensed consolidated financial statements.

**SAIC, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**AND COMPREHENSIVE INCOME**  
**(UNAUDITED)**

	Shares		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total	Comprehensive income
	Common stock	Preferred stock					
Balance at January 31, 2009	210	196	\$ 1,950	\$ 183	\$ (49)	\$2,084	
Net income	—	—	—	374	—	374	\$ 374
Other comprehensive income, net of tax	—	—	—	—	7	7	7
Issuances of stock	—	13	130	—	—	130	—
Repurchases of stock	(17)	(6)	(115)	(297)	—	(412)	—
Conversion of preferred stock to common stock	22	(22)	—	—	—	—	—
Excess tax benefits from stock-based compensation	—	—	16	—	—	16	—
Stock-based compensation	—	—	80	—	—	80	—
<b>Balance at October 31, 2009</b>	<b>215</b>	<b>181</b>	<b>\$ 2,061</b>	<b>\$ 260</b>	<b>\$ (42)</b>	<b>\$2,279</b>	<b>\$ 381</b>

See accompanying notes to condensed consolidated financial statements.

**SAIC, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Nine Months Ended October 31	
	2009	2008
	(in millions)	
Cash flows from operations:		
Net income	\$ 374	\$ 332
Loss (income) from discontinued operations	3	(4)
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	68	65
Stock-based compensation	80	69
Excess tax benefits from stock-based compensation	(16)	(52)
Impairment losses	1	16
Other items	(2)	(6)
Increase (decrease) in cash and cash equivalents, excluding effects of acquisitions and divestitures, resulting from changes in:		
Receivables	(212)	(112)
Inventory, prepaid expenses and other current assets	63	(59)
Deferred income taxes	2	—
Other assets	4	(7)
Accounts payable and accrued liabilities	7	100
Accrued payroll and employee benefits	136	46
Income taxes payable	12	35
Other long-term liabilities	2	7
Total cash flows provided by operations	522	430
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(46)	(45)
Acquisitions of businesses, net of cash acquired of \$7 million in 2009 and \$5 million in 2008	(157)	(201)
Net receipts (payments) for purchase price adjustments related to prior year acquisitions	8	(4)
Other	8	15
Total cash flows used in investing activities	(187)	(235)
Cash flows from financing activities:		
Payments on notes payable and long-term debt	(17)	(112)
Sales of stock and exercises of stock options	46	64
Repurchases of stock	(331)	(429)
Excess tax benefits from stock-based compensation	16	52
Other	—	(1)
Total cash flows used in financing activities	(286)	(426)
Increase (decrease) in cash and cash equivalents from continuing operations	49	(231)
Cash flows from discontinued operations:		
Cash used in operating activities of discontinued operations	(1)	(33)
Cash used in investing activities of discontinued operations	—	(8)
Decrease in cash and cash equivalents from discontinued operations	(1)	(41)
Effect of foreign currency exchange rate changes on cash and cash equivalents	7	(12)
Total increase (decrease) in cash and cash equivalents	55	(284)
Cash and cash equivalents at beginning of period	936	1,096
Cash and cash equivalents at end of period	\$ 991	\$ 812

See accompanying notes to condensed consolidated financial statements.

**SAIC, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

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**Note 1—Summary of Significant Accounting Policies:**

***Nature of Operations and Basis of Presentation***

SAIC, Inc. is a provider of scientific, engineering, systems integration and technical services and solutions to all branches of the U.S. military, agencies of the U.S. Department of Defense, the intelligence community, the U.S. Department of Homeland Security and other U.S. Government civil agencies, state and local government agencies, foreign governments and customers in select commercial markets.

The condensed consolidated financial statements include the accounts of SAIC, Inc. and all majority-owned and 100%-owned subsidiaries (collectively referred to as the Company), including Science Applications International Corporation. All intercompany transactions and accounts have been eliminated in consolidation. The Company recognized revenues of \$8 million and \$19 million on sales to unconsolidated affiliates during the three and nine months ended October 31, 2009, respectively. The Company recognized revenues of \$7 million and \$16 million on sales to unconsolidated affiliates during the three and nine months ended October 31, 2008, respectively.

The accompanying financial information has been prepared by the Company pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Estimates have been prepared by management on the basis of the most current and best available information at the time of estimation and actual results could differ from those estimates.

In the opinion of management, the financial information as of October 31, 2009 and for the three and nine months ended October 31, 2009 and 2008 reflects all adjustments, which consist of normal recurring adjustments, necessary for a fair presentation thereof. Operating results for the three and nine months ended October 31, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2010, or any future period.

Unless otherwise noted, references to years are for fiscal years ended January 31. For example, the fiscal year ending January 31, 2010 is referred to as "fiscal 2010" in these notes to condensed consolidated financial statements.

***Stock Reclassification***

As of October 31, 2009, the Company had shares of common stock and Class A preferred stock issued and outstanding. Shares of common stock contained the same economic rights as shares of Class A preferred stock; however, holders of Class A preferred stock were entitled to 10 votes per share while holders of common stock were entitled to one vote per share. Subsequent to October 31, 2009, the Company completed a reclassification in which each share of Class A preferred stock was automatically converted into one share of common stock. The proposal to automatically convert each share of Class A preferred stock into one share of common stock was previously approved by the Company's stockholders at the Company's annual meeting of stockholders in June 2009. This conversion did not impact the Company's consolidated financial position or results of operations, other than increasing the number of common shares outstanding and reducing the number of preferred shares outstanding to zero.

***Discontinued Operations***

In October 2008, management committed to a plan to sell or dispose of a non-strategic component of a business within the Government segment and classified its operating results as a discontinued operation for all periods presented. The Company completed the sale in March 2009.

**SAIC, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

The operating results of this discontinued operation prior to sale for the periods noted were as follows:

	Nine Months Ended October 31	
	2009	2008
	(in millions)	
Revenues	\$ 1	\$ 6
Costs and expenses:		
Cost of revenues	1	5
Impairment of goodwill, intangible assets and other assets	—	9
Selling, general and administrative expenses	—	5
Loss before income taxes	\$ —	\$ (13)

In addition to the operating results presented above, the Company's results of discontinued operations included pre-tax losses of \$1 million and \$5 million for the three and nine months ended October 31, 2009, respectively, and pre-tax losses of \$3 million and \$7 million for the three and nine months ended October 31, 2008, respectively, for certain tax and litigation matters related primarily to Telcordia Technologies, Inc. (Note 10).

**Supplementary Cash Flow Information**

Supplementary cash flow information, including non-cash investing and financing activities, for the periods noted were as follows:

	Nine Months Ended October 31	
	2009	2008
	(in millions)	
Stock exchanged upon exercise of stock options	\$ 81	\$ 128
Stock issued for settlement of accrued employee benefits	\$ 3	\$ 3
Decrease in accrued stock repurchases	\$ —	\$ (6)
Fair value of assets acquired in acquisitions	\$ 198	\$ 223
Cash paid in acquisitions, net of cash acquired of \$7 million in 2009 and \$5 million in 2008	(157)	(201)
Accrued acquisition payments, net	—	(9)
Liabilities assumed in acquisitions	\$ 41	\$ 13
Cash paid for interest	\$ 35	\$ 43
Cash paid for income taxes	\$ 185	\$ 206

**Accounting Standards Updates Adopted**

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168—*The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162*. This statement establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP, except for rules and interpretive releases of the SEC. This statement was adopted and was effective for the Company's condensed consolidated financial statements for the three and nine months ended October 31, 2009. This statement does not change GAAP and it will not impact the Company's consolidated financial position and results of operations. In the descriptions of Accounting Standards Updates that follow, references to descriptive titles in "italics" relate to the FASB Accounting Standards Codification Topics and Subtopics, and their descriptive titles, as appropriate.

**SAIC, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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On February 1, 2009, the Company adopted an accounting standard regarding earnings per share (EPS). In accordance with this accounting standard, the Company is required to designate its unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents as "participating securities," which requires an allocation of earnings to the participating securities in calculating EPS using the two-class method. The accounting standard is required to be applied retrospectively to adjust previously reported basic and diluted EPS for all prior periods presented. The adoption of this accounting standard reduced previously reported EPS for the periods noted as follows:

	Three Months Ended October 31, 2008	(in millions)	Nine Months Ended October 31, 2008
Basic EPS—continuing operations	\$	(.01)	\$ (.03)
Basic EPS	\$	(.01)	\$ (.03)
Diluted EPS—continuing operations	\$	—	\$ (.02)
Diluted EPS	\$	(.01)	\$ (.02)

During the nine months ended October 31, 2009, the Company also adopted accounting standards issued by the FASB related to the following topics, none of which had a material effect on the Company's consolidated financial position and results of operations:

- revised accounting rules related to business combinations;
- accounting and disclosure for non-controlling interests in consolidated subsidiaries;
- disclosures related to derivative financial instruments;
- interim disclosures about fair value of financial instruments;
- determining fair value when the volume and level of activity for an asset or liability have significantly decreased and identifying transactions that are not orderly; and
- accounting and disclosures for subsequent events.

**Accounting Standards Updates Issued But Not Yet Adopted**

In December 2008, the FASB issued an accounting standard which updates existing accounting standards to require additional disclosure in the sponsor's financial statements about pension plan assets, obligations, benefit payments, contributions and net benefit cost and other postretirement benefits. The disclosure requirements of this accounting standard are effective for the Company's annual financial statements for the fiscal year ending January 31, 2010. Since this statement only pertains to disclosures in the notes to consolidated financial statements, it will not impact the Company's consolidated financial position and results of operations.

In October 2009, the FASB issued an update to "*Revenue Recognition—Multiple-Deliverable Revenue Arrangements*." This update removes the objective-and-reliable-evidence-of-fair-value criterion from the separation criteria used to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting, replaces references to "fair value" with "selling price" to distinguish from the fair value measurements required under the "*Fair Value Measurements and Disclosures*" guidance, provides a hierarchy that entities must use to estimate the selling price, eliminates the use of the residual method for allocation, and expands the ongoing disclosure requirements. This update is effective for the Company beginning February 1, 2011 and can be applied prospectively or retrospectively. The Company is currently evaluating the effect that adoption of this update will have, if any, on the Company's consolidated financial position and results of operations when it is adopted.

In October 2009, the FASB issued an update to "*Software—Multiple-Deliverable Revenue Arrangements*." This update amends the existing accounting model for revenue arrangements that include both tangible products and software elements. Tangible products containing software components and nonsoftware components that function together to deliver the tangible product's essential functionality are excluded from the scope of software revenue guidance. In addition, this update provides guidance on how a vendor should allocate consideration to deliverables in an arrangement that includes both tangible products and software and enhances the disclosure requirements related to these arrangements. This update is effective for arrangements entered into or materially modified by the Company after January 31, 2011. The Company is currently evaluating the effect that adoption of this update will have, if any, on the Company's consolidated financial position and results of operations when it is adopted.

Other new accounting standards and updates issued but not effective until after October 31, 2009, are not expected to have a significant effect on the Company's consolidated financial position or results of operations.



SAIC, INC.  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
 (UNAUDITED)

**Subsequent Events**

The Company has evaluated subsequent events that have occurred through December 8, 2009, which is the date of issuance of these financial statements, and has accounted for and disclosed material subsequent events in these condensed consolidated financial statements as appropriate.

**Note 2—Earnings per Share:**

In calculating EPS using the two-class method, the Company is required to allocate a portion of its earnings to its unvested stock awards containing nonforfeitable rights to dividends or dividend equivalents. Basic EPS is computed by dividing income less earnings allocable to unvested stock awards by the basic weighted average number of shares outstanding. Diluted EPS is computed similar to basic EPS, except the weighted average number of shares outstanding is increased to include the dilutive effect of outstanding stock options and other awards.

A reconciliation of the income used to compute basic and diluted EPS for the periods noted was as follows:

	Three Months Ended October 31		Nine Months Ended October 31	
	2009	2008	2009	2008
	(in millions)			
<b>Basic EPS:</b>				
Income from continuing operations, as reported	\$ 135	\$ 118	\$ 377	\$ 328
Less: allocation of undistributed earnings to unvested stock awards	(4)	(4)	(12)	(10)
Income from continuing operations, for computing basic EPS	\$ 131	\$ 114	\$ 365	\$ 318
Net income, as reported	\$ 135	\$ 120	\$ 374	\$ 332
Less: allocation of undistributed earnings to unvested stock awards	(4)	(4)	(12)	(10)
Net income, for computing basic EPS	\$ 131	\$ 116	\$ 362	\$ 322
<b>Diluted EPS:</b>				
Income from continuing operations, as reported	\$ 135	\$ 118	\$ 377	\$ 328
Less: allocation of undistributed earnings to unvested stock awards	(4)	(4)	(12)	(9)
Income from continuing operations, for computing diluted EPS	\$ 131	\$ 114	\$ 365	\$ 319
Net income, as reported	\$ 135	\$ 120	\$ 374	\$ 332
Less: allocation of undistributed earnings to unvested stock awards	(4)	(4)	(12)	(10)
Net income, for computing diluted EPS	\$ 131	\$ 116	\$ 362	\$ 322

A reconciliation of the weighted average number of shares outstanding used to compute basic and diluted EPS for the periods noted was as follows:

	Three Months Ended October 31		Nine Months Ended October 31	
	2009	2008	2009	2008
	(in millions)			
Basic weighted average number of shares outstanding	384	392	387	396
Dilutive common share equivalents—stock options	4	6	4	7
Diluted weighted average number of shares outstanding	388	398	391	403

**SAIC, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

Basic and diluted EPS for the periods noted was as follows:

	Three Months Ended October 31		Nine Months Ended October 31	
	2009	2008	2009	2008
<b>Basic:</b>				
Income from continuing operations	\$ .34	\$ .29	\$ .94	\$ .80
Income from discontinued operations	—	.01	—	.01
	<b>\$ .34</b>	<b>\$ .30</b>	<b>\$ .94</b>	<b>\$ .81</b>
<b>Diluted:</b>				
Income from continuing operations	\$ .34	\$ .29	\$ .93	\$ .79
Income from discontinued operations	—	—	—	.01
	<b>\$ .34</b>	<b>\$ .29</b>	<b>\$ .93</b>	<b>\$ .80</b>

The following awards were excluded from the weighted average number of shares outstanding used to compute basic and diluted EPS for the periods noted:

	Three Months Ended October 31		Nine Months Ended October 31	
	2009	2008	2009	2008
		(in millions)		
Antidilutive stock options excluded	<b>11</b>	7	<b>11</b>	7
Performance-based stock awards excluded	<b>1</b>	—	<b>1</b>	—
Weighted average number of unvested stock awards outstanding excluded	<b>13</b>	13	<b>13</b>	12

**Note 3—Stock-Based Compensation:**

*Total Stock-Based Compensation.* Total stock-based compensation expense for the periods noted was as follows:

	Three Months Ended October 31		Nine Months Ended October 31	
	2009	2008	2009	2008
		(in millions)		
Stock options	\$ 8	\$ 7	\$ 24	\$ 21
Vesting stock awards	20	17	54	47
Vested stock awards	—	—	—	1
Performance-based stock awards	1	—	2	—
Total stock-based compensation expense	<b>\$ 29</b>	<b>\$ 24</b>	<b>\$ 80</b>	<b>\$ 69</b>

*Stock Options.* Stock options granted during the nine months ended October 31, 2009 and 2008 have a term of five years and a vesting period of four years, except for stock options granted to the Company's outside directors, which have a vesting period of one year. The fair value of stock options granted during the periods noted was determined using the following weighted average assumptions:

	Nine Months Ended October 31	
	2009	2008
Expected term (in years)	<b>3.9</b>	3.9
Expected volatility	<b>30.6%</b>	26.2%
Risk-free interest rate	<b>1.5%</b>	2.3%
Dividend yield	<b>0%</b>	0%

The weighted average grant-date fair value of stock options granted during the nine months ended October 31, 2009 and 2008 using the Black-Scholes option-pricing model was \$4.79 and \$4.51, respectively.

**SAIC, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

Stock option activity for the nine months ended October 31, 2009 was as follows:

	Shares of stock under stock options (in millions)	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in millions)
Outstanding at January 31, 2009	39.9	\$ 15.08	2.1	\$ 186
Options granted	5.5	18.41		
Options forfeited or expired	(2.7)	15.50		
Options exercised	(7.5)	12.95		40
Outstanding at October 31, 2009	<u>35.2</u>	<u>16.02</u>	<u>2.1</u>	<u>59</u>
Exercisable at October 31, 2009	<u>17.8</u>	<u>14.77</u>	<u>1.2</u>	<u>52</u>

*Vesting Stock Awards.* Vesting stock award activity for the nine months ended October 31, 2009 was as follows:

	Shares of stock under stock awards (in millions)	Weighted average grant- date fair value
Unvested at January 31, 2009	11.4	\$ 18.74
Awards granted	4.7	18.38
Awards forfeited	(0.8)	18.64
Awards vested	(2.9)	18.75
Unvested at October 31, 2009	<u>12.4</u>	<u>18.61</u>

The aggregate fair value of vesting stock awards that vested during the nine months ended October 31, 2009 and 2008 was \$53 million and \$47 million, respectively.

*Performance-Based Stock Awards.* During the nine months ended October 31, 2009, the Company granted performance-based stock awards to certain officers and key employees of the Company under the 2006 Equity Incentive Plan. These awards vest at the end of a three-year performance period based upon the achievement of specific pre-established levels of performance. The number of shares that will ultimately be awarded can range from zero to 150% of the specified target awards (which totaled 600,000 shares under performance-based stock awards as of October 31, 2009) based on the achievement of cumulative growth in diluted EPS from continuing operations and operating income margin, weighted equally, as compared to targeted amounts for the three fiscal year period ending January 31, 2012. Compensation expense for performance-based stock awards is recognized over the three-year performance period based on the expected level of achievement that will be obtained.

Performance-based stock award activity for the nine months ended October 31, 2009 was as follows:

	Expected number of shares of stock to be issued under performance- based stock awards (in millions)	Weighted average grant- date fair value
Outstanding at January 31, 2009	—	\$ —
Awards granted	0.7	18.36
Awards forfeited	(0.1)	18.46
Outstanding at October 31, 2009	<u>0.6</u>	<u>18.35</u>

Increases or decreases in the expected number of shares to be issued may occur due to changes in the expected level of achievement of the performance goals over the life of the awards.

**SAIC, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**Note 4—Other Income (Expense), Net:**

The components of other income (expense), net for the periods noted were as follows:

	Three Months Ended October 31		Nine Months Ended October 31	
	2009	2008	2009	2008
		(in millions)		
Net loss on sale of investments, net of impairment losses	\$ —	\$ (5)	\$ —	\$ (2)
Equity interest in earnings and impairment losses on investments in unconsolidated affiliates, net	—	(8)	1	(3)
Other	2	(3)	4	—
<b>Total other income (expense), net</b>	<b>\$ 2</b>	<b>\$ (16)</b>	<b>\$ 5</b>	<b>\$ (5)</b>

The Company recognized \$1 million of impairment losses on investments during the nine months ended October 31, 2009. There were no impairment losses during the three months ended October 31, 2009. The Company recognized \$16 million of impairment losses on its ownership interests in Danet GmbH and certain private equity securities held by its venture capital subsidiary during the three and nine months ended October 31, 2008. These impairments were due to other-than-temporary declines in their fair values caused by poor business performance, contraction in credit markets and general declines in global economic conditions during the three months ended October 31, 2008. When testing long-term investments for recovery of carrying value, the fair value of long-term investments in private equity securities is determined using various valuation techniques and factors, such as market prices of comparable companies (Level 2 input as defined by the accounting standard for fair value measurements), discounted cash flow models (Level 2 input as defined by the accounting standard for fair value measurements) and recent capital transactions of the portfolio companies being valued (Level 3 input as defined by the accounting standard for fair value measurements). The carrying value of the Company's investments as of October 31, 2009 was \$21 million.

**Note 5—Acquisitions:**

*Atlan, Inc.* On July 10, 2009, the Company acquired all of the outstanding equity interests of Atlan, Inc., a cybersecurity product testing firm, for a preliminary purchase price of \$9 million in cash, subject to contractual adjustments. This acquisition enhances the Company's overall cybersecurity capabilities and government cybersecurity product certification services. The preliminary purchase price allocation resulted in goodwill of \$7 million (substantially all of which is tax deductible) and identifiable intangible assets of \$1 million. The final purchase price allocation will be determined upon settlement of any contractual adjustments of the purchase price.

*R. W. Beck Group, Inc.* On August 1, 2009, the Company acquired all of the outstanding equity interests of R. W. Beck Group, Inc., a provider of business, engineering, energy and infrastructure consulting services, for a purchase price of \$155 million in cash, subject to contractual adjustments. This acquisition both enhances the Company's existing capabilities and offerings to customers in the areas of energy and infrastructure capital program consulting services and provides new capabilities and offerings to customers in disaster preparedness and recovery services. The preliminary purchase price allocation resulted in goodwill of \$93 million (none of which is tax deductible) and identifiable intangible assets of \$24 million. The Company has not yet obtained all of the information required to complete the purchase price allocations related to this acquisition. The final purchase price allocation will be completed after the information identified by the Company has been received.

These acquisitions, which individually and in the aggregate were not material business combinations, were both in the Government segment.

**Note 6—Goodwill and Intangible Assets:**

The changes in the carrying value of goodwill by segment were as follows:

	Government	Commercial	Total
	(in millions)		
Goodwill at January 31, 2009	\$ 1,220	\$ 29	\$1,249
Acquisitions	100	—	100
Foreign currency translation	—	2	2
Adjustments	2	—	2
<b>Goodwill at October 31, 2009</b>	<b>\$ 1,322</b>	<b>\$ 31</b>	<b>\$1,353</b>

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As of February 1, 2009, certain operations were transferred between the Company's Government segment and Commercial segment with prior year goodwill amounts adjusted for consistency with the current year's presentation. Goodwill adjustments during the nine months ended October 31, 2009 resulted from the finalization of purchase price allocations related to prior year acquisitions.

Intangible assets, including those arising from preliminary estimates of assets acquired relating to acquisitions, consisted of the following:

	October 31, 2009			January 31, 2009		
	Gross carrying Value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
	(in millions)					
Amortizable intangible assets:						
Customer relationships	\$ 133	\$ 59	\$ 74	\$ 121	\$ 55	\$ 66
Software and technology	43	30	13	42	25	17
Other	2	1	1	3	2	1
Total amortizable intangible assets	178	90	88	166	82	84
Non-amortizable intangible assets:						
Trade names	4	—	4	4	—	4
Total intangible assets	\$ 182	\$ 90	\$ 92	\$ 170	\$ 82	\$ 88

Amortizable intangible assets with a gross carrying value of \$11 million became fully amortized during the nine months ended October 31, 2009 and are no longer reflected in the gross carrying value after becoming fully amortized. Amortization expense related to amortizable intangible assets was \$7 million and \$20 million for the three and nine months ended October 31, 2009, respectively, and \$8 million and \$22 million for the three and nine months ended October 31, 2008, respectively.

There were no goodwill or intangible asset impairment losses during the three and nine months ended October 31, 2009. The Company recorded impairment losses of \$1 million for goodwill and \$6 million for intangible assets during the three and nine months ended October 31, 2008, which is included in discontinued operations. Intangible assets arising from an acquisition made prior to February 1, 2009 decreased \$2 million during the nine months ended October 31, 2009 due to the finalization of a purchase price allocation, including the valuation of intangible assets.

The estimated annual amortization expense related to amortizable intangible assets as of October 31, 2009 is as follows (in millions):

Fiscal Year Ending January 31	
2010 (remainder of the fiscal year)	\$ 7
2011	24
2012	19
2013	14
2014	10
2015 and thereafter	14
	<b>\$88</b>

Actual amortization expense in future periods could differ from these estimates as a result of future acquisitions, divestitures, impairments, adjustments to preliminary valuations of intangible assets and other factors.

**Note 7—Financial Instruments:**

The Company had cash and cash equivalents of \$991 million as of October 31, 2009. The Company's cash equivalents were primarily comprised of investments in several large institutional money market funds that invest primarily in bills, notes and bonds issued by the U.S. Treasury, U.S. Government guaranteed repurchase agreements fully collateralized by U.S. Treasury obligations and U.S. Government guaranteed securities. The Company's cash equivalents are recorded at historical cost which equals fair value based on quoted market prices (Level 1 input as defined by the accounting standard for fair value measurements).

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The Company utilizes foreign currency forward contracts to manage foreign currency exchange rate risk related to receipts from customers, payments to suppliers and certain intercompany transactions denominated in currencies other than the Company's (or one of its subsidiaries') functional currency. As of October 31, 2009, outstanding foreign currency forward contracts had a notional amount of \$4 million and a fair value of less than \$1 million (included in inventory, prepaid expenses and other current assets), which is estimated using an income approach based on the present value of the forward rate less the contract rate multiplied by the notional amount (Level 2 input as defined by the accounting standard for fair value measurements). Since these foreign currency forward contracts do not qualify as cash flow hedges in accordance with the accounting standard for derivative and hedging instruments, gains and losses on these foreign currency forward contracts are recognized in earnings immediately. During the three and nine months ended October 31, 2009, the Company recognized gains on these foreign currency forward contracts (included in other income (expense), net) of less than \$1 million. The Company does not use derivatives for trading or speculative purposes.

The Company's notes payable and long-term debt consisted of the following:

	October 31, 2009	January 31, 2009
	(in millions)	
\$550 million 6.25% notes due fiscal 2013	\$ 549	\$ 549
\$300 million 5.5% notes due fiscal 2034	296	296
\$250 million 7.125% notes due fiscal 2033	248	248
Capital leases and other notes payable	13	23
	<b>1,106</b>	<b>1,116</b>
Less current portion	3	17
Total	<b>\$ 1,103</b>	<b>\$ 1,099</b>

The fair value of long-term debt is determined based on interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements (Level 2 input as defined by the accounting standard for fair value measurements). The fair value of notes payable and long-term debt was \$1,158 million and \$1,040 million as of October 31, 2009 and January 31, 2009, respectively.

These notes contain financial covenants and customary restrictive covenants, including, among other things, restrictions on the Company's ability to create liens and enter into sale and leaseback transactions. The Company was in compliance with all covenants as of October 31, 2009.

**Note 8—Comprehensive Income and Accumulated Other Comprehensive Loss:**

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) represents certain components of revenues, expenses, gains and losses that are included in comprehensive income, but are excluded from net income. Other comprehensive income (loss) amounts are recorded directly as an adjustment to stockholders' equity, net of tax, and were as follows:

	Three Months Ended October 31		Nine Months Ended October 31	
	2009	2008	2009	2008
	(in millions)			
Net income	\$ 135	\$ 120	\$ 374	\$ 332
Other comprehensive income (loss):				
Foreign currency translation adjustments	1	(17)	16	(17)
Deferred taxes	—	7	(5)	7
Foreign currency translation adjustments, net of tax	1	(10)	11	(10)
Reclassification of realized loss on settled derivative instruments to net income	—	—	—	2
Deferred taxes	—	—	—	(1)
Reclassification of realized loss on settled derivative instruments to net income, net of tax	—	—	—	1
Pension liability adjustments, net of tax	(1)	3	(4)	3
Total other comprehensive income (loss), net of tax	—	(7)	7	(6)
Comprehensive income	<b>\$ 135</b>	<b>\$ 113</b>	<b>\$ 381</b>	<b>\$ 326</b>

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The components of accumulated other comprehensive loss were as follows:

	October 31, 2009	January 31, 2009
	(in millions)	
Foreign currency translation adjustments, net of taxes of \$1 million and \$6 million as of October 31, 2009 and January 31, 2009, respectively	\$ (2)	\$ (13)
Unrecognized net loss on settled derivative instruments associated with outstanding debt, net of taxes of \$4 million as of October 31, 2009 and January 31, 2009	(6)	(6)
Unrecognized loss on defined benefit plan, net of taxes of \$13 million and \$12 million as of October 31, 2009 and January 31, 2009, respectively	(34)	(30)
<b>Total accumulated other comprehensive loss, net of taxes of \$18 million and \$22 million as of October 31, 2009 and January 31, 2009, respectively</b>	<b>\$ (42)</b>	<b>\$ (49)</b>

As of October 31, 2009, less than \$1 million of the unrecognized net loss on settled derivative instruments will be amortized and recognized as interest expense during the next 12 months.

**Note 9—Business Segment Information:**

The interim business segment information for the periods noted was as follows:

	Three Months Ended October 31		Nine Months Ended October 31	
	2009	2008	2009	2008
	(in millions)			
<b>Revenues:</b>				
Government segment	\$2,649	\$2,501	\$7,819	\$7,176
Commercial segment	118	131	349	377
Intersegment elimination	(2)	(1)	(5)	(1)
<b>Total revenues</b>	<b>\$2,765</b>	<b>\$2,631</b>	<b>\$8,163</b>	<b>\$7,552</b>
<b>Operating income (loss):</b>				
Government segment	\$ 222	\$ 201	\$ 643	\$ 568
Commercial segment	12	14	31	25
Corporate and Other segment	(1)	(10)	(16)	(25)
<b>Total operating income</b>	<b>\$ 233</b>	<b>\$ 205</b>	<b>\$ 658</b>	<b>\$ 568</b>

As of February 1, 2009, certain operations were transferred between the Company's Government and Commercial segments with prior year amounts adjusted for consistency with the current year's presentation and for discontinued operations.

As described in more detail in Note 16 of the notes to consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009, the majority of corporate expenses are reflected in the Government and Commercial segments based on agreed-upon allocations to the business units or as required by U.S. Government Cost Accounting Standards. The Corporate and Other segment reflects corporate costs that are unallowable under U.S. Government Cost Accounting Standards and the net effect of various items that are not directly related to the business unit's operating performance in the Government or Commercial segments.

The intersegment elimination consisted of revenues recognized by certain operating business units within the Government segment for consulting and information technology services provided to the Company's Corporate and Other segment. These services were previously performed by third parties or the Corporate and Other segment with no associated revenues recognized.

**Note 10—Commitments and Contingencies:**

***National Center for Critical Information Processing and Storage Contract***

The U.S. Department of Justice filed a complaint against the Company and several other defendants in June 2009 relating to the solicitation and award of a task order to provide information technology support services to the National Center for Critical Information Processing and Storage run by the Naval Oceanographic Command Major Shared Resource Center (MSRC) located at the Stennis Space Center in Mississippi. This matter originated with a lawsuit filed under seal by a former

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government employee pursuant to the *qui tam* provisions of the civil False Claims Act. The Company was awarded the task order at issue in April 2004. The Justice Department's complaint alleges that prior to the release of the task order solicitation, the Company's employees and other eventual teammates met with government employees and obtained non-public information not provided to other potential bidders for this work, or received such information in advance of other bidders, giving the Company and its team an unfair advantage in competing for the task order. The complaint further alleges that the former MSRC director and deputy director took actions calculated to favor the Company in the bidding process. In its complaint, the government seeks approximately \$116 million in damages, which represents the aggregate amount of all payments received by the Company under this task order, plus the trebling of such damages and penalties under the False Claims Act.

The Company has cooperated with the government's investigation of this matter since the government first contacted the Company in September 2006. The Company also conducted its own internal review of the allegations made by the government. Based on the Company's internal review, discussions with the government and initial discovery, the Company believes that the government's claims lack merit and intends to vigorously defend itself against the allegations raised in the complaint. The Company and each of the co-defendants have filed pending motions seeking dismissal of the complaint on various grounds. Due to the early stage of this case, the outcome is uncertain. The Company has recorded a liability for an insignificant amount related to this matter as of October 31, 2009. However, there is a reasonable possibility of additional exposure to loss estimated to be up to approximately \$230 million, representing the amount of the trebling of the claim for damages minus the value received by the customer, plus penalties. As the case progresses, many factors will affect the ultimate amount of the potential loss if the Company is not successful in its defense of this complaint, including the results of discovery, the outcome of pre-trial motions, and the court's rulings on certain legal issues, such as the applicable measure of damages. An adverse outcome could have a material adverse effect on the Company's consolidated financial position, results of operations and cash flows.

#### **Telkom South Africa**

The Company's former Telcordia subsidiary instituted arbitration proceedings before the International Chamber of Commerce (ICC) against Telkom South Africa in March 2001 as a result of a contract dispute. Telcordia seeks to recover damages for breach of contract, plus interest at a rate of 15.5%. Telkom South Africa counterclaimed, seeking substantial damages from Telcordia. In September 2002, the arbitrator found that Telkom South Africa repudiated the contract and dismissed Telkom South Africa's counterclaims against Telcordia. The damages to be recovered by Telcordia will be determined in the second phase of the arbitration. Although Telkom South Africa challenged the arbitrator's partial award in Telcordia's favor in the South African court system, the arbitrator's decision was ultimately upheld.

The second phase of the arbitration to determine the damages to be recovered by Telcordia has commenced. Telcordia submitted its statement of claim and related document production in March 2007, which seeks damages in excess of \$200 million plus interest, legal fees and costs. As a result of a preliminary hearing with the arbitrator, Telkom South Africa paid Telcordia \$9 million of uncontested damages in June 2007 relating to one aspect of the dispute. In July 2007, the arbitrator ruled that Telcordia is entitled to 15.5% simple interest per year on awarded damages. Due to the scope and technical complexity of the case, the arbitrator appointed a third-party expert to provide an independent opinion on disputed technical issues, including whether certain work performed by Telcordia was in-scope and whether the software delivered by Telcordia in December 2000 contained certain technical features. At a hearing in April 2008, the arbitrator determined the technical issues that the independent technical expert would be tasked to analyze.

A hearing before the arbitrator was held in October 2008 in South Africa to address Telkom South Africa's motion to amend its statement of defense and its motion to dismiss a portion of Telcordia's damage claims for failure to provide adequate financial documentation. The arbitrator allowed Telkom South Africa to amend its statement of defense to assert that Telcordia failed to meet its integration obligations. Telkom South Africa's motion to dismiss was postponed pending an on-site review of additional Telcordia documentation by Telkom South Africa's financial expert. In November 2008, Telcordia filed an amendment to its statement of claim to address Telkom South Africa's new integration defense.

A hearing before the third-party expert was held in November 2008 in South Africa. In November 2008, the third-party expert issued a report containing his findings regarding the December 2000 software release and the fair and reasonable value of out-of-scope software features and services. A hearing before the arbitrator was held in April 2009 during which the parties were allowed to question the third-party expert regarding the findings in his November 2008 report. In October 2009, a second hearing was held before the third-party expert regarding other technical issues, and the expert issued a report containing his findings. A final hearing before the arbitrator is scheduled to commence in January 2010. At this hearing, the third party expert will be questioned regarding his report and the arbitrator will hear testimony on issues relevant to the amount of damages to which Telcordia is entitled. Given the current schedule, the damages phase of the arbitration is anticipated to be completed in the first half of fiscal 2011.



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Pursuant to the definitive stock purchase agreement for the sale of Telcordia, the Company is entitled to receive all of the proceeds, net of the tax liability incurred by Telcordia, from any judgment or settlement. Due to the complex nature of the legal and factual issues involved in the dispute, the damages that Telcordia will ultimately be awarded in the second phase of arbitration, and therefore the amounts the Company will be entitled to receive, net of the tax liability incurred by Telcordia, are not presently determinable. The Company does not have any assets or liabilities recorded related to this contract and the related legal proceedings as of October 31, 2009.

***Firm-Fixed-Price Contract with the Greek Government***

***Original Contract.*** In May 2003, the Company entered into a euro-denominated firm-fixed-price contract (the Greek contract) with the Hellenic Republic of Greece (the Customer) to provide a Command, Control, Communications, Coordination and Integration (C4I) System (the System) to support the 2004 Athens Summer Olympic Games (the Olympics) and to serve as the security system for the Customer's public order departments following completion of the Olympics. The System is comprised of 29 subsystems, organized into three major functional areas: the Command Decision Support System (CDSS), the Communication and Information System and the Command Center Systems. Under the Greek contract, the System was to be completed, tested, and accepted by September 1, 2004, at a price of approximately \$199 million. The Greek contract also requires the Company to provide five years of System support and maintenance for approximately \$13 million and ten years of TETRA radio network services for approximately \$122 million. The Greek contract contains an unpriced option for an additional five years of TETRA network services.

The Customer took delivery of the System for use and operation during the Olympics beginning in August 2004, and began using the System. The Customer performed subsystems acceptance testing on each of the subsystems comprising the System based on test procedures that had not been mutually agreed upon by the parties. The Customer alleged numerous omissions and deviations in its test reports. The Company believes that certain of these omissions and deviations were valid, while others were not.

***Modification of Contract.*** In March 2007, the Company and the Customer executed a modification to the Greek contract which established specific requirements, contract terms, and a payment schedule under which the various subsystems could be completed. The modification included terms under which the Customer would accept 20 of the 29 subsystems comprising the System within 70 days of the execution of the modification, and revised terms and specifications for the continued development of nine subsystems and the integration and final test of the entire System. The March 2007 modification also included terms providing for payment for the services that the Company had rendered under the Greek contract; reduction of portions of the advance payment and performance bonds maintained by the Company in favor of the Customer; and terms under which the Company would provide maintenance services on the System prior to and following System acceptance.

In September 2007, the Greek contract was further modified to provide for an extension of the system development portion of the Greek contract to October 2008, as previously agreed.

***Performance of Modified Contract.*** Subsequent to the modification of the Greek contract in March 2007, the following developments have occurred:

- In November 2008, the Customer accepted the System in writing pursuant to the requirements of the modified contract. The Customer determined that the System substantially complies with the terms of the contract and is accepted with certain alleged omissions and deviations. According to the Customer, these omissions and deviations have an aggregate value of approximately \$31 million, which is to be withheld from the remainder of the contract price owed to the Company under the terms of the contract. Of this \$31 million, the Company is directly responsible for performing the work for or absorbing the payment shortfall of approximately \$1 million and the remainder is the responsibility of the Company's subcontractors under the terms of their subcontracts. The contract provides for a specified period during which the Company and the Customer must negotiate in good faith to resolve the omissions and deviations identified by the Customer. Such resolution may include a combination of remediation efforts by the Company, a reduction in the amount paid to the Company, or an agreement that certain identified omissions and deviations are not warranted and should be cleared without a reduction in the amount paid to the Company.
- The Customer reduced the advance payment, performance and offset bonds requirement by \$62 million during the nine months ended October 31, 2009, leaving \$37 million outstanding as of October 31, 2009. The Customer's acceptance in November 2008 required the Customer, within certain specified time periods, to reduce the advance payment bonds by the remaining \$5 million and the performance bonds by approximately \$23 million. The Customer has failed to implement these reductions. The Company expects the remaining performance bonds of \$9 million will be reduced as services continue to be rendered primarily on the TETRA services portion of the contract.

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- The Customer's acceptance in November 2008 entitles the Company to a payment of approximately \$20 million, which represents the undisputed portion of the contract balance pertaining to the development portion of the accepted System. Of this amount, the Company will retain approximately \$10 million and the remainder will be paid to subcontractors. The Company invoiced for this payment in December 2008, and although the contract requires payment within 30 days, the Customer has not yet paid. As described below, the Company is utilizing the completed-contract method of accounting for the system development portion of this contract and accordingly, did not recognize any revenue in connection with the issuance of this invoice. Additional payments for the system development portion of this contract may be received upon completion of the negotiations to resolve omissions and deviations.
- Siemens AG (Siemens), the parent corporation of the Company's principal subcontractor has been subject to a number of investigations focusing on alleged improper payments to government officials and political parties in a number of countries, including Greece. Siemens agreed to pay fines and penalties of over \$1 billion to authorities in Germany and the United States to resolve certain of these investigations. The scope of the Greek government's investigation of certain Siemens representatives includes allegations that (i) improper payments were made by Siemens in connection with the Greek contract and other Siemens contracts and (ii) the Company/Siemens team misrepresented to the Greek State prior to contract award its technical capabilities and ability to perform the Greek contract within the contractual performance period. The Company has taken a number of actions to determine that it had no involvement in any improper payments that may have been made by Siemens in connection with the Greek contract. If the Greek government's investigation ultimately determines that improper payments were made in connection with the Greek contract, or that the Company/Siemens team misrepresented its technical capabilities, the legal compliance and political issues that this would raise could impact the Company's subcontractor's ability to perform the subcontract and the Company's ability to perform the Greek contract. This could have a material adverse effect on the Company's consolidated financial position, results of operations and cash flows.

**Arbitration.** Following System acceptance in November 2008 pursuant to the requirements of the modified Greek contract, the Customer failed to make payment and reduce advance payment and performance bonds as required by the contract. The Customer also refused to initiate the contractually required process for the resolution of alleged omissions and deviations. In June 2009, the Company initiated arbitration before the ICC against the Customer seeking redress for these breaches of contract by the Customer. Under the terms of the Greek contract, disputes are subject to ultimate resolution by binding arbitration in Greece before a panel of three Greek arbitrators. In December 2009, the arbitration panel was selected. The arbitration complaint seeks (i) aggregate damages in excess of \$104 million for payment of amounts owed and other claims and damages, (ii) release of advance payment and performance bonds totaling \$28 million and (iii) costs and expenses associated with the arbitration. The Customer filed an answer to the complaint denying liability on various grounds. Due to the complex nature of the legal and factual issues involved, the outcome of the arbitration is uncertain.

**Financial Status and Contingencies of the Greek Contract.** The Company has recorded \$124 million of losses under the Greek contract as of October 31, 2009. There were no profits or losses recorded during the three and nine months ended October 31, 2009 and 2008. The \$124 million loss reflected the Company's estimated total cost to complete the System under the original Greek contract and assumed the Greek contract value was limited to the cash received to date.

The Greek contract modification executed in March 2007 resulted in significant changes to the terms and conditions and the deliverables under the Greek contract and clarified the parties' responsibilities. If the Company receives future payments as required under the modified Greek contract, the Company may reverse a portion of the losses previously recognized. However, based on the complex nature of this contractual situation and the difficulties encountered to date, significant uncertainties exist and the Company is unable to reliably estimate the ultimate outcome. Accordingly, the Company has not adjusted and will not adjust the losses on this contract until such time as the Company can reliably estimate the ultimate outcome of the modified contract. Also, as a result of the significant uncertainties that remain on this contract, the Company is utilizing the completed-contract method of accounting for the system development portion of this contract. Examples of these uncertainties include receipt of the remaining payments, release of the remaining bonds, changes in the political representatives from the Greek government involved with the project and subcontractor performance and legal compliance issues. Accordingly, no additional revenue will be recognized on the development portion of the contract until it is completed. Revenue on the maintenance portion of the contract is recognized as maintenance payments are received from the Customer. Through October 31, 2009, the Company has recognized revenues of \$174 million, which represents a portion of the \$217 million of cash received to date. The Company recognized \$4 million of revenues and equal amounts of costs on the maintenance portion of the Greek contract during the three and nine months ended October 31, 2009.

The Company has \$19 million of receivables relating to value added taxes (VAT) as of October 31, 2009 that the Company has paid and believes the Company is entitled to recover either as a refund from the taxing authorities or as a payment under the Greek contract. The Company has invoiced the Customer for \$37 million for VAT and the Customer has failed to make payment. If the Customer fails to pay the outstanding VAT amounts or the Company is unable to recover the amount as a refund from the taxing authorities, the Company's total losses on the Greek contract could increase.

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In accordance with the terms of the Greek contract, the Company is required to maintain certain advance payment, performance and offset bonds in favor of the Customer. As of October 31, 2009, these bonding requirements have been met through the issuance of \$37 million in standby letters of credit. As discussed above, the Customer's acceptance in November 2008 required the Customer, within certain specified time periods, to reduce the advance payment and performance bonds. The Customer has failed to implement these reductions. If the standby letters of credit are called based on a future failure to fulfill the Company's services obligations under the Greek contract, the Company may have the right to call some of the \$29 million of bonds provided by the Company's subcontractors in connection with their work under the Greek contract if the performance failure relates to subcontracted work.

If the Company and the Company's subcontractors are unable to perform in accordance with the modified Greek contract, damages or claims by the Customer or subcontractors may be successfully asserted against the Company, the Company's bonds may be called, and the Customer may be able to recover additional contract costs required to fulfill the Company's obligations. This could have a material adverse effect on the Company's consolidated financial position, results of operations and cash flows.

#### ***Nuclear Regulatory Commission***

The U.S. Department of Justice filed a lawsuit against the Company in September 2004 in the U.S. District Court for the District of Columbia alleging civil False Claims Act violations and breach of contract by the Company on two contracts that the Company had with the Nuclear Regulatory Commission (NRC). The complaint alleges that the Company's performance of several subcontracts on separate U.S. Department of Energy (DOE) programs, the participation of a Company employee in an industry trade association, and certain other alleged relationships created organizational conflicts of interest under the two NRC contracts. The Company disputes that the work performed on the DOE programs and the alleged relationships raised by the government created organizational conflicts of interest. In July 2008, the jury found in favor of the government on the breach of contract and two False Claims Act counts. The jury awarded a nominal amount of \$78 in damages for breach of contract and \$2 million in damages for the False Claims Act claims. The judge entered the judgment in October 2008, trebling the False Claims Act damages and awarding a total of \$585,000 in civil penalties. The Company has appealed to the U.S. Court of Appeals for the District of Columbia Circuit. Pending the outcome of the appeal, the Company has recorded a liability for the full judgment amount of \$7 million for this matter as of October 31, 2009.

#### ***New York State Contract Dispute***

As a result of a dispute over the proper interpretation of contract pricing terms, the Company initiated a lawsuit in the New York State Court of Claims against a state government customer. Subsequent to October 31, 2009, the Company resolved this dispute with the customer through a contract modification that revised pricing terms for certain work performed to date and the Company was released from all future obligations under the contract for performing the work subject to the pricing dispute. As a result of the settlement, the risk of loss on the contract was eliminated. The Company will recognize an insignificant amount of income as a result of the settlement.

#### ***DS&S Joint Venture***

In March 2006, the Company sold its interest in DS&S, a joint venture in which the Company owned a 50% interest. As part of the sale, the Company agreed to indemnify the purchaser for certain legal costs and expenses, including those related to a government investigation involving DS&S and any litigation resulting from that investigation up to the sum of the sales price of \$9 million plus \$1 million received by the Company in repayment of a loan owed by DS&S. As of October 31, 2009, the Company has deferred the potential \$9 million gain on this sale pending resolution of the indemnification obligation.

#### ***Acquisition Indemnification Claims***

Following the closing of an acquisition in December 2006, the Company identified a number of potential indemnification claims against the sellers. Under the terms of the acquisition agreement, approximately \$6 million of the purchase price is held in escrow as security for these claims. The claims against the sellers include the failure of the acquired company to comply with certain terms of contracts with the U.S. Government that required the acquired company in certain circumstances to provide price reductions for goods and services if it charged certain other customers a price lower than the prices it charged those customers at the time of contract award. The Company has disclosed this apparent non-compliance by the acquired company to the government and is fully cooperating with the government's ongoing review of the matter. While the Company believes that the escrowed amounts will be adequate to cover any potential liability for non-compliance with the terms of these contracts, if the eventual liability exceeds the escrowed amount, the Company has indemnification rights to recover additional amounts from the sellers under the terms of the acquisition agreement. However, if such liability is material and the Company is unable to recover such amounts from the sellers, there could be a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

### ***Government Investigations and Reviews***

The Company is routinely subject to investigations and reviews relating to compliance with various laws and regulations, including those associated with organizational conflicts of interest, with respect to its role as a contractor to agencies and departments of the U.S. Government and in connection with performing services in countries outside of the United States. Adverse findings in these investigations or reviews can lead to criminal, civil or administrative proceedings and the Company could face penalties, fines, repayments or compensatory damages. Adverse findings could also have a material adverse effect on the Company's business, consolidated financial position, results of operations and cash flows due to its reliance on government contracts.

U.S. Government agencies, including the Defense Contract Audit Agency (DCAA) and others, routinely audit and review a contractor's performance on government contracts, indirect rates and pricing practices, and compliance with applicable contracting and procurement laws, regulations and standards. They also review the adequacy of the contractor's compliance with government standards for its accounting and management internal control systems, including: control environment and overall accounting system, general information technology system, budget and planning system, purchasing system, material management and accounting system, compensation system, labor system, indirect and other direct costs system, billing system and estimating system used for pricing on government contracts. Significant audits currently underway include the Company's control environment and overall accounting, billing and indirect and other direct cost systems, as well as reviews of the Company's compliance with certain Cost Accounting Standards.

Both contractors and the U.S. Government agencies conducting these audits and reviews have recently come under increased scrutiny. For example, it was determined that the audit procedures the DCAA used in reviewing some of the Company's systems were not in compliance with the requirements of Generally Accepted Government Auditing Standards. As a result, in April and July 2009, the DCAA rescinded its most recent audit reports on the Company's accounting, billing, and indirect cost systems issued in 2005 and 2006 and is currently auditing these systems again. The current audits and reviews have become more rigorous and the standards to which the Company is held are being more strictly interpreted, increasing the likelihood of an audit or review resulting in an adverse outcome. During the course of its current audits, the DCAA is closely examining and questioning several of the Company's long established and disclosed practices that it had previously audited and accepted, increasing the uncertainty as to the ultimate conclusion that will be reached. Government audits and reviews may conclude that a contractor's practices are not consistent with applicable laws and regulations and result in adjustments to contract costs and mandatory customer refunds. Such adjustments can be applied retroactively, which could result in significant customer refunds. In addition, the Company has recently communicated to the DCAA its intention to change its indirect rate structure used in its indirect cost system and its direct labor bid structure used for its estimating system. These changes will also be subject to DCAA review, and will require coordination with customer payment offices to avoid adversely impacting the Company's ability to receive timely payment on contracts.

The Company's failure to obtain an "adequate" determination of its various accounting and management systems, including its recent changes to indirect cost and direct labor estimating systems, from the responsible U.S. Government agency could significantly and adversely affect its business, including its ability to bid on new contracts and its competitive position in the bidding process. Failure to comply with applicable contracting and procurement laws, regulations and standards could also result in the U.S. Government imposing penalties and sanctions against the Company, including suspension of payments and increased government scrutiny that could delay or adversely affect the Company's ability to invoice and receive timely payment on contracts, perform contracts or compete for contracts with the U.S. Government.

The Company's indirect cost audits by the DCAA have not been completed for fiscal 2005 and subsequent fiscal years. Although the Company has recorded contract revenues subsequent to fiscal 2004 based upon costs that the Company believes will be approved upon final audit or review, the Company does not know the outcome of any ongoing or future audits or reviews and adjustments, and if future adjustments exceed the Company's estimates, its profitability would be adversely affected. The Company has recorded a liability of \$23 million for its current best estimate of net amounts to be refunded to customers for potential adjustments from such audits or reviews of contract costs incurred subsequent to fiscal 2004.

### ***Tax Audits and Reviews***

The Company is subject to routine compliance reviews by the Internal Revenue Service (IRS) and other taxing authorities. The Company has effectively settled with the IRS and most states for fiscal years prior to and including fiscal 2006. The IRS is currently reviewing the Company's fiscal 2007 and 2008 tax returns. Future and ongoing reviews could have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. During the next 12 months, it is reasonably possible that resolution of reviews by taxing authorities, both domestic and international, could be

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(UNAUDITED)

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reached with respect to \$14 million of the Company's unrecognized tax benefits, which includes \$2 million of accrued interest, depending on the timing of ongoing examinations, litigation and expiration of statutes of limitations, either because the Company's tax positions are sustained on audit or because the Company agrees to their disallowance and pays the related income tax. As of October 31, 2009, the Company had liabilities for uncertain tax positions of \$44 million, including \$2 million related to discontinued operations. While the Company believes it has appropriate accruals for uncertain tax positions, final settlements could be for amounts greater than or less than its accruals.

The Company is subject to periodic audits by state and local governments for taxes other than income taxes. The Company does not believe that the outcome of any other such tax matters would have a material adverse effect on its consolidated financial position, results of operations or cash flows.

***Other***

The Company is also involved in various claims and lawsuits arising in the normal conduct of its business, none of which, in the opinion of the Company's management, based upon current information, will likely have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations and quantitative and qualitative disclosures about market risk should be read in conjunction with the condensed consolidated financial statements and related notes. The following discussion contains forward-looking statements, including statements regarding our intent, belief or current expectations with respect to, among other things, trends affecting our financial condition or results of operations, backlog and the impact of competition. Such statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. Some of these factors include, but are not limited to, the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended January 31, 2009, as may be updated periodically through subsequent quarterly reports on Form 10-Q. Due to such uncertainties and risks, you are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to update these factors or to publicly announce the results of any changes to our forward-looking statements due to future events or developments.

Unless otherwise noted, references to years are for fiscal years ended January 31. For example, we refer to the fiscal year ending January 31, 2010 as "fiscal 2010".

### Overview

We are a provider of scientific, engineering, systems integration and technical services and solutions to all branches of the U.S. military, agencies of the U.S. Department of Defense, the intelligence community, the U.S. Department of Homeland Security and other U.S. Government civil agencies, state and local government agencies, foreign governments and customers in select commercial markets. We use the terms "Company," "we," "us," and "our" to refer to SAIC, Inc. and its consolidated subsidiaries.

Our business is focused on solving issues of national and global importance in the areas of defense, intelligence, homeland security, logistics and product support, systems engineering and integration and research and development. We are also focused on expanding our business in the areas of energy, health, environment, cyber security, and space superiority. Our significant long-term management initiatives include:

- achieving internal, or non-acquisition related, annual revenue growth through investments in business development, internal research and new product and technology development, and through increased focus on pursuing more large systems integration contract opportunities;
- improving our operating income margin by improving contract performance (increasing internal collaboration and our growth in higher-margin business areas) and improving our indirect cost structure (through better management of our indirect rate structure, streamlining our overhead infrastructure, and reducing unallowable and unbillable costs);
- improving our information technology systems infrastructure and related business processes for greater effectiveness and efficiency across all business functions;
- investing in our people, including enhanced training and career development programs, with a focus on retention and recruiting; and
- disciplined deployment of our cash resources and use of our capital structure to enhance growth and shareholder value through strategic acquisitions, share repurchases and other uses as conditions warrant.

Key financial highlights and events, including progress against these initiatives, during the three months ended October 31, 2009 include:

- Revenues for the three months ended October 31, 2009 increased 5% over the same period in the prior year, reflecting an internal revenue growth rate (as defined in "Non-GAAP Financial Measures") of 1%. Internal revenue growth for the three months ended October 31, 2009 was favorably impacted by continued growth primarily in a number of defense solutions and logistics and product support programs offset by a decline in our classified and operational intelligence programs. Our internal revenue growth rate for the three months ended October 31, 2009 was also negatively impacted by a \$66 million decline in year-over-year revenues for R.W. Beck Group, Inc. (a current year acquisition) and one less business day in the current year as compared to the same period in the prior year (representing an approximately \$43 million impact on revenue growth).
- Operating income as a percentage of revenues increased to 8.4% for the three months ended October 31, 2009 from 7.8% for the same period in the prior year. This increase was primarily due to management's efforts to control infrastructure costs and general and administrative spending and improved contract performance on several large programs for the three months ended October 31, 2009 as compared to the same period in the prior year. These increases were partially offset by a higher percentage of material and subcontractor (M&S) revenues (42% and 41% of total revenues for the three months ended October 31, 2009 and 2008, respectively), which generally have lower margins than our labor-related revenues.

- Income from continuing operations for the three months ended October 31, 2009 increased \$17 million, or 14%, over the same period in the prior year primarily due to increased operating income of \$28 million, or 14%, from increased revenues and improved operating income margins and a \$15 million decrease in net non-operating expense (driven by a \$16 million decrease in impairment losses on investments), offset by a \$26 million increase in the provision for income taxes.
- Diluted earnings per share from continuing operations for the three months ended October 31, 2009 increased \$.05 per share, or 17%, as compared to the same period in the prior year primarily due to a \$17 million, or 14%, increase in income from continuing operations and a 10 million share, or 3%, decline in diluted weighted average shares outstanding primarily due to repurchases under our stock repurchase program.
- Cash and cash equivalents increased \$40 million during the three months ended October 31, 2009 primarily due to \$250 million generated from operations offset by cash used in support of investing activities of \$168 million, including the acquisition of a business for \$148 million (net of cash acquired of \$7 million) and cash used in support of financing activities of \$42 million, which consisted primarily of repurchases of our stock of \$55 million.
- Net bookings (as defined in “Key Financial Metrics—Bookings and Backlog”) were approximately \$3.0 billion for the three months ended October 31, 2009. Total backlog was \$16.6 billion at October 31, 2009 as compared to \$16.8 billion at January 31, 2009.

## Reportable Segments

We have three reportable segments: Government, Commercial, and Corporate and Other. Our operating business units are aggregated into the Government or Commercial segments, depending on the nature of the customers served, the contractual requirements and the regulatory environment governing the business unit’s operations. For additional information regarding our reportable segments, see “Item 1. Business” in Part I and Note 16 of the notes to consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended January 31, 2009. Except with respect to “Results of Operations—Discontinued Operations” and “—Net Income and Diluted EPS,” all amounts in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” are presented for our continuing operations. In addition, certain operations were transferred between our Government and Commercial segments as of February 1, 2009. Prior year amounts appearing in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” have been reclassified for consistency with the current year’s presentation.

## Key Financial Metrics

### Sources of Revenues

We recognize revenues under our contracts primarily using the percentage-of-completion method. Under the percentage-of-completion method, revenues are recognized based on progress towards completion, with performance measured by the cost-to-cost method, efforts-expended method or units-of-delivery method, all of which require estimating total costs at completion.

**Bookings and Backlog.** We received net bookings worth an estimated \$3.0 billion and \$7.9 billion during the three and nine months ended October 31, 2009, respectively. Bookings generally represent the estimated amount of revenue to be earned in the future from funded and unfunded contract awards received during the period, net of any adjustments to previously awarded backlog amounts. We calculate net bookings as the period’s ending backlog plus the period’s revenues less the prior period’s ending backlog and less the backlog obtained in acquisitions during the period.

Backlog represents the estimated amount of future revenues to be recognized under negotiated contracts as work is performed. We segregate our backlog into two categories as follows:

- **Funded Backlog.** Government segment funded backlog primarily represents contracts for which funding is appropriated less revenues previously recognized on these contracts. Government segment funded backlog does not include the unfunded portion of contracts where funding is incrementally appropriated or authorized on a quarterly or annual basis by the U.S. Government and other customers, even though the contract may call for performance over a number of years. Commercial segment funded backlog represents the full value on firm contracts, which may cover multiple future years, under which we are obligated to perform, less revenues previously recognized on these contracts.
- **Negotiated Unfunded Backlog.** Negotiated unfunded backlog represents estimated amounts of revenue to be earned in the future from (1) negotiated contracts for which funding has not been appropriated or otherwise authorized and (2) unexercised priced contract options. Negotiated unfunded backlog does not include any estimate of future potential task orders expected to be awarded under indefinite-delivery/indefinite-quantity (IDIQ), U.S. General Services Administration Schedule, or other master agreement contract vehicles.

The estimated value of our total backlog as of the dates noted was as follows:

	October 31, 2009	January 31, 2009
	(in millions)	
<b>Government segment:</b>		
Funded backlog	\$ 5,147	\$ 5,102
Negotiated unfunded backlog	10,870	10,960
Total Government segment backlog	\$ 16,017	\$ 16,062
<b>Commercial segment:</b>		
Funded backlog	\$ 380	\$ 512
Negotiated unfunded backlog	174	219
Total Commercial segment backlog	\$ 554	\$ 731
<b>Total:</b>		
Funded backlog	\$ 5,527	\$ 5,614
Negotiated unfunded backlog	11,044	11,179
Total backlog	\$ 16,571	\$ 16,793

Total backlog may fluctuate from period to period depending on our success rate in winning contracts and the timing of contract awards, renewals, modifications and cancellations. The decline in backlog at October 31, 2009 as compared to January 31, 2009 reflects an industry-wide lengthening of the contract decision and awards process and a resulting increase in submitted proposals awaiting decision, as well as an increase in contract award protests by our competitors.

The U.S. Department of Defense has begun to restructure one of our largest programs, Future Combat Systems (FCS), which has been renamed Army Brigade Combat Team Modernization (BCTM). As a result of this restructuring, we received partial termination letters in July 2009 for efforts associated with the manned ground vehicle and related portions of the program. In addition, we have received an undefinitized change order related to the restructure which requires us to submit a restructure proposal early in 2010, with finalization of the change order expected to occur during our second fiscal quarter ending on July 31, 2010. We continue to perform on this program in accordance with the revised scope of work. The provisional billing rate on the contract has been adjusted downward to allow us to receive a lesser amount of the projected fee on an interim basis. The future volume and profitability of the activity on this contract is dependent on the outcome of the negotiations. Included within the Government segment backlog above is approximately \$70 million in funded backlog and \$840 million in negotiated unfunded backlog, which represents our best estimate of our remaining effort under this restructured contract. Of these amounts, we expect to recognize revenues of approximately \$80 million throughout the remainder of fiscal 2010 under the restructured program.

We expect to recognize a substantial portion of our funded backlog as revenues within the next 12 months. However, the U.S. Government may cancel any contract at any time. In addition, certain contracts with commercial customers include provisions that allow the customer to cancel at any time. Most of our contracts have cancellation terms that would permit us to recover all or a portion of our incurred costs and potential fees for work performed.

**Contract Types.** We generate revenues under the following types of contracts:

- Cost-reimbursement contracts which provide for reimbursement of our direct contract costs and allocable indirect costs, plus a fee.
- Time-and-materials (T&M) contracts which typically provide for negotiated fixed hourly rates plus reimbursement of other direct costs.
- Fixed-price-level-of-effort (FP-LOE) contracts which are substantially similar to T&M contracts except they require a specified level of effort over a stated period of time.
- Firm-fixed-price (FFP) contracts which provide for a fixed price for specified products, systems and/or services. If actual costs vary from planned costs on a FFP contract, we generate more or less than the planned amount of profit and may even incur a loss.



The following table summarizes revenues by contract type as a percentage of total revenues for the periods noted:

	Nine Months Ended October 31	
	2009	2008
Cost-reimbursement	48%	47%
T&M and FP-LOE	31	35
FFP	21	18
Total	100%	100%

The increase in the percentage of revenues generated from FFP contracts for the nine months ended October 31, 2009 as compared to the same period in the prior year is primarily due to an increased volume of material deliveries under certain programs with U.S. Department of Defense customers in the logistics and products support business area, including a global logistics support services contract for the delivery of petroleum and chemical products to military bases as well as an increased percentage of new and follow-on programs being structured by our customers as FFP contracts.

**Revenue Mix.** We generate revenues under our contracts from (1) the efforts of our technical staff, which we refer to as labor-related revenues, and (2) the materials provided on a contract and efforts of our subcontractors, which we refer to as M&S revenues. M&S revenues are generated primarily from large, multi-year systems integration contracts and contracts in our logistics and product support business area, as well as through sales of our proprietary products, such as our border, port and mobile security products. While our border, port and mobile security products are more profitable, these products represent a small percentage of our M&S revenues and the majority of our M&S revenues generally have lower margins than our labor-related revenues. The following table presents changes in labor-related revenues and M&S revenues for the periods noted:

	Three Months Ended October 31		Nine Months Ended October 31			
	2009	Percent change	2008	2009	Percent change	2008
Labor-related revenues	\$1,605	3%	\$1,557	\$4,753	4%	\$4,554
As a percentage of revenues	58%		59%	58%		60%
M&S revenues	1,160	8	1,074	3,410	14	2,998
As a percentage of revenues	42%		41%	42%		40%

The increase in labor-related revenues for the three and nine months ended October 31, 2009 as compared to the same periods in the prior year is primarily due to the start of several new programs and increases in both labor rates and the number of personnel performing on contracts, partially offset by the impact of one less business day for the three and nine months ended October 31, 2009 as compared to the same periods in the prior year. At October 31, 2009, we had approximately 46,100 full-time and part-time employees as compared to 45,200 at October 31, 2008. The increase in M&S revenues for the three and nine months ended October 31, 2009 as compared to the same periods in the prior year was primarily due to increased activity as a prime contractor on large programs involving significant subcontracted efforts and increased volume of material deliveries under certain programs primarily with U.S. Department of Defense customers, including increased revenue on our global logistics support services contract for the delivery of petroleum and chemical products to military bases.

#### Cost of Revenues and Operating Expenses

**Cost of Revenues.** Cost of revenues includes direct labor and related fringe benefits, overhead, and direct expenses incurred to perform on contracts, such as subcontract labor and materials. Overhead consists of indirect costs relating to rent/facilities, management and administration, depreciation of property, plant and equipment, management information systems, travel and other expenses.

**Selling, General and Administrative Expenses.** Selling, general and administrative (SG&A) expenses are primarily for corporate administrative functions, such as management, legal, finance and accounting, contracts, human resources, depreciation of property, plant and equipment and amortization of intangible assets and certain information technology expenses. SG&A also includes bid and proposal (B&P) and internal research and development expenses (IR&D).

## Results of Operations

The following table summarizes our results of operations for the periods noted:

	Three Months Ended October 31			Nine Months Ended October 31		
	2009	Percent change	2008	2009	Percent change	2008
	(dollars in millions)					
Revenues	\$2,765	5%	\$2,631	\$8,163	8%	\$7,552
Cost of revenues	2,378	4	2,277	7,042	8	6,529
Selling, general and administrative expenses	154	3	149	463	2	455
Operating income	233	14	205	658	16	568
As a percentage of revenues	8.4%		7.8%	8.1%		7.5%
Non-operating expense, net	(16)		(31)	(50)		(46)
Income from continuing operations before income taxes	217	25	174	608	16	522
Provision for income taxes	(82)	(46)	(56)	(231)	(19)	(194)
Income from continuing operations	135	14	118	377	15	328
Income (loss) from discontinued operations, net of tax	—		2	(3)		4
Net income	\$ 135	13	\$ 120	\$ 374	13	\$ 332

**Revenues.** Our revenues increased \$134 million, or 5%, for the three months ended October 31, 2009 and \$611 million, or 8%, for the nine months ended October 31, 2009, as compared to the same periods in the prior year primarily due to growth in revenues in our Government segment. The internal revenue growth rate (as defined in "Non-GAAP Financial Measures") was 1% and 6% for the three and nine months ended October 31, 2009, respectively, as compared to the same periods in the prior year.

The following table summarizes changes in segment revenues for the periods noted:

	Three Months Ended October 31			Nine Months Ended October 31		
	2009	Percent change	2008	2009	Percent change	2008
	(dollars in millions)					
Government segment revenues	\$2,649	6%	\$2,501	\$7,819	9%	\$7,176
As a percentage of total revenues	96%		95%	96%		95%
Commercial segment revenues	118	(10)	131	349	(7)	377
As a percentage of total revenues	4%		5%	4%		5%
Intersegment elimination	(2)	(100)	(1)	(5)	(400)	(1)
Total revenues	\$2,765	5	\$2,631	\$8,163	8	\$7,552

Government segment revenues increased \$148 million, or 6%, during the three months ended October 31, 2009 and \$643 million, or 9%, during the nine months ended October 31, 2009, as compared to the same periods in the prior year. The internal revenue growth rate (as defined in "Non-GAAP Financial Measures") for the Government segment was 2% and 7% for the three and nine months ended October 31, 2009, respectively, as compared to the same periods in the prior year. Internal revenue growth in the Government segment for the three and nine months ended October 31, 2009 was favorably impacted by continued growth in a number of defense solutions and logistics and product support programs. The increase in revenues for defense solutions included a systems engineering and integration program with the U.S. Navy (increases in revenues of \$36 million and \$70 million for the three and nine months ended October 31, 2009, respectively, as compared to the same periods in the prior year), a systems and software maintenance and upgrades program with the U.S. Army (increases in revenues of \$17 million and \$53 million for the three and nine months ended October 31, 2009, respectively, as compared to the same periods in the prior year) and a new Command, Control and Communication program with the U.S. Department of Defense (increases in revenues of \$17 million and \$46 million for the three and nine months ended October 31, 2009, respectively, as compared to the same periods in the prior year). The increase in revenues for logistics and products support was due to growth from certain programs, including a global logistics support services contract for the delivery of petroleum and chemical products to military bases (increases of \$52 million and \$119 million for the three and nine months ended October 31, 2009, respectively, as compared to the same periods in the prior year). Internal revenue growth was constrained by a decline in revenues from our classified and operational intelligence programs for the three and nine months ended October 31, 2009 primarily due to an industry-wide delay in new awards and program starts and less demand for materials on systems integration projects. The internal revenue growth rate for the three and nine months ended October 31, 2009 was also negatively impacted by a \$66 million year-over-year decline in revenues for R.W. Beck Group, Inc. (a current year acquisition), which had episodically high revenues for the three and nine months ended

October 31, 2008 (prior to its acquisition) due to certain disaster recovery efforts, and one less business day in the current year periods as compared to the same periods in the prior year (representing an approximately \$43 million impact on revenue growth).

Commercial segment revenues decreased \$13 million, or 10%, during the three months ended October 31, 2009 and \$28 million, or 7%, during the nine months ended October 31, 2009, as compared to the same periods in the prior year. In addition to one less business day in the current year periods as compared to the same periods in the prior year, Commercial segment revenues decreased due to declines attributable to foreign currency exchange rates on our foreign operations (\$4 million and \$20 million negative impact for the three and nine months ended October 31, 2009, respectively) as well as reduced business activity due to declines in general market conditions.

The intersegment elimination consisted of revenues recognized by certain operating business units within the Government segment for consulting and information technology services provided to our Corporate and Other segment. These services were previously performed by third parties or the Corporate and Other segment with no associated revenues recognized.

*Cost of Revenues.* The following table summarizes changes in segment cost of revenues for the periods noted:

	Three Months Ended October 31			Nine Months Ended October 31		
	2009	Percent change	2008	2009	Percent change	2008
	(dollars in millions)					
Government segment cost of revenues	\$2,297	5%	\$2,186	\$6,805	9%	\$6,260
<i>As a percentage of related revenues</i>	86.7%		87.4%	87.0%		87.2%
Commercial segment cost of revenues	87	(10)	97	258	(10)	286
<i>As a percentage of related revenues</i>	73.7%		74.0%	73.9%		75.9%
Corporate and Other segment cost of revenues	(4)	20	(5)	(16)	—	(16)
Intersegment elimination	(2)	(100)	(1)	(5)	(400)	(1)
<b>Total cost of revenues</b>	<b>\$2,378</b>	<b>4</b>	<b>\$2,277</b>	<b>\$7,042</b>	<b>8</b>	<b>\$6,529</b>
<i>As a percentage of revenues</i>	86.0%		86.5%	86.2%		86.5%

Government segment cost of revenues as a percentage of related revenues for the three and nine months ended October 31, 2009 decreased as compared to the same periods in the prior year primarily due to improved contract performance on several large programs and increased profitability from sales and maintenance of border, port and mobile security products. These improvements were partially offset by increased M&S revenues (increases of \$86 million, or 8%, and \$412 million, or 14%, for the three and nine months ended October 31, 2009, respectively), which generally have lower profitability than our labor-related revenues.

Commercial segment cost of revenues as a percentage of related revenues for the three and nine months ended October 31, 2009 decreased as compared to the same periods in the prior year primarily due to actions taken to reduce infrastructure costs.

Corporate and Other segment cost of revenues for the three and nine months ended October 31, 2009 and 2008 represents a contra-expense for allocations of intersegment facility charges, which are included in cost of revenues, to our Government and Commercial segments on company-owned properties in accordance with U.S. Government Cost Accounting Standards.

*Selling, General and Administrative Expenses.* The following table summarizes changes in total SG&A expense by type of activity for the periods noted:

	Three Months Ended October 31			Nine Months Ended October 31		
	2009	Percent change	2008	2009	Percent change	2008
	(dollars in millions)					
General and administrative	\$ 102	(2)%	\$ 104	\$ 308	(4)%	\$ 321
<i>As a percentage of total revenues</i>	3.7%		4.0%	3.8%		4.2%
Bid and proposal	41	28	32	119	16	103
<i>As a percentage of total revenues</i>	1.5%		1.2%	1.5%		1.4%
Internal research and development	11	(15)	13	36	16	31
<i>As a percentage of total revenues</i>	.4%		.5%	.4%		.4%
<b>Total SG&amp;A</b>	<b>\$ 154</b>	<b>3</b>	<b>\$ 149</b>	<b>\$ 463</b>	<b>2</b>	<b>\$ 455</b>
<i>As a percentage of total revenues</i>	5.6%		5.7%	5.7%		6.0%

Total SG&A increased \$5 million, or 3%, for the three months ended October 31, 2009 and \$8 million, or 2%, for the nine months ended October 31, 2009, as compared to the same periods in the prior year. As a percentage of total revenues, total SG&A for the three and nine months ended October 31, 2009 decreased as compared to the same periods in the prior year, primarily due to an increase in revenues in addition to management's efforts to reduce general and administrative spending. During the three and nine months ended October 31, 2009, we also recognized a \$4 million gain on the sale of real estate, which is included as a reduction of SG&A.

General and administrative (G&A) expenses decreased \$2 million, or 2%, for the three months ended October 31, 2009 and \$13 million, or 4%, for the nine months ended October 31, 2009, as compared to the same periods in the prior year. The decreases for the three and nine months ended October 31, 2009 were primarily due to management's efforts to control infrastructure costs and general and administrative spending and a non-recurring \$4 million gain on the sale of real estate, which is included as a reduction of G&A, offset by an \$8 million increase from a current year acquisition. In addition, during the nine months ended October 31, 2009, there were decreases in legal related expenses of \$6 million and severance charges incurred in the prior year period related to organizational streamlining in our Commercial and Corporate and Other segments.

B&P expenses increased \$9 million, or 28%, for the three months ended October 31, 2009 and \$16 million, or 16%, for the nine months ended October 31, 2009, as compared to the same periods in the prior year primarily due to an increase in B&P activities to support a larger revenue base and the pursuit of an increased number of large systems integration contracts consistent with our management's initiatives. In addition, there has been a shift in government procurement practices towards an increased volume of smaller awards and increased use of IDIQ contract vehicles, which are awarded to one or more contractors following a competitive bidding process and require contractors to prepare post-award bids and proposals to obtain individual task orders under the IDIQ contract. The level of B&P activities fluctuates depending on the timing of bidding opportunities.

IR&D expenses decreased \$2 million, or 15%, for the three months ended October 31, 2009 and increased \$5 million, or 16%, for the nine months ended October 31, 2009, as compared to the same periods in the prior year. The increase for the nine months ended October 31, 2009 was primarily due to increased costs associated with the development of key technologies to further our strategy of becoming a prime contractor on larger, more complex programs and expanding into new markets.

The following table summarizes changes in SG&A expense by segment for the periods noted:

	Three Months Ended October 31			Nine Months Ended October 31		
	2009	Percent change	2008	2009	Percent change	2008
	(dollars in millions)					
Government segment SG&A	\$ 130	14%	\$ 114	\$ 371	7%	\$ 348
As a percentage of related revenues	4.9%		4.6%	4.8%		4.9%
Commercial segment SG&A	19	(5)	20	60	(9)	66
As a percentage of related revenues	16.1%		15.3%	17.2%		17.5%
Corporate and Other segment SG&A	5	(67)	15	32	(22)	41
Total SG&A	\$ 154	3	\$ 149	\$ 463	2	\$ 455
As a percentage of revenues	5.6%		5.7%	5.7%		6.0%

Government segment SG&A increased \$16 million, or 14%, for the three months ended October 31, 2009 and \$23 million, or 7%, for the nine months ended October 31, 2009, as compared to the same periods in the prior year. These increases were primarily due to increases in B&P expenses of \$11 million and \$21 million for the three and nine months ended October 31, 2009, respectively, and an increase in G&A spending of \$8 million from a current year acquisition as discussed above. These increases were partially offset by management's efforts to control infrastructure costs and general and administrative spending.

Commercial segment SG&A expenses decreased \$1 million, or 5% for the three months ended October 31, 2009 and \$6 million, or 9%, for the nine months ended October 31, 2009, as compared to the same periods in the prior year. The decrease in Commercial segment SG&A for the nine months ended October 31, 2009 was primarily due to the impact of declines in foreign currency exchange rates on our foreign operations (\$3 million decrease in SG&A) and actions taken to reduce infrastructure costs during the nine months ended October 31, 2008.

Corporate and Other segment SG&A expenses represent corporate costs that are unallowable under U.S. Government Cost Accounting Standards and the net effect of various items that are not directly related to the business unit's operating performance in the Government or Commercial segments. Corporate and Other segment SG&A decreased \$10 million, or 67%, and \$9 million, or 22%, for the three and nine months ended October 31, 2009, respectively, as compared to the same periods in the prior year. The decrease in Corporate and Other segment SG&A is partially due to a non-recurring \$4 million gain on the sale of real estate recognized during the three and nine months ended October 31, 2009, which is included as a reduction of Corporate and Other segment G&A, and decreases in legal related expenses (\$2 million and \$6 million for the three and nine months ended October 31, 2009, respectively). The decrease in legal related expenses for the nine months ended October 31, 2009 was primarily attributable to \$4 million of costs incurred during the three months ended July 31, 2008 associated with a lawsuit involving contracts with the Nuclear Regulatory Commission.

*Operating Income.* The following table summarizes changes in segment operating income for the periods noted:

	Three Months Ended October 31			Nine Months Ended October 31		
	2009	Percent change	2008	2009	Percent change	2008
	(dollars in millions)					
Government segment operating income	\$ 222	10%	\$ 201	\$ 643	13%	\$ 568
<i>As a percentage of related revenues</i>	8.4%		8.0%	8.2%		7.9%
Commercial segment operating income	12	(14)	14	31	24	25
<i>As a percentage of related revenues</i>	10.2%		10.7%	8.9%		6.6%
Corporate and Other segment operating loss	(1)	90	(10)	(16)	36	(25)
Total operating income	\$ 233	14	\$ 205	\$ 658	16	\$ 568
<i>As a percentage of revenues</i>	8.4%		7.8%	8.1%		7.5%

Total operating income increased \$28 million, or 14%, for the three months ended October 31, 2009 and \$90 million, or 16%, for the nine months ended October 31, 2009, as compared to the same periods in the prior year primarily due to improved performance in the Government segment.

Government segment operating income increased \$21 million, or 10%, for the three months ended October 31, 2009 and \$75 million, or 13%, for the nine months ended October 31, 2009, as compared to the same periods in the prior year, benefiting from improved contract performance on several large programs and increased profitability from sales and maintenance of border, port and mobile security products. These benefits during the three and nine months ended October 31, 2009 were partially offset by an increase in B&P spending for the reasons discussed above.

Commercial segment operating income decreased \$2 million, or 14%, for the three months ended October 31, 2009 and increased \$6 million, or 24%, for the nine months ended October 31, 2009, as compared to the same periods in the prior year. Commercial segment operating income for the three months ended October 31, 2009 decreased primarily due to reduced business activity due to declines in general market conditions. Commercial segment operating income for the nine months ended October 31, 2009 increased primarily due to a reduction in costs incurred in the prior year period for actions taken to reduce infrastructure costs, which included \$2 million of severance costs, partially offset by reduced revenues and the negative impact of declines in foreign currency exchange rates on our foreign operations (\$2 million).

Corporate and Other segment operating loss decreased \$9 million, or 90%, for the three months ended October 31, 2009 and \$9 million, or 36%, for the nine months ended October 31, 2009, as compared to the same periods in the prior year primarily due to the non-recurring gain on sale of real estate and decreases in legal related expenses discussed above.

*Interest Income.* Interest income decreased \$3 million, or 75%, for the three months ended October 31, 2009 and \$16 million, or 89%, for the nine months ended October 31, 2009, as compared to the same periods in the prior year due to a decline in market interest rates and a change in our investment strategy to a higher concentration invested in lower-yielding U.S. Treasury and government securities money market accounts.

*Interest Expense.* Interest expense primarily reflects interest on our outstanding debt securities and notes payable. Interest expense remained constant for the three months ended October 31, 2009 and decreased \$2 million for the nine months ended October 31, 2009, as compared to the same periods in the prior year. The decrease in interest expense is primarily due to a decline in the average debt balance outstanding in the current year periods as compared to the same periods in the prior year.

*Other Income (Expense), Net.* The components of other income (expense), net for the periods noted were as follows:

	Three Months Ended October 31		Nine Months Ended October 31	
	2009	2008	2009	2008
	(in millions)			
Net loss on sale of investments, net of impairment losses	\$ —	\$ (5)	\$ —	\$ (2)
Equity interest in earnings and impairment losses on investments in unconsolidated affiliates, net	—	(8)	1	(3)
Other	2	(3)	4	—
Total other income (expense), net	\$ 2	\$ (16)	\$ 5	\$ (5)

We recognized \$1 million of impairment losses on investments during the nine months ended October 31, 2009. There were no impairment losses during the three months ended October 31, 2009. We recognized \$16 million of impairment losses on our ownership interests in Danet GmbH and certain private equity securities held by our venture capital subsidiary during the three and nine months ended October 31, 2008 due to other-than-temporary declines in their fair values caused by poor business performance, contraction in credit markets and general declines in global economic conditions during the three months ended October 31, 2008. The carrying value of our investments as of October 31, 2009 was \$21 million.

*Provision for Income Taxes.* The provision for income taxes as a percentage of income from continuing operations before income taxes was 37.8% and 38.0% for the three and nine months ended October 31, 2009, respectively, as compared to 32.2% and 37.2%, respectively, for the same periods in the prior year. The effective tax rate for the three and nine months ended October 31, 2008 was lower primarily due to a reversal of uncertain tax positions as a result of the settlement of federal and state tax audits for amounts lower than the recorded amounts in addition to the reenactment of the federal research and development tax credit during the quarter ended October 31, 2008 with a retroactive effective date of December 31, 2007.

*Income from Continuing Operations.* Income from continuing operations increased \$17 million, or 14%, for the three months ended October 31, 2009 and \$49 million, or 15%, for the nine months ended October 31, 2009, as compared to the same periods in the prior year. The increase in income from continuing operations for the three months ended October 31, 2009 is primarily due to increased operating income of \$28 million, or 14%, resulting from higher revenues, improved operating income margins and a \$15 million decrease in net non-operating expense (which includes a \$16 million decrease in impairment losses for investments offset by a \$3 million decrease in interest income) partially offset by an increase in the provision for income taxes of \$26 million primarily due to increased income from continuing operations before income taxes. The increase in income from continuing operations for the nine months ended October 31, 2009 is primarily due to increased operating income of \$90 million, or 16%, resulting from higher revenues and improved operating income margins, offset by a \$4 million increase in net non-operating expense (which includes a \$15 million decrease in impairment losses for investments offset by \$16 million decrease in interest income) and an increase in the provision for income taxes of \$37 million primarily due to increased income from continuing operations before income taxes.

*Diluted Earnings per Share (EPS) from Continuing Operations.* Diluted EPS from continuing operations increased \$.05 per share, or 17%, for the three months ended October 31, 2009 and \$.14 per share, or 18%, for the nine months ended October 31, 2009, as compared to the same periods in the prior year. The increase for the three months ended October 31, 2009 was primarily due to a \$17 million, or 14%, increase in income from continuing operations and a 10 million share, or 3%, decline in diluted weighted average shares outstanding, primarily due to share repurchases. The increase for the nine months ended October 31, 2009 was primarily due to a \$49 million, or 15%, increase in income from continuing operations and a 12 million share, or 3%, decline in diluted weighted average shares outstanding, primarily due to share repurchases.

*Discontinued Operations.* In October 2008, we committed to a plan to sell or dispose of a non-strategic component of a business within the Government segment and classified its operating results as a discontinued operation for all periods presented. We completed the sale in March 2009.

The operating results of this discontinued operation prior to sale for the periods noted were as follows:

	Nine Months Ended October 31	
	2009	2008
	(in millions)	
Revenues	\$ 1	\$ 6
Costs and expenses:		
Cost of revenues	1	5
Impairment of goodwill, intangible assets and other assets	—	9
Selling, general and administrative expenses	—	5
Loss before income taxes	\$ —	\$ (13)

In addition to the operating results presented above, our results of discontinued operations included pre-tax losses of \$1 million and \$5 million for the three and nine months ended October 31, 2009, respectively, and pre-tax losses of \$3 million and \$7 million for the three and nine months ended October 31, 2008, respectively, for certain tax and litigation matters related primarily to Telcordia Technologies, Inc.

**Net Income and Diluted EPS.** Net income increased \$15 million, or 13%, for the three months ended October 31, 2009 and \$42 million, or 13%, for the nine months ended October 31, 2009, as compared to the same periods in the prior year. The increase in net income for the three months ended October 31, 2009 as compared to the same period in the prior year reflects an increase in income from continuing operations of \$17 million and a decrease in income from discontinued operations of \$2 million. The increase in net income for the nine months ended October 31, 2009 as compared to the same period in the prior year is due to an increase in income from continuing operations of \$49 million and a decrease in income from discontinued operations of \$7 million. Diluted EPS increased \$.05 per share, or 17%, for the three months ended October 31, 2009 as compared to the same period in the prior year due to the increase in net income and a 10 million share, or 3%, decline in diluted weighted average shares outstanding for the three months ended October 31, 2009 as compared to the same period in the prior year, primarily due to share repurchases. Diluted EPS increased \$.13 per share, or 16%, for the nine months ended October 31, 2009 as compared to the same period in the prior year due to the increase in net income and a 12 million share, or 3%, decline in diluted weighted average shares outstanding for the nine months ended October 31, 2009 as compared to the same period in the prior year, primarily due to share repurchases.

### Liquidity and Capital Resources

We had \$991 million in cash and cash equivalents at October 31, 2009, which were primarily comprised of investments in several large institutional money market funds that invest primarily in bills, notes and bonds issued by the U.S. Treasury, U.S. Government guaranteed repurchase agreements fully collateralized by U.S. Treasury obligations and U.S. Government guaranteed securities. We anticipate our principal source of liquidity for the next 12 months and beyond will be our existing cash and cash equivalents and cash flows from operations. We may also borrow under our \$750 million revolving credit facility. Our revolving credit facility, which is backed by ten financial institutions, matures in fiscal 2013 and by its terms, can be accessed on a same-day basis. We anticipate our principal uses of cash for the next 12 months and beyond will be for operating expenses, capital expenditures, acquisitions of businesses, stock repurchases and funding of pension obligations. We anticipate that our operating cash flows, existing cash and cash equivalents, which have no restrictions on withdrawal, and borrowing capacity under our revolving credit facility will be sufficient to meet our anticipated cash requirements for at least the next 12 months.

### Historical Trends

Cash and cash equivalents was \$991 million and \$936 million at October 31, 2009 and January 31, 2009, respectively. The following table summarizes cash flow information for the periods noted:

	Nine Months Ended October 31	
	2009	2008
	(in millions)	
Total cash flows provided by operations	\$ 522	\$ 430
Total cash flows used in investing activities	(187)	(235)
Total cash flows used in financing activities	(286)	(426)
Decrease in cash and cash equivalents from discontinued operations	(1)	(41)
Effect of foreign currency exchange rate changes on cash and cash equivalents	7	(12)
<b>Total increase (decrease) in cash and cash equivalents</b>	<b>\$ 55</b>	<b>\$ (284)</b>

**Cash Provided by Operations.** Cash flows from operations increased \$92 million for the nine months ended October 31, 2009 as compared to the same period in the prior year. Cash flows from operations were favorably impacted by decreases in inventory related to certain logistics and product support programs for the nine months ended October 31, 2009 as compared to the same period in the prior year, an additional payroll cycle during the prior year period and a \$49 million increase in income from continuing operations. Cash flows from operations were negatively impacted by an increase in the average time to collect receivables during the nine months ended October 31, 2009 instead of declining as it did during the same period in the prior year as well as a decrease in the relative amount of payables outstanding and accrued liabilities during the nine months ended October 31, 2009 as compared to the same period in the prior year.

**Cash Used in Investing Activities.** We used \$187 million of cash in support of investing activities during the nine months ended October 31, 2009, including \$157 million (net of cash acquired) to acquire two businesses and \$46 million to purchase property, plant and equipment offset by \$12 million in proceeds from sales of investments and an \$8 million receipt for purchase price adjustments related to a prior year acquisition. We used \$235 million of cash in support of investing activities during the nine months ended October 31, 2008, including \$201 million (net of cash acquired) to acquire two businesses and \$45 million to purchase property, plant and equipment.

**Cash Used in Financing Activities.** We used \$286 million of cash in support of financing activities during the nine months ended October 31, 2009, including \$331 million to repurchase shares of our stock and \$17 million for payments on notes payable and long-term debt offset by \$46 million in proceeds from the sale of stock under our employee stock purchase plan (ESPP) and the exercise of stock options and \$16 million in excess tax benefits associated with stock-based compensation. We used \$426 million of cash in support of financing activities during the nine months ended October 31, 2008, including \$429 million to repurchase shares of our stock and \$112 million to redeem notes payable and long-term debt offset by \$64 million in proceeds from the sale of stock under our ESPP and the exercise of stock options and \$52 million in excess tax benefits associated with stock-based compensation.

### Stock Repurchase Program

In December 2006, our board of directors authorized a stock repurchase program under which we could repurchase up to 40 million shares of our common stock as part of our overall strategy for capital allocation. In March 2008 and September 2009, our board authorized the repurchase of additional shares, in each case, restoring the number of shares authorized to be repurchased under the program to 40 million shares. Stock repurchases under this program may be made on the open market or in privately negotiated transactions with third parties. Whether future repurchases are made and the timing and actual number of shares repurchased depends on a variety of factors including price, corporate capital requirements, other market conditions and regulatory requirements. Through October 31, 2009, we repurchased an aggregate of 51 million shares under the stock repurchase program. As of October 31, 2009, there were 37 million shares remaining authorized for repurchase under this program.

### Underfunded Pension Obligation

We sponsor a defined benefit pension plan for eligible employees of our United Kingdom subsidiary that primarily perform services on a specific customer contract, which expires in March 2010. As of January 31, 2009, the pension plan had an underfunded projected benefit obligation of \$35 million and an unrecognized actuarial loss (pre-tax) of \$42 million. A dispute exists with the customer over the timeframe in which the underfunded pension obligation is required to be funded under the terms of the customer contract and applicable pension regulations. The dispute also concerns the disposition of pension plan assets and liabilities upon the termination of the current customer contract. We have bid on the successor contract, which contemplates a reduced scope of work. If we win the competition for the successor contract, on the terms currently contemplated, pension and employee-related costs may be recognized as we transition to the reduced scope of work. If we do not win the competition for the successor contract, a significant portion of the unrecognized actuarial loss and other employee-related costs may be recognized at or near the current customer contract expiration date. A similarly large portion of the underfunded projected benefit obligation may also be required to be funded at those times.

### Outstanding Indebtedness

**Notes Payable and Long-term Debt.** Our outstanding notes payable and long-term debt consisted of the following:

	October 31, 2009	January 31, 2009
	(in millions)	
\$550 million 6.25% notes due fiscal 2013	\$ 549	\$ 549
\$300 million 5.5% notes due fiscal 2034	296	296
\$250 million 7.125% notes due fiscal 2033	248	248
Capital leases and other notes payable	13	23
	<b>1,106</b>	1,116
Less current portion	3	17
<b>Total</b>	<b>\$ 1,103</b>	<b>\$ 1,099</b>

These notes contain financial covenants and customary restrictive covenants, including, among other things, restrictions on our ability to create liens and enter into sale and leaseback transactions. We were in compliance with all covenants as of October 31, 2009.

**Credit Facility.** We have an unused revolving credit facility providing for \$750 million in unsecured borrowing capacity at interest rates determined, at our option, based on either LIBOR plus a margin or a defined base rate through fiscal 2013. The facility contains financial covenants and customary restrictive covenants. As of October 31, 2009, we were in compliance with all covenants under the credit facility.

### Off-Balance Sheet Arrangements

We have outstanding performance guarantees and cross-indemnity agreements in connection with certain of our unconsolidated joint venture investments as described in Note 18 of the notes to consolidated financial statements in our



Annual Report on Form 10-K for the fiscal year ended January 31, 2009. These arrangements have not had, and management does not believe it is likely that they will in the future have, a material effect on our liquidity, capital resources, operations or financial condition.

### **Commitments and Contingencies**

We are subject to a number of reviews, investigations, claims, lawsuits and other uncertainties related to our business. See Note 10 of the notes to the unaudited condensed consolidated financial statements for the three and nine months ended October 31, 2009 for a discussion of these items.

### **Critical Accounting Policies**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting periods. Management evaluates these estimates and assumptions on an on-going basis. Our estimates and assumptions have been prepared on the basis of the most current reasonably available information. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates under different assumptions and conditions.

We have several critical accounting policies, which were described in our Annual Report on Form 10-K for the fiscal year ended January 31, 2009, that are both important to the portrayal of our financial condition and results of operations and require management's most difficult, subjective and complex judgments. Typically, the circumstances that make these judgments complex and difficult have to do with making estimates about the effect of matters that are inherently uncertain. There were no significant changes to our critical accounting policies during the nine months ended October 31, 2009.

### **Non-GAAP Financial Measures**

In this Quarterly Report on Form 10-Q, we refer to internal revenue growth percentage, which is a non-GAAP financial measure that may be required to be reconciled to the most directly comparable GAAP financial measure. We calculate our internal revenue growth percentage by comparing our reported revenue for the current year period to the revenue for the prior year period adjusted to include the actual revenue of acquired businesses for the comparable prior year period before acquisition. This calculation has the effect of adding revenue for the acquired businesses for the comparable prior year period to our prior year period reported revenue.

We use internal revenue growth percentage as an indicator of how successful we are at growing our base business and how successful we are at growing the revenues of the businesses that we acquire. Our integration of acquired businesses allows our current management to leverage business development capabilities, drive internal resource collaboration, utilize access to markets and qualifications, and refine strategies to realize synergies, which benefits both acquired and existing businesses. As a result, the performance of the combined enterprise post-acquisition is an important measurement. In addition, as a means of rewarding the successful integration and growth of acquired businesses, and not acquisitions themselves, incentive compensation for our executives and the broader employee population is based, in part, on achievement of revenue targets linked to internal revenue growth.

The limitation of this non-GAAP financial measure as compared to the most directly comparable GAAP financial measure is that internal revenue growth percentage is one of two components of the total revenue growth percentage, which is the most directly comparable GAAP financial measure. We address this limitation by presenting the total revenue growth percentage next to or near disclosures of internal revenue growth percentage. This financial measure is not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our condensed consolidated financial statements prepared in accordance with GAAP. The method that we use to calculate internal revenue growth percentage is not necessarily comparable to similarly titled financial measures presented by other companies.

Internal revenue growth percentages for the three and nine months ended October 31, 2009 were calculated as follows:

	Three Months Ended October 31, 2009	Nine Months Ended October 31, 2009
	(in millions)	
<b>Government segment:</b>		
Prior year period's revenues, as reported	\$ 2,501	\$ 7,176
Revenues of acquired businesses for the comparable prior year period	99	122
Prior year period's revenues, as adjusted	\$ 2,600	\$ 7,298
Current year period's revenues, as reported	2,649	7,819
Internal revenue growth	\$ 49	\$ 521
Internal revenue growth percentage	2%	7%
<b>Commercial segment:</b>		
Prior year period's revenues, as reported	\$ 131	\$ 377
Revenues of acquired businesses for the comparable prior year period	—	6
Prior year period's revenues, as adjusted	\$ 131	\$ 383
Current year period's revenues, as reported	118	349
Internal revenue growth	\$ (13)	\$ (34)
Internal revenue growth percentage	(10)%	(9)%
<b>Total:</b>		
Prior year period's revenues, as reported	\$ 2,631	\$ 7,552
Revenues of acquired businesses for the comparable prior year period	99	128
Prior year period's revenues, as adjusted	\$ 2,730	\$ 7,680
Current year period's revenues, as reported	2,765	8,163
Internal revenue growth	\$ 35	\$ 483
Internal revenue growth percentage	1%	6%

#### Effects of Inflation

Approximately 50% of our revenues are derived from cost-reimbursement type contracts, which are generally completed within one year. Bids for longer-term FFP and T&M contracts typically include sufficient provisions for labor and other cost escalations to cover anticipated cost increases over the period of performance. Consequently, revenues and costs have generally both increased commensurate with the economy. As a result, net income as a percentage of total revenues has not been significantly impacted by inflation.

#### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

During the nine months ended October 31, 2009, there were no material changes in our market risk exposure. For a discussion of our market risk associated with interest rate risk and foreign currency risk as of January 31, 2009, see "Quantitative and Qualitative Disclosures about Market Risk" in Part II, Item 7A, of our Annual Report on Form 10-K for the fiscal year ended January 31, 2009 filed on March 30, 2009.

#### Item 4. Controls and Procedures.

##### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer (our Chief Executive Officer) and principal financial officer (our Executive Vice President and Chief Financial Officer), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934) as of October 31, 2009, and our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

##### Changes in Internal Control Over Financial Reporting

We began a phased implementation of a new information technology system during the fiscal year ended January 31, 2008 to be used as our accounting system with the significant majority of the implementation currently scheduled to be completed

in multiple phases through the beginning of fiscal year 2011. During each phase of the implementation, an appropriate level of training of employees, testing of the system and monitoring of the financial results recorded in the system is conducted. As of October 31, 2009, our corporate operations and twelve of our eighteen operating business units (representing approximately 60% of total revenues for the nine months ended October 31, 2009) migrated to the new system, none of which occurred in the quarterly period covered by this report. Management has updated the system of internal control over financial reporting for the impacted areas.

There have been no changes in our internal control over financial reporting that occurred in the quarterly period covered by this report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II  
OTHER INFORMATION**

**Item 1. Legal Proceedings.**

***National Center for Critical Information Processing and Storage Contract***

As previously disclosed in our Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2009, the U.S. Department of Justice filed a complaint against us and several other defendants in June 2009 alleging, among other things, violation of the civil False Claims Act, relating to the solicitation and award of a task order to provide information technology support services to the National Center for Critical Information Processing and Storage located at the Stennis Space Center in Mississippi. Based on our internal review, discussions with the government and initial discovery, we believe that the government's claims lack merit and intend to vigorously defend ourselves against the allegations raised in the complaint. We and each of the co-defendants have filed pending motions seeking dismissal of the complaint on various grounds. Due to the early stage of this case, the outcome is uncertain. We have recorded a liability for an insignificant amount related to this matter as of October 31, 2009. However, there is a reasonable possibility of additional exposure to loss estimated to be up to approximately \$230 million, representing the amount of the trebling of the claim for damages minus the value received by the customer, plus penalties. As the case progresses, many factors will affect the ultimate amount of the potential loss if we are not successful in our defense of this complaint, including the results of discovery, the outcome of pre-trial motions, and the court's rulings on certain legal issues, such as the applicable measure of damages. An adverse outcome could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

***Telkom South Africa***

As previously disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2009 and in our Quarterly Reports on Form 10-Q for the quarterly periods ended April 30, 2009 and July 31, 2009, we initiated arbitration proceedings before the International Chamber of Commerce (ICC) against Telkom South Africa as a result of a contract dispute. Due to the scope and technical complexity of the case, the arbitrator appointed a third-party technical expert to provide an independent opinion on disputed technical issues. In October 2009, a second hearing was held before the third-party expert regarding other technical issues, and the expert issued a report containing his findings. A final hearing before the arbitrator is scheduled to commence in January 2010. At this hearing, the third party expert will be questioned regarding his report and the arbitrator will hear testimony on issues relevant to the amount of damages to which Telcordia is entitled. Given the current schedule, the damages phase of the arbitration is anticipated to be completed in the first half of fiscal 2011.

Pursuant to the definitive stock purchase agreement for the sale of Telcordia, we are entitled to receive all of the proceeds, net of the tax liability incurred by Telcordia, from any judgment or settlement. Due to the complex nature of the legal and factual issues involved in the dispute, the damages that Telcordia will ultimately be awarded in the second phase of arbitration, and therefore the amounts we will be entitled to receive, net of the tax liability incurred by Telcordia, are not presently determinable. We do not have any assets or liabilities recorded related to this contract and the related legal proceedings as of October 31, 2009.

***Firm-Fixed-Price Contract with the Greek Government***

As previously disclosed in our Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2009, we initiated arbitration before the ICC against the Hellenic Republic of Greece (the Customer) in June 2009 seeking redress for breaches of contract by the Customer relating to a firm-fixed-price contract (the Greek contract) to provide a Command, Control, Communications, Coordination and Integration System (the System) to support the 2004 Athens Summer Olympic Games. The arbitration will be decided in Greece by a panel of three Greek arbitrators. In December 2009, the arbitration panel was selected. The arbitration complaint seeks (i) aggregate damages in excess of \$104 million for payment of amounts owed and other claims and damages, (ii) release of advance payment and performance bonds totaling \$28 million and (iii) costs and expenses associated with the arbitration. The Customer filed an answer to the complaint denying liability on various grounds. Due to the complex nature of the legal and factual issues involved, the outcome of the arbitration is uncertain. For a description of the Greek contract, the disputes and the impact of the Greek contract on our financial condition and results of operations see "Firm-Fixed-Price Contract with the Greek Government" under Note 10 of the notes to the unaudited condensed consolidated financial statements for the three and nine months ended October 31, 2009.

***Nuclear Regulatory Commission***

As previously disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2009 and in our Quarterly Reports on Form 10-Q for the quarterly periods ended April 30, 2009 and July 31, 2009, the U.S. Department of Justice filed a lawsuit against us in September 2004 in the U.S. District Court for the District of Columbia alleging civil False Claims Act violations and breach of contract by us on two contracts that we had with the Nuclear Regulatory Commission (NRC). In July 2008, the jury found in favor of the government on the breach of contract and two False Claims Act counts. The jury

awarded a nominal amount of \$78 in damages for breach of contract and \$2 million in damages for the False Claims Act claims. The judge entered the judgment in October 2008, trebling the False Claims Act damages and awarding a total of \$585,000 in civil penalties. We have appealed to the U.S. Court of Appeals for the District of Columbia Circuit. Pending the outcome of the appeal, we have recorded a liability for the full judgment amount of \$7 million for this matter as of October 31, 2009.

#### ***New York State Contract Dispute***

As previously disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2009 and in our Quarterly Reports on Form 10-Q for the quarterly periods ended April 30, 2009 and July 31, 2009, as a result of a dispute over the proper interpretation of contract pricing terms, we initiated a lawsuit in the New York State Court of Claims against a state government customer. Subsequent to October 31, 2009, we resolved this dispute with the customer through a contract modification that revised pricing terms for certain work performed to date and we were released from all future obligations under the contract for performing the work subject to the pricing dispute. As a result of the settlement, the risk of loss on the contract was eliminated. We will recognize an insignificant amount of income as a result of the settlement.

#### ***Government Investigations and Reviews***

We are routinely subject to investigations and reviews relating to compliance with various laws and regulations, including those associated with organizational conflicts of interest, with respect to our role as a contractor to agencies and departments of the U.S. Government and in connection with performing services in countries outside of the United States. Adverse findings in these investigations or reviews can lead to criminal, civil or administrative proceedings and we could face penalties, fines, repayments or compensatory damages. Adverse findings could also have a material adverse effect on our business, consolidated financial position, results of operations and cash flows due to our reliance on government contracts.

#### ***Other***

We are also involved in various claims and lawsuits arising in the normal conduct of our business, none of which, in the opinion of our management, based upon current information, will likely have a material adverse effect on our consolidated financial position, results of operations or cash flows.

#### ***Item 1A. Risk Factors.***

Except for the updated risk factor described below, there were no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2009 filed on March 30, 2009 and as updated in our Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2009 filed on September 3, 2009.

#### ***Our business is subject to reviews, audits and cost adjustments by the U.S. Government, which, if resolved unfavorably to us, could adversely affect our profitability, cash position or growth prospects.***

U.S. Government agencies, including the Defense Contract Audit Agency (DCAA) and others, routinely audit and review a contractor's performance on government contracts, indirect rates and pricing practices, and compliance with applicable contracting and procurement laws, regulations and standards. They also review the adequacy of the contractor's compliance with government standards for its accounting and management internal control systems, including: control environment and overall accounting system, general information technology system, budget and planning system, purchasing system, material management and accounting system, compensation system, labor system, indirect and other direct costs system, billing system and estimating system used for pricing on government contracts. Significant audits currently underway include our control environment and overall accounting, billing and indirect and other direct cost systems, as well as reviews of our compliance with certain Cost Accounting Standards.

Both contractors and the U.S. Government agencies conducting these audits and reviews have recently come under increased scrutiny. For example, it was determined that the audit procedures the DCAA used in reviewing some of our systems were not in compliance with the requirements of Generally Accepted Government Auditing Standards. As a result, in April and July 2009, the DCAA rescinded its most recent audit reports on our accounting, billing, and indirect cost systems issued in 2005 and 2006 and is currently auditing these systems again. The current audits and reviews have become more rigorous and the standards to which we are held are being more strictly interpreted, increasing the likelihood of an audit or review resulting in an adverse outcome. During the course of its current audits, the DCAA is closely examining and questioning several of our long established and disclosed practices that it had previously audited and accepted, increasing the uncertainty as to the ultimate conclusion that will be reached. Government audits and reviews may conclude that our practices are not consistent with applicable laws and regulations and result in adjustments to contract costs and mandatory customer refunds. Such adjustments can be applied retroactively, which could result in significant customer refunds. In addition, we have recently communicated to the DCAA our intention to change our indirect rate structure used in our indirect cost system and our direct labor bid structure used for our estimating system. These changes will also be subject to DCAA review, and will require coordination with customer payment offices to avoid adversely impacting our ability to receive timely payment on contracts.

Our failure to obtain an “adequate” determination of our various accounting and management systems, including our recent changes to indirect cost and direct labor estimating systems, from the responsible U.S. Government agency could significantly and adversely affect our business, including our ability to bid on new contracts and our competitive position in the bidding process. Failure to comply with applicable contracting and procurement laws, regulations and standards could also result in the U.S. Government imposing penalties and sanctions against us, including suspension of payments and increased government scrutiny that could delay or adversely affect our ability to invoice and receive timely payment on contracts, perform contracts or compete for contracts with the U.S. Government.

Our indirect cost audits by the DCAA have not been completed for fiscal 2005 and subsequent fiscal years. Although we have recorded contract revenues subsequent to fiscal 2004 based upon costs that we believe will be approved upon final audit or review, we do not know the outcome of any ongoing or future audits or reviews and adjustments and, if future adjustments exceed our estimates, our profitability would be adversely affected.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

### (c) Purchases of equity securities by the Company

In December 2006, our board of directors authorized a stock repurchase program under which we could repurchase up to 40 million shares of our common stock as part of our overall strategy for capital allocation. In March 2008 and September 2009, our board authorized the repurchase of additional shares, in each case, restoring the number of shares authorized to be repurchased under the program to 40 million shares. Stock repurchases under this program may be made on the open market or in privately negotiated transactions with third parties. Whether future repurchases are made and the timing and actual number of shares repurchased will depend on a variety of factors including price, corporate capital requirements, other market conditions and regulatory requirements. Through October 31, 2009, we repurchased an aggregate of 51 million shares under the stock repurchase program. As of October 31, 2009, there were 37 million shares remaining authorized for repurchase under this program.

The following table presents repurchases of our stock during the quarter ended October 31, 2009:

Period	(a) Total Number of Shares (or Units) Purchased <sup>(1)</sup>	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
August 1, 2009 – August 31, 2009	227,230	\$ 18.06	—	9,766,329
September 1, 2009 – September 30, 2009	2,121,587	17.52	1,885,657	38,114,343
October 1, 2009 – October 31, 2009	1,399,257	17.78	858,630	37,255,713
Total	3,748,074	17.65	2,744,287	

(1) Includes shares purchased as follows:

	August	September	October
Under publicly announced plans or programs	—	1,885,657	858,630
Upon surrender by stockholders of previously owned shares in payment of the exercise price of non-qualified stock options	162,316	177,972	404,077
Upon surrender by stockholders of previously owned shares to satisfy statutory tax withholding obligations related to vesting of stock awards	64,914	57,958	136,550
Total	227,230	2,121,587	1,399,257

(2) Stock repurchase program under which we could repurchase up to 40 million shares of our common stock was publicly announced in December 2006. In March 2008 and September 2009, our board authorized the repurchase of additional shares, in each case, restoring the number of shares authorized to be repurchased under the program to 40 million shares.

## Item 3. Defaults Upon Senior Securities.

None.

## Item 4. Submission of Matters to a Vote of Security Holders.

None.

**Item 5. Other Information.**

As disclosed in our Current Report on Form 8-K filed with SEC on September 24, 2009, our Key Executive Stock Deferral Plan, Management Stock Compensation Plan, Stock Compensation Plan and Keystaff Deferral Plan were amended to implement aspects of our compensation recoupment policy. These plans, as amended, are filed as exhibits to this Quarterly Report on Form 10-Q.

As disclosed in our Current Report on Form 8-K filed with the SEC on November 17, 2009, on November 16, 2009, we completed the reclassification of our Class A preferred stock into common stock. The forms of stock award, stock option and performance share agreements under our 2006 Equity Incentive Plan have been revised to reflect the reclassification and are filed as exhibits to this Quarterly Report on Form 10-Q.

**Item 6. Exhibits.**

- 3.1 Restated Certificate of Incorporation of Registrant. Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K as filed on November 17, 2009 with the SEC.
- 3.2 Restated Bylaws of Registrant. Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K as filed on September 24, 2009 with the SEC.
- 10.1 Science Applications International Corporation's Stock Compensation Plan, as amended through September 17, 2009.
- 10.2 Science Applications International Corporation's Management Stock Compensation Plan, as amended through September 17, 2009.
- 10.3 Science Applications International Corporation's Keystaff Deferral Plan, as amended through September 17, 2009.
- 10.4 Science Applications International Corporation's Key Executive Stock Deferral Plan, as amended through September 17, 2009.
- 10.5 Form of Stock Award Agreement of Registrant's 2006 Equity Incentive Plan.
- 10.6 Form of Nonstatutory Stock Option Agreement of Registrant's 2006 Equity Incentive Plan.
- 10.7 Form of Stock Award Agreement (Non-Employee Directors) of Registrant's 2006 Equity Incentive Plan.
- 10.8 Form of Nonstatutory Stock Option Agreement (Non-Employee Directors) of Registrant's 2006 Equity Incentive Plan.
- 10.9 Form of Performance Share Award Agreement of Registrant's 2006 Equity Incentive Plan.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: December 8, 2009

SAIC, Inc.

/s/ MARK W. SOPP

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**Mark W. Sopp**  
**Executive Vice President and Chief Financial Officer and**  
**as a duly authorized officer**



**Exhibit Index**

Exhibit Number	Description of Exhibit
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**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
STOCK COMPENSATION PLAN**

Amended and Restated Effective as of January 1, 2005

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**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
STOCK COMPENSATION PLAN**

**PURPOSE**

This Plan is an unfunded compensation arrangement established effective as of April 3, 1996 by Science Applications International Corporation to make deferred awards of company stock to selected employees. This Plan is amended and restated effective January 1, 2005 to comply with Code Section 409A.

**ARTICLE I  
DEFINITIONS**

Whenever the following terms are used in the Plan they shall have the meaning specified below, unless the context indicates clearly to the contrary.

1.1 Account. The bookkeeping account established for an Employee pursuant to Article IV to record the number of Share Units awarded to the Employee and the vesting thereof.

1.2 Award. The award of Share Units to an Employee pursuant to the Plan.

1.3 Awarding Authority. The individual or group of individuals appointed by the Board to make Awards pursuant to the Plan.

1.4 Beneficiary. The person or persons properly designated by the Participant, in accordance with Section 6.3, to receive the benefits provided herein upon death of the Participant.

1.5 Board. The Board of Directors of Science Applications International Corporation or its ultimate parent corporation, if any.

1.6 Capital Restructuring Dividend. The non-recurring cash dividend paid by the Company in 2006 or 2007 on shares of Company Stock in connection with the Company's capital restructuring and the initial public offering of Company Stock.

1.7 Code. The Internal Revenue Code of 1986, as amended.

1.8 Committee. The committee appointed by the Board to administer the Plan. Members of the Committee shall be eligible to receive Awards under the Plan at the discretion of the Awarding Authority.

1.9 Company. Science Applications International Corporation (or its ultimate parent corporation, if any). In addition, unless the context indicates otherwise, as used in this Plan, the term Company shall also mean and include any direct or indirect subsidiary of the Company which has been approved by the Awarding Authority for participation in this Plan by its Employees.

1.10 Company Stock. The Class A Common Stock of Science Applications International Corporation, or any other security (including preferred stock) of the Company or the Company's ultimate parent corporation, if any, designated as Company Stock by the Committee.

1.11 Dividend Equivalent. The amount of the Capital Restructuring Dividend paid by the Company on that number of shares of Company Stock which is equal to the number of Share Units then credited to a Participant's Account.

1.12 Employee. A salaried employee of the Company.

1.13 Fair Market Value.

(1) If the Company Stock is being valued in connection with a transaction (such as the crediting of Share Units to an Account or a distribution) for which the Committee determines there is a corresponding transaction by the Trust, the net price per share of Company Stock purchased or the net proceeds per share of Company Stock sold in the transaction by the Trust, in each case including all expenses of such transaction by the Trust.

(2) If paragraph (1) does not apply, (a) the closing price of the Company Stock on the New York Stock Exchange on the date for which the fair market value is determined, or, if there is no trading of the Company Stock on such date, then the closing price of the Company Stock on the New York Stock Exchange on the next preceding date on which there was trading in such shares; or (b) if the Company Stock is not listed, admitted or quoted, the Committee may designate such other source of data as it deems appropriate for determining such value for purposes of this Plan.

1.14 Ordinary Dividend. All cash dividends or other cash distributions, other than the Capital Restructuring Dividend, paid by the Company on shares of Company Stock.

1.15 Participant. An Employee designated by the Awarding Authority to receive an Award under the Plan.

1.16 Plan. The Science Applications International Corporation Stock Compensation Plan as set forth herein and as amended from time to time.

1.17 Separation From Service. The death, retirement or termination of the Employee's employment with the Company. This definition of Separation From Service shall be interpreted and construed in a manner intended to comply with Code Section 409A and the published authorities thereunder.

1.18 Share Unit. The interest of a Participant in a share of Company Stock held in the Participant's Account. A full Share Unit shall be equivalent to a full share of Company Stock, and a partial Share Unit shall be equivalent to the corresponding fraction of a share of Company Stock.

1.19 Termination of Affiliation. Any termination of employment with the Company by an Employee, as determined by the Committee, whether by reason of death, disability, voluntary resignation, layoff, discharge, or otherwise. Furthermore, if an Employee is employed by a direct or indirect subsidiary of the Company, such an Employee will have a Termination of Affiliation upon the divestiture of such subsidiary. The Committee shall have the discretion to establish rules and make determinations as to what constitutes a Termination of Affiliation including, without limitation, change of status (e.g., part-time, consulting Employee, etc.) or leave of absence. A Termination of Affiliation may occur regardless of whether an Employee has had a Separation From Service.

1.20 Trust. The Science Applications International Corporation Stock Compensation Plan Trust established by the Company to hold assets awarded to Participants under the Plan.

1.21 Trustee. Wachovia Bank or such successor trustee as shall be appointed pursuant to the Trust.

## **ARTICLE II PARTICIPATION AND AWARDS**

2.1 Designation by Awarding Authority. The Awarding Authority in its sole discretion shall designate those Employees who are to receive Awards under the Plan. The Awarding Authority's designation of an Employee for a particular Award shall not require the Awarding Authority to make any further Awards to such Employee.

2.2 Awarding Authority to Make Awards. The Awarding Authority shall make Awards under the Plan by determining a number of Share Units to be credited to those Employees whom the Awarding Authority has selected for participation in the Plan and by establishing an Account in favor of such Employees in accordance with Article IV to hold such Share Units. A separate Account shall be established for each Award. Each Account shall be subject to a vesting schedule specified by the Awarding Authority. The amount, timing and vesting of each Award shall be decided in the Awarding Authority's sole discretion, and the Awarding Authority may apply different terms to Awards made to different Employees as well as to different Awards made to the same Employee.

2.3 Awards May be Held in Trust.

(a) With respect to Awards granted before January 1, 2005, within a reasonable period of time following the date of the Award, the Company shall contribute to the Trust Company Stock or an amount of money sufficient to purchase shares of Company Stock corresponding to the number of Share Units made in such Award. The Trustee shall apply such contribution toward the purchase of Company Stock in accordance with the directions of the Committee and the terms of the Trust. To the extent any such Award is made to an Employee of an affiliate of the Company, the Company may charge the cost of the corresponding Trust contribution to such affiliate as agreed between the Company and the affiliate.



(b) Effective January 1, 2005, contributions to the Trust with respect to Awards shall be made only if the Company, in its sole discretion, determines to make such contributions. Regardless of whether the Company makes contributions to the Trust with respect to Awards, the Participant shall be credited with a number of Share Units subject to the Award.

2.4 Vesting and Forfeiture. Each Account shall be subject to a vesting schedule, not to exceed seven (7) years, established by the Awarding Authority. Vesting shall cease upon the Participant's Termination of Affiliation for any reason other than the death of the Participant. In the event of death of a Participant, all of the Participant's Account(s) shall become immediately vested. The unvested portion of a Participant's Accounts upon a Termination of Affiliation shall be immediately forfeited by the Participant, and any shares of Company Stock represented by such unvested portion shall be returned to the Company or reallocated in accordance with the Committee's directions and the terms of the Trust. Notwithstanding anything to the contrary in the provisions of this Plan regarding distribution of Accounts, the provisions of this Section 2.4 shall govern vesting and forfeitures of Accounts. Accordingly, a Participant may have a Termination of Affiliation under this Section 2.4 (resulting in a forfeiture of the unvested portion of the Participant's Accounts) prior to the Participant's Separation From Service.

### **ARTICLE III TRUST FUND**

3.1 Trust Fund Established. The Company has established the Trust pursuant to a trust agreement under which the Trustee will hold and administer in trust all assets deposited with the Trustee in accordance with the terms of this Plan. The Board shall have the authority to select and remove the Trustee to act under the Trust agreement, and to enter into new or amended trust agreements as it deems advisable.

3.2 Company, Committee, Board, Award Authority and Trustee Not Responsible for Adequacy of Trust Fund. Neither the Company, Board, Award Authority, Committee nor Trustee shall be liable or responsible for the adequacy of funds held in the Trust to meet and discharge any or all payments and liabilities hereunder. All Plan benefits will be paid from the Trust assets or by the Company to the extent not paid from Trust assets, and neither the Board, Award Authority, Committee nor the Trustee shall have any duty or liability to pay such benefits or furnish the Trust with any funds, securities or other assets.

3.3 Invasion of Trust by Creditors. If assets of the Trust should be reduced due to action of the Company's creditors, as provided in the Trust document, the Committee shall reduce each Account for which the Trust held assets on a pro rata basis to reflect such reduction in Trust assets, and the Company shall have no obligation to replace such lost assets.

3.4 Trust Expenses. Expenses of the Trust which are not paid by the Company shall be applied to reduce each Account for which the Trust holds assets on a pro rata basis.

**ARTICLE IV  
ACCOUNTS**

4.1 Committee to Maintain Accounts. The Committee shall open and maintain a separate Account with respect to each Award made under the Plan for purposes of keeping a record of the number of Share Units credited as a result of the Award.

4.2 Accounting Procedures. The Committee shall establish and may amend from time to time accounting procedures for the purpose of making allocations, distributions, valuations and adjustments to Accounts provided for in this Article IV. A Participant or Beneficiary shall have no contractual or other right to have a particular accounting procedure or convention apply, or continue to apply, and the Committee shall be free to alter any such procedure or convention without obligation to any Participant or Beneficiary.

**ARTICLE V  
RIGHTS IN ACQUIRED STOCK**

5.1 Power to Vote Stock Rests With Trustee. The power to vote any stock held by the Trustee shall rest solely with the Trustee, who shall vote such stock in the same proportion that the other shareholders vote their shares of stock of the Company. For purposes of this Section 5.1, in determining how other shareholders voted, the Trustee shall take into account the votes of shareholders with respect to all classes of voting stock, including but not limited to Class A and Class B Common Stock.

5.2 Tender Offers. In the case of a tender offer for the Company Stock, the Trustee shall tender the shares of Company Stock held by the Trust only if more than fifty percent (50%) of the shares of Company Stock held outside the Trust are tendered by the shareholders.

5.3 Dividends. All Ordinary Dividends on Company Stock held in Trust shall be held by the Trustee and reinvested as directed by the Committee. The Committee shall allocate such Ordinary Dividends among the Accounts pro rata to the shares allocated to each Account. The Capital Restructuring Dividend on Company Stock held in Trust shall be immediately disbursed by the Trustee to the Company for immediate distribution by the Company to Participants in accordance with Section 6.6. No person (including, but not limited to, the Trustee, the Company, the Committee or the Board) shall have the authority or ability to delay the immediate transfer of the Capital Restructuring Dividend from the Trustee to the Company pursuant to this Section 5.3.

**ARTICLE VI  
DISTRIBUTION OF ACCOUNTS**

6.1 Time of Distribution. Subject to the acceleration provisions of Article VII, a Participant's Account shall be distributed as follows:

(a) With respect to Awards granted prior to January 1, 2005:

(1) If the Participant filed an election to receive distribution as an Award vests in a manner prescribed by the Committee before the expiration of the applicable election

deadline as determined below with respect to the Award contained in the Account, the Participant's Account shall be distributed as it becomes vested, with each payment to be made within a reasonable period of time following the date of vesting of the portion of the Account to be paid; provided, however, that such payments shall be made no later than the last day of the calendar year in which the applicable vesting date occurs or, if later, the fifteenth day of the third calendar month following the applicable vesting date. The applicable election deadline was ninety (90) days following the date of the Award. Such election shall be irrevocable. In addition to executing an election, the Participant may also be required to execute an agreement with the Company, on a form prescribed by the Committee, relating to the Company's right of repurchase of Company Stock, if any, and such other matters as the Committee shall prescribe.

(2) If the Participant failed to make the election described in subsection (a)(1), the Participant's Account shall be distributed in full within a reasonable period of time following the seventh anniversary of the date of the Award contained in such Account (but no later than the last day of the calendar year in which the seventh anniversary occurs or, if later, the fifteenth day of the third calendar month following the date of such seventh anniversary); provided, however, that if the Participant has a Separation From Service prior to such seventh anniversary, then the vested portion of the Participant's Account shall be distributed within a reasonable period of time following the Separation From Service (but no later than the last day of the calendar year in which the Separation From Service occurs or, if later, the fifteenth day of the third calendar month following the date the Separation From Service occurs).

(b) With respect to Awards granted on or after January 1, 2006, the Participant's Account shall be distributed as it becomes vested, with each payment to be made within a reasonable period of time following the date of vesting of the portion of the Account to be paid; provided, however, that such payments shall be made no later than the last day of the calendar year in which the applicable vesting date occurs or, if later, the fifteenth day of the third calendar month following the applicable vesting date.

(c) Notwithstanding the foregoing, if any stock of the Company is publicly traded on an established securities market at the time of a Participant's Separation From Service, any distribution on account of the Separation From Service of a Participant who is a "specified employee" under Code Section 409A(a)(1)(B)(i) shall not be made before the earlier of (i) the date which is six months after such Participant's Separation From Service or (ii) the date of the Participant's death. For any twelve month period commencing April 1 and ending March 31, an Employee is a "specified employee" if the Employee was a "key employee" at any time during the calendar year ending before such April 1. A key employee is defined in Code Section 416(i) without regard to Code Section 416(i)(5).

6.2 Form of Distribution. Each distribution shall be made in a lump sum and in the form of Company Stock, except that fractional Share Units shall, as determined according to procedures established by the Committee, be distributed in kind as fractional shares or applied towards satisfying tax withholding obligations with respect to Participants' distributions. A Participant shall have no right to request a cash distribution.

### 6.3 Beneficiary Designation.

(a) Upon forms provided by the Committee, each Participant shall designate in writing the Beneficiary or Beneficiaries whom such Participant desires to receive the benefits of this Plan, if any, payable in the event of such Participant's death. A Participant may from time to time change his or her designated Beneficiary or Beneficiaries without the consent of such Beneficiary or Beneficiaries by filing a new designation in writing with the Committee. The Committee may rely upon the designation of Beneficiary or Beneficiaries last filed by the Participant in accordance with the terms of this Plan.

(b) If the designated Beneficiary does not survive the Participant, or if there is no valid Beneficiary designation, amounts payable under the Plan shall be paid to the Participant's spouse, or if there is no surviving spouse, then to the duly appointed and currently acting personal representative of the Participant's estate. If there is no personal representative of the Participant's estate duly appointed and acting in that capacity within sixty (60) days after the Participant's death, then all payments due under the Plan shall be payable to the person or persons who can verify by affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder pursuant to the laws of intestate succession or other statutory provision in effect at the Participant's death in the state in which the Participant resided.

6.4 Distribution to Guardian. If the Committee shall find that any person to whom any payment is payable under this Plan is unable to care for his or her affairs because of illness or accident, or is a minor, a payment due (unless a prior claim therefor shall have been made by a duly appointed guardian or other legal representative) may be paid to the spouse, a child, a parent, or a brother or sister, or to any custodian, conservator or other fiduciary responsible for the management and control of such person's financial affairs in such manner and proportions as the Committee may determine. Any such payment shall be a complete discharge of the liabilities of the Company and the Trust to the Participant or Beneficiary under this Plan.

6.5 Withholding of Taxes. To the extent any distribution is subject to withholding taxes, the Committee shall require, as a condition to the payment of such distribution, that the taxes be withheld from such distribution. With respect to amounts paid from the Trust, the Trustee shall deliver the withheld amounts to the Company which shall pay over the withheld taxes as required by law. The Committee may, but need not, allow the Participant to make payment to the Company in the form of a check for such withholding taxes, and the Committee may provide in its discretion for other methods of withholding acceptable to the Company.

### 6.6 Distribution of Dividend Equivalents.

(a) Notwithstanding anything to the contrary in this Article VI, effective January 1, 2006, Dividend Equivalents with respect to the Capital Restructuring Dividend shall be distributed as set forth in this Section 6.6.

(b) Dividend Equivalents with respect to the Capital Restructuring Dividend shall be distributed by the Company to Participants as soon as administratively feasible upon the

Company's receipt of the Capital Restructuring Dividend from the Trustee in accordance with Section 5.3. No one (including, but not limited to, the Trustee, the Company, the Board, the Committee or any Participant) shall have the authority or the ability to delay the immediate distribution of Dividend Equivalents or alter the amount of Dividend Equivalents distributed with respect to the Capital Restructuring Dividend. The distribution of Dividend Equivalents with respect to the Capital Restructuring Dividend to be made to a Participant in accordance with this Section 6.6(b) shall equal the product of (i) the Participant's Share Units as of the record date for the Capital Restructuring Dividend, times (ii) the per share Capital Restructuring Dividend. Immediate payment of the Dividend Equivalent upon the payment of the Capital Restructuring Dividend by the Company is intended to satisfy the requirement of Code Section 409A that payment be made as of a specified time or pursuant to a fixed schedule.

(c) Distributions of Dividend Equivalents with respect to the Capital Restructuring Dividend shall be made in cash without interest and shall be made from the Capital Restructuring Dividend paid to the Trust and transferred to the Company pursuant to Section 5.3.

## **ARTICLE VII ACCELERATION OF DISTRIBUTION AND/OR VESTING**

7.1 Change in Control. Every Account shall become fully vested and shall be immediately distributed to the Participants to whom such Accounts belong, upon the occurrence of a Change in Control (as hereinafter defined) of the Company. A Change in Control shall be deemed to occur upon any "person" (as defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act")), other than the Company, a subsidiary or any employee benefit plan or trust maintained by the Company or a subsidiary becoming the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 25% of the Company Stock outstanding at such time, without the prior approval of the Board. For purposes of the foregoing, a subsidiary is any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations, other than the last corporation in such chain, owns at least fifty percent (50%) of the total voting power in one of the other corporations in such chain. Effective January 1, 2005, 35% shall be substituted for 25% in the above definition of Change in Control, in accordance with Code Section 409A.

### 7.2 Hardship.

(a) Prior to January 1, 2005, notwithstanding the provisions of Section 6.1 hereof, a Participant shall be entitled to request a hardship distribution of all or any portion of the vested portion of his or her Account(s). A Participant must make a written request for a hardship distribution, stating the reasons such withdrawal is necessary because of a financial hardship. The Committee, in its sole discretion, shall determine whether or not to grant the hardship distribution of such Participant's Account(s) and, in so doing, may rely on the Participant's statements, and a hardship distribution may be approved without further investigation unless the Committee has reason to believe such statements are false.

(b) Effective January 1, 2005, a withdrawal under this Section 7.2 shall be permitted only if the Participant incurs an "unforeseeable emergency," as defined below. Any

such distribution shall be limited to the amount of which distribution is reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, State or local income taxes or penalties reasonably anticipated to result from the distribution). For purposes of this Section 7.2(b), an “unforeseeable emergency” is a severe financial hardship of the Participant resulting from (i) an illness or accident of the Participant, the Participant’s spouse or dependent, (ii) the loss of the Participant’s property due to casualty (including the need to rebuild a home following damage to a home to the extent not otherwise covered by insurance), or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of whether a Participant has an unforeseeable emergency shall be made in accordance with the authorities published pursuant to Code Section 409A.

**ARTICLE VIII  
PLAN TERMINATION AND AMENDMENT**

8.1 Termination and Amendments. The Plan shall continue until all amounts have been distributed in accordance with the terms of the Plan. Notwithstanding the foregoing sentence, the Company retains the right to amend or terminate the Plan for any reason, including but not limited to adverse changes in accounting rules or tax laws or the bankruptcy, receivership or dissolution of the Company. In the event of a Plan termination, benefits will be paid out when due under the terms of the Plan. To the extent feasible, the Committee shall use its best efforts to avoid adversely affecting the rights of any existing Participants in the Plan, but prior to a Change in Control, the Committee shall be under no specific duty or obligation in this regard. Following a Change in Control, no amendment or termination of the Plan shall adversely affect any benefits earned by Participants prior to the amendment or termination.

**ARTICLE IX  
PLAN ADMINISTRATION**

9.1 Committee. The Plan shall be administered by the Committee. Subject to the provisions of the Plan and the authority granted hereunder to the Awarding Authority, the Committee shall have exclusive power to determine the manner and time of Awards and payment of benefits to the extent herein provided and to exercise any other discretionary powers granted to the Committee pursuant to the Plan. The decisions or determinations by the Committee shall be final and binding upon all parties, including shareholders, Participants, Beneficiaries and other Employees. The Committee shall have the authority to interpret the Plan, to make factual findings and determinations, to adopt and revise rules and regulations relating to the Plan and to make any other determinations which it believes necessary or advisable for the administration of the Plan. The Committee’s discretion in these matters shall be as broad and unfettered as permitted by law. Notwithstanding the foregoing, after a Change in Control, any findings, adoption or revision of rules or regulations, interpretations, decisions or determinations made by the Committee (including under Section 9.2) shall not be given any deference by a court or arbitrator, and if challenged by a Participant or Beneficiary, shall be reviewed on a de novo basis.

9.2 Committee Powers. The Committee shall have all powers necessary to supervise the administration of the Plan and control its operations. In addition to any powers and authority

conferred on the Committee elsewhere in the Plan or by law, the Committee shall have, by way of illustration and not by way of limitation, the following powers and authority:

- (a) To designate agents to carry out responsibilities relating to the Plan;
- (b) To employ such legal, actuarial, medical, accounting, clerical and other assistance as it may deem appropriate in carrying out the provisions of this Plan;
- (c) To administer, interpret, construe and apply this Plan and to decide all questions which may arise or which may be raised under this Plan by any Employee, Participant, Beneficiary or other person whomsoever, including but not limited to all questions relating to eligibility to participate in the Plan, determination of Awards and the amount of benefits to which any Participant may be entitled;
- (d) To establish rules and procedures from time to time for the conduct of its business and for the administration and effectuation of its responsibilities under the Plan;
- (e) To establish claims procedures, and to make forms available for filing of such claims, and to provide the name of the person or persons with whom such claims should be filed. The Committee shall establish procedures for action upon claims initially made and the communication of a decision to the claimant promptly and, in any event, not later than sixty (60) days after the date of the claim; the claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a written decision is not furnished to the claimant within such sixty (60) day period. Every claim for benefits which is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (1) the specific reason or reasons for the denial, (2) specific reference to any provisions of this Plan on which denial is based, (3) description of any additional material or information necessary for the claimant to perfect his claim with an explanation of why such material or information is necessary, and (4) an explanation of the procedure for further reviewing the denial of the claim under the Plan. The Committee shall establish a procedure for review of claim denials, such review to be undertaken by the Committee. The review given after denial of any claim shall be a full and fair review with the claimant or his duly authorized representative having one hundred eighty (180) days after receipt of denial of his claim to request such review, having the right to review all pertinent documents and the right to submit issues and comments in writing. The Committee shall establish a procedure for issuance of a decision by the Committee not later than sixty (60) days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than one hundred twenty (120) days after receipt of the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of this Plan on which the decision is based; and
- (f) To perform or cause to be performed such further acts as it may deem to be necessary, appropriate, or convenient in the efficient administration of the Plan.

Prior to a Change in Control, any action taken in good faith by the Committee in the exercise of authority conferred upon it by this Plan shall be conclusive and binding upon the Participants and their beneficiaries, and all discretionary powers conferred upon the Committee shall be absolute. Following a Change in Control, the actions of the Committee and its exercise of discretionary powers shall be reviewed on a de novo basis if challenged by a Participant or Beneficiary.

9.3 Plan Expenses. Members of the Committee shall serve as such without compensation from the Plan, but may receive compensation from the Company for so serving. All Plan administration expenses shall be borne by the Company or the Trust as determined by the Committee in its sole discretion.

9.4 Reliance Upon Documents and Opinions. The members of the Committee, the Awarding Authority, the Board, and the Company shall be entitled to rely upon any tables, valuations, computations, estimates, certificates, opinions and reports furnished by any consultant, or firm or corporation which employs one or more consultants or advisors. The Committee may, but is not required to, rely upon all records of the Company with respect to any matter or thing whatsoever, and may likewise treat such records as conclusive with respect to all Employees, Participants, Beneficiaries and any other persons whomsoever, except as otherwise provided by law.

9.5 Requirement of Proof. The Committee, the Awarding Authority, the Board, or the Company may require satisfactory proof of any matter under this Plan from or with respect to any Employee, Participant or Beneficiary, and no such person shall acquire any rights or be entitled to receive any benefits under this Plan until such proof shall be furnished as so required.

9.6 Limitation on Liability. No employee or director of the Company and no other person shall be subject to any liability by reason of or arising from his or her participation in the establishment or administration or operation of the Plan unless he or she acts fraudulently or in bad faith.

9.7 Indemnification.

(a) To the extent permitted by law, the Company shall indemnify each member of the Awarding Authority, of the Committee, and any other employee or director of the Company who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative, or investigative, by reason of his or her conduct in the performance in connection with the establishment or administration of the Plan or any amendment or termination of the Plan.

(b) This indemnification shall apply against expenses including, without limitation, attorneys fees and any expenses of establishing a right to indemnification hereunder, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, except in relation to matters as to which he or she has acted fraudulently or in bad faith in the performance of such duties.



(c) The termination of any proceeding by judgment, order, settlement, conviction, upon a plea of nolo contendere or its equivalent shall not, in and of itself, create a presumption that the person acted fraudulently or in bad faith in the performance of his or her duties.

(d) Expenses incurred in defending any such proceeding may be advanced by the Company prior to the final disposition of such proceeding, upon receipt of an undertaking by or on behalf of the recipient to repay such amount, unless it shall be determined ultimately that the recipient is entitled to be indemnified as authorized in this Section 9.7.

(e) The right of indemnification set forth in this Section 9.7 shall be in addition to any other right to which any Awarding Authority member, Committee member or other person may be entitled as a matter of law, by corporate bylaws or otherwise.

## **ARTICLE X MISCELLANEOUS PROVISIONS**

### **10.1 Restrictions on Plan Interest.**

(a) A Participant's interest in this Plan shall be limited to his or her Account and he or she shall have no other interest in any assets of the Company nor any right as against the Company, Awarding Authority or Committee for payment of benefits under this Plan.

(b) None of the benefits, payments, proceeds, claims or rights hereunder of any Participant or Beneficiary shall be subject to any claim of any creditor of such Participant or Beneficiary and in particular the same shall not be subject to attachment, garnishment, or other legal process by any creditor of such Participant or Beneficiary.

(c) A Participant or Beneficiary shall not have any right to alienate, anticipate, commute, pledge, encumber, or assign any of the benefits or payments or proceeds which he or she may expect to receive, contingently or otherwise, under the Plan.

(d) A Participant's and Beneficiary's interest in this Plan and the assets of the Trust are subject to the claims of the Company's creditors as provided in the Trust. Each Participant and Beneficiary shall, however, be considered a general creditor of the Company with respect to his or her Account, so that if the Company should become insolvent, the Participant or Beneficiary will have a claim against the Company and Trust assets equal to that of the Company's other general creditors (regardless of whether assets are removed from the Trust by a trustee in bankruptcy).

(e) Whenever a provision of this Plan restricts or limits a Participant or a Participant's Account, benefit or distribution, such limitation shall also apply to a Beneficiary unless otherwise specified.

## 10.2 No Enlargement of Employee Rights.

(a) This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Employee, or to be consideration for, or an inducement to, or a condition of, the employment of any Employee.

(b) An Employee's employment with the Company is not for any specified term and may be terminated by such Employee or by the Company at any time for any reason, with or without cause. Nothing in this Plan or in any agreement pursuant to this Plan shall confer upon any Employee or Participant any right to continue in the employ of or affiliation with the Company nor constitute any promise or commitment by the Company regarding future positions, future work assignments, future compensation or any other term or condition of employment or affiliation.

(c) No person shall have any right to any benefits under this Plan, except to the extent expressly provided herein.

(d) The Plan is not intended to nor shall it be deemed to be a Plan providing retirement income or resulting in the deferral of income by employees for periods extending to the termination of covered employment or beyond.

10.3 Rights of Repurchase and First Refusal for the Company. Any Company Stock distributed from the Plan may be subject to a right of repurchase and right of first refusal by the Company, as well as any conditions, limitations, or restrictions contained in any applicable agreement. The terms and conditions of the right of repurchase and right of first refusal, to the extent applicable, shall be in addition to those applied to Company Stock by the Restated Certificate of Incorporation of Science Applications International Corporation, as amended.

10.4 Mailing of Payments. All payments under the Plan shall be delivered in person or mailed to the last address of the Participant (or, in the case of the death of the Participant to that of any other person entitled to such payments under the terms of the Plan). Each Participant shall be responsible for furnishing the Committee with his or her correct current address and the correct current name and address of his or her Beneficiary.

10.5 Inability to Locate Participant or Beneficiary. In the event that the Committee is unable to locate a Participant or Beneficiary to whom benefits are payable hereunder after mailing a notice to the Participant's or Beneficiary's last known address, and such inability lasts for a period of three (3) years, then any remaining benefits payable hereunder shall be forfeited to the Company and no Participant or Beneficiary shall have any right to further benefits from the Plan, even if subsequently located.

10.6 Governing Law. All legal questions pertaining to the Plan shall be determined in accordance with the laws of the State of California, excluding its rules governing conflict of laws. Without limiting Section 10.9, it is intended that this Plan be administered and interpreted in a manner consistent with the applicable requirements of Code Section 409A, and further that the Plan be interpreted in a manner that satisfied the applicable requirements of Rule 16b-3

promulgated under the Exchange Act, so that Awards will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Exchange Act and will not be subject to avoidable liability thereunder.

10.7 Illegality of Particular Provision. If any particular provision of this Plan shall be found to be illegal or unenforceable, such provision shall not affect the other provisions thereof, but the Plan shall be construed in all respect as if such invalid provision were omitted.

10.8 Interpretation. Section headings are for convenient reference only and shall not be deemed to be part of the substance of this instrument or in any way to enlarge or limit the contents of any article or section.

10.9 Tax Effects. The Company makes no representations or warranties as to the tax consequences to a Participant or to a Participant's Beneficiary from the grant of Awards hereunder or the subsequent receipt of any benefits as a result thereof. Each Participant must rely solely on his or her own tax advisor with respect to the tax consequences arising from the grant of Awards or the receipt of benefits hereunder, or from any other related transaction.

10.10 Receipt or Release. Any payment to any Participant or Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Awarding Authority, the Committee and the Company, and the Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

10.11 Records. The records of the Company with respect to the Plan shall be conclusive on all Participants, Beneficiaries, and all other persons whomsoever.

10.12 Arbitration. Any person disputing a decision of the Committee shall submit such dispute to binding arbitration pursuant to the rules of the American Arbitration Association, to be held in San Diego County. In any arbitration with respect to a decision or action of the Committee taken before a Change in Control, the losing party in such arbitration proceedings shall bear the costs of arbitration, and each party shall bear its own attorneys' fees. In any arbitration with respect to a decision or action of the Committee taken after a Change in Control, the Company shall bear the costs of arbitration (other than attorneys' fees), and the arbitrator may make an award of attorneys' fees; any such award shall be made according to the then-prevailing standards for judicial awards of attorneys' fees applicable to civil actions brought under the Employee Retirement Income Security Act of 1974, as amended.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**STOCK COMPENSATION PLAN**  
**Amendment No. One**

Effective on and after September 17, 2009, the Science Applications International Corporation Stock Compensation Plan is hereby amended by adding the following new Section 10.13 to the Plan:

“10.13 Recoupment of Awards. Notwithstanding any other provision herein including, but not limited to, Sections 2.2, 7.1, 8.1 and 10.1(b), and notwithstanding any other provisions in any Award agreement with respect to this Plan, Awards granted or paid under this Plan shall be subject to recoupment by the Company pursuant to the Company’s recoupment policy originally adopted on June 18, 2009 by the Human Resources and Compensation Committee of the Board, as such policy may subsequently be amended (the “Recoupment Policy”). Although consent to the Recoupment Policy by a Participant is not a prerequisite to the effectiveness of the Recoupment Policy with respect to the Participant, acceptance of an Award under this Plan shall be deemed to constitute consent by the Participant to the terms and conditions of the Recoupment Policy with respect to such Award and any and all prior Awards granted to the Participant under this Plan. For purposes of clarity, to the extent provided by the Recoupment Policy, a Participant may be required to return certain payments made to the Participant with respect to an Award, and payments that otherwise would have been made to the Participant with respect to an Award may be reduced or entirely eliminated. Such actions may be taken pursuant to the Recoupment Policy without regard to whether such payments and the Participant’s Awards were otherwise vested.”

Science Applications International Corporation

By: /s/ Joseph P. Walkush  
Joseph P. Walkush  
Executive Vice President

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
MANAGEMENT STOCK COMPENSATION PLAN**

Amended and Restated Effective as of January 1, 2005

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SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

MANAGEMENT STOCK COMPENSATION PLAN

PURPOSE

This Plan is an unfunded compensation arrangement established effective as of April 3, 1996 by Science Applications International Corporation to make deferred awards of company stock to selected management and highly compensated employees. This Plan is amended and restated effective January 1, 2005 to comply with Code Section 409A.

ARTICLE I  
DEFINITIONS

Whenever the following terms are used in the Plan they shall have the meaning specified below, unless the context indicates clearly to the contrary.

1.1 Account. The bookkeeping account established for an Employee pursuant to Article IV to record the number of Share Units awarded to the Employee and the vesting thereof.

1.2 Award. The award of Share Units to an Employee pursuant to the Plan.

1.3 Awarding Authority. The individual or group of individuals appointed by the Board to make Awards pursuant to the Plan.

1.4 Beneficiary. The person or persons properly designated by the Participant, in accordance with Section 6.3, to receive the benefits provided herein upon death of the Participant.

1.5 Board. The Board of Directors of Science Applications International Corporation, or its ultimate parent corporation, if any.

1.6 Capital Restructuring Dividend. The non-recurring cash dividend paid by the Company in 2006 or 2007 on shares of Company Stock in connection with the Company's capital restructuring and the initial public offering of Company Stock.

1.7 Code. The Internal Revenue Code of 1986, as amended.

1.8 Committee. The committee appointed by the Board to administer the Plan. Members of the Committee shall be eligible to receive Awards under the Plan at the discretion of the Awarding Authority.

1.9 Company. Science Applications International Corporation (or its ultimate parent corporation, if any). In addition, unless the context indicates otherwise, as used in this Plan, the term Company shall also mean and include any direct or indirect subsidiary of the Company

which has been approved by the Awarding Authority for participation in this Plan by its Employees.

1.10 Company Stock. The Class A Common Stock of Science Applications International Corporation, or any other security (including preferred stock) of the Company or the Company's ultimate parent corporation, if any, designated as Company Stock by the Committee.

1.11 Dividend Equivalent. The amount of the Capital Restructuring Dividend paid by the Company on that number of shares of Company Stock which is equal to the number of Share Units then credited to a Participant's Account.

1.12 Employee. A management or highly compensated employee of the Company, as determined by the Committee.

1.13 Fair Market Value.

(1) If the Company Stock is being valued in connection with a transaction (such as the crediting of Share Units to an Account or a distribution) for which the Committee determines there is a corresponding transaction by the Trust, the net price per share of Company Stock purchased or the net proceeds per share of Company Stock sold in the transaction by the Trust, in each case including all expenses of such transaction by the Trust.

(2) If paragraph (1) does not apply, (a) the closing price of the Company Stock on the New York Stock Exchange on the date for which the fair market value is determined, or, if there is no trading of the Company Stock on such date, then the closing price of the Company Stock on the New York Stock Exchange on the next preceding date on which there was trading in such shares; or (b) if the Company Stock is not listed, admitted or quoted, the Committee may designate such other source of data as it deems appropriate for determining such value for purposes of this Plan.

1.14 Ordinary Dividend. All cash dividends or other cash distributions, other than the Capital Restructuring Dividend, paid by the Company on shares of Company Stock.

1.15 Participant. An Employee designated by the Awarding Authority to receive an Award under the Plan.

1.16 Plan. The Science Applications International Corporation Management Stock Compensation Plan as set forth herein and as amended from time to time.

1.17 Separation From Service. The death, retirement or termination of the Employee's employment with the Company. This definition of Separation From Service shall be interpreted and construed in a manner intended to comply with Code Section 409A and the published authorities thereunder.

1.18 Share Unit. The interest of a Participant in a share of Company Stock held in the Participant's Account. A full Share Unit shall be equivalent to a full share of Company Stock,

and a partial Share Unit shall be equivalent to the corresponding fraction of a share of Company Stock.

1.19 Termination of Affiliation. Any termination of employment with the Company by an Employee, as determined by the Committee, whether by reason of death, disability, voluntary resignation, layoff, discharge, or otherwise. Furthermore, if an Employee is employed by a direct or indirect subsidiary of the Company, such an Employee will have a Termination of Affiliation upon the divestiture of such subsidiary. The Committee shall have the discretion to establish rules and make determinations as to what constitutes a Termination of Affiliation including, without limitation, change of status (e.g., part-time, consulting Employee, etc.) or leave of absence. A Termination of Affiliation may occur regardless of whether an Employee has had a Separation From Service.

1.20 Trust. The Science Applications International Corporation Stock Compensation Plan Trust established by the Company to hold assets awarded to Participants under the Plan.

1.21 Trustee. Wachovia Bank or such successor trustee as shall be appointed pursuant to the Trust.

## **ARTICLE II PARTICIPATION AND AWARDS**

2.1 Designation by Awarding Authority. The Awarding Authority in its sole discretion shall designate those Employees who are to receive Awards under the Plan. The Awarding Authority's designation of an Employee for a particular Award shall not require the Awarding Authority to make any further Awards to such Employee.

2.2 Awarding Authority to Make Awards. The Awarding Authority shall make Awards under the Plan by determining a number of Share Units to be credited to those Employees whom the Awarding Authority has selected for participation in the Plan and by establishing an Account in favor of such Employees in accordance with Article IV to hold such Share Units. A separate Account shall be established for each Award. Each Account shall be subject to a vesting schedule specified by the Awarding Authority. The amount, timing and vesting of each Award shall be decided in the Awarding Authority's sole discretion, and the Awarding Authority may apply different terms to Awards made to different Employees as well as to different Awards made to the same Employee.

2.3 Awards May be Held in Trust.

(a) With respect to Awards granted before January 1, 2005, within a reasonable period of time following the date of the Award, the Company shall contribute to the Trust Company Stock or an amount of money sufficient to purchase shares of Company Stock corresponding to the number of Share Units made in such Award. The Trustee shall apply such contribution toward the purchase of Company Stock in accordance with the directions of the Committee and the terms of the Trust. To the extent any such Award is made to an Employee of

an affiliate of the Company, the Company may charge the cost of the corresponding Trust contribution to such affiliate as agreed between the Company and the affiliate.

(b) Effective January 1, 2005, contributions to the Trust with respect to Awards shall be made only if the Company, in its sole discretion, determines to make such contributions. Regardless of whether the Company makes contributions to the Trust with respect to Awards, the Participant shall be credited with a number of Share Units subject to the Award.

2.4 Vesting and Forfeiture. Each Account shall be subject to a vesting schedule, not to exceed seven (7) years, established by the Awarding Authority. Vesting shall cease upon the Participant's Termination of Affiliation for any reason other than the death of the Participant. In the event of death of a Participant, all of the Participant's Account(s) shall become immediately vested. The unvested portion of a Participant's Accounts upon a Termination of Affiliation shall be immediately forfeited by the Participant, and any shares of Company Stock represented by such unvested portion shall be returned to the Company or reallocated in accordance with the Committee's directions and the terms of the Trust. Notwithstanding anything to the contrary in the provisions of this Plan regarding distribution of Accounts, the provisions of this Section 2.4 shall govern vesting and forfeitures of Accounts. Accordingly, a Participant may have a Termination of Affiliation under this Section 2.4 (resulting in a forfeiture of the unvested portion of the Participant's Accounts) prior to the Participant's Separation From Service.

### **ARTICLE III TRUST FUND**

3.1 Trust Fund Established. The Company has established the Trust pursuant to a trust agreement under which the Trustee will hold and administer in trust all assets deposited with the Trustee in accordance with the terms of this Plan. The Board shall have the authority to select and remove the Trustee to act under the Trust agreement, and to enter into new or amended trust agreements as it deems advisable.

3.2 Company, Committee, Board, Award Authority and Trustee Not Responsible for Adequacy of Trust Fund. Neither the Company, Board, Award Authority, Committee nor Trustee shall be liable or responsible for the adequacy of funds held in the Trust to meet and discharge any or all payments and liabilities hereunder. All Plan benefits will be paid from the Trust assets or by the Company to the extent not paid from Trust assets, and neither the Board, Award Authority, Committee nor the Trustee shall have any duty or liability to pay such benefits or furnish the Trust with any funds, securities or other assets.

3.3 Invasion of Trust by Creditors. If assets of the Trust should be reduced due to action of the Company's creditors, as provided in the Trust document, the Committee shall reduce each Account for which the Trust held assets on a pro rata basis to reflect such reduction in Trust assets, and the Company shall have no obligation to replace such lost assets.

3.4 Trust Expenses. Expenses of the Trust which are not paid by the Company shall be applied to reduce each Account for which the Trust holds assets on a pro rata basis.

**ARTICLE IV  
ACCOUNTS**

4.1 Committee to Maintain Accounts. The Committee shall open and maintain a separate Account with respect to each Award made under the Plan for purposes of keeping a record of the number of Share Units credited as a result of the Award.

4.2 Accounting Procedures. The Committee shall establish and may amend from time to time accounting procedures for the purpose of making allocations, distributions, valuations and adjustments to Accounts provided for in this Article IV. A Participant or Beneficiary shall have no contractual or other right to have a particular accounting procedure or convention apply, or continue to apply, and the Committee shall be free to alter any such procedure or convention without obligation to any Participant or Beneficiary.

**ARTICLE V  
RIGHTS IN ACQUIRED STOCK**

5.1 Power to Vote Stock Rests With Trustee. The power to vote any stock held by the Trustee shall rest solely with the Trustee, who shall vote such stock in the same proportion that the other shareholders vote their shares of stock of the Company. For purposes of this Section 5.1, in determining how other shareholders voted, the Trustee shall take into account the votes of shareholders with respect to all classes of voting stock, including but not limited to Class A and Class B Common Stock.

5.2 Tender Offers. In the case of a tender offer for the Company Stock, the Trustee shall tender the shares of Company Stock held by the Trust only if more than fifty percent (50%) of the shares of Company Stock held outside the Trust are tendered by the shareholders.

5.3 Dividends. All Ordinary Dividends on Company Stock held in Trust shall be held by the Trustee and reinvested as directed by the Committee. The Committee shall allocate such Ordinary Dividends among the Accounts pro rata to the shares allocated to each Account. The Capital Restructuring Dividend on Company Stock held in Trust shall be immediately disbursed by the Trustee to the Company for immediate distribution by the Company to Participants in accordance with Section 6.6. No person (including, but not limited to, the Trustee, the Company, the Committee or the Board) shall have the authority or ability to delay the immediate transfer of the Capital Restructuring Dividend from the Trustee to the Company pursuant to this Section 5.3.

**ARTICLE VI  
DISTRIBUTION OF ACCOUNTS**

6.1 Time of Distribution. Subject to the acceleration provisions of Article VII, a Participant's Account shall be distributed as follows:

(a) With respect to Awards granted prior to January 1, 2005, if the Participant filed an election in a manner prescribed by the Committee before the expiration of the applicable election deadline, the vested portion of the Participant's Account shall be distributed or commence to be distributed within a reasonable period of time following the date (i) it becomes

vested, or (ii) the Participant has a Separation From Service with the Company, as elected by the Participant; provided, however, that such payments shall be made no later than the last day of the calendar year in which the applicable payment date occurs or, if later, the fifteenth day of the third calendar month following the applicable payment date. The applicable election deadline was ninety (90) days following the date of the Award. If the Participant failed to make the election described in this subsection (a), the Participant's Account with respect to Awards made before January 1, 2005 shall be distributed or commence to be distributed within a reasonable period of time following the seventh anniversary of the date of the Award contained in such Account (but no later than the last day of the calendar year in which the seventh anniversary occurs or, if later, the fifteenth day of the third calendar month following the seventh anniversary); provided, however, that if the Participant has a Separation From Service prior to such payment date, then the vested portion of the Participant's Account shall be distributed or commence to be distributed within a reasonable period of time following the Separation From Service (but no later than the last day of the calendar year in which the Separation From Service occurs or, if later, the fifteenth day of the third calendar month following such Separation From Service). The election under this subsection (a) shall be irrevocable. In addition to executing an election, the Participant may also be required to execute an agreement with the Company, on a form prescribed by the Committee, relating to the Company's right of repurchase of Company Stock, if any, and such other matters as the Committee shall prescribe.

(b) With respect to Awards granted on or after January 1, 2005, the vested portion of the Participant's Account shall be distributed or commence to be distributed within a reasonable period of time following the date the Participant has a Separation From Service; provided, however, that such payments shall be made no later than the last day of the calendar year in which the Separation From Service occurs or, if later, the fifteenth day of the third calendar month following the date of the Separation From Service. For Awards made on or after January 1, 2005, a Participant may in a manner prescribed by the Committee elect between the forms of distribution specified in Section 6.2 for distributions made if the Participant's Separation From Service occurs on or after age 59 <sup>1</sup>/<sub>2</sub>. Such election must be made before the expiration of the applicable election deadline with respect to the Award. The applicable election deadline for an Award that is entirely unvested for 13 or more months from the date of the grant of the Award shall be thirty (30) days following such grant date. The applicable election deadline for any other Award shall be the last day of the calendar year preceding the calendar year in which the Award is granted. In addition to executing an election, the Participant may also be required to execute an agreement with the Company, on a form prescribed by the Committee, relating to the Company's right of repurchase of Company Stock, if any, and such other matters as the Committee shall prescribe.

(c) Notwithstanding the foregoing, if any stock of the Company is publicly traded on an established securities market at the time of a Participant's Separation From Service, any distribution on account of the Separation From Service of a Participant who is a "specified employee" under Code Section 409A(a)(1)(B)(i) shall not be made before the earlier of (i) the date which is six months after such Participant's Separation From Service or (ii) the date of the Participant's death. For any twelve month period commencing April 1 and ending March 31, an Employee is a "specified employee" if the Employee was a "key employee" at any time during

the calendar year ending before such April 1. A key employee is defined in Code Section 416(i) without regard to Code Section 416(i)(5).

**6.2 Form of Distribution.**

(a) Except as set forth in this Section 6.2, each distribution shall be made in a lump sum.

(b) For Awards made on or after January 1, 2005, a Participant shall elect, for distributions made if the Participant's Separation From Service occurs on or after age 59 1/2, to receive payment in lump sum or in installments over a 5-year period. If elected, installment payments shall be spread in approximately equal numbers of shares of Company Stock over the payout period. Except as set forth in Sections 6.2(c) and 6.2(d), a Participant's election of form of distribution shall be irrevocable. If the Participant does not timely make an election, the payment shall be a lump sum.

(c) Both of the forms of distribution set forth in Section 6.2(b) shall be considered a single payment for purposes of Code Section 409A. Accordingly, Participants shall be allowed to make a new form of distribution election with respect to Awards described in Section 6.2(b), provided that the following requirements are satisfied.

(i) The election does not take effect until at least twelve months after the date the election is made, and the election must be made at least twelve months prior to the date the first payment would be made to the Participant absent the election.

(ii) The commencement date of the first payment to the Participant shall be five years following the date the payment would have commenced absent the change in the Participant's election; and

(iii) No Participant may make more than one new form of distribution election.

Any attempt to change a payout election that does not satisfy these requirements shall be void.

(d) Pursuant to authority issued by the Internal Revenue Service under Code Section 409A, the following transition rule shall apply with respect to Awards (whenever granted) other than Awards that (absent an election) would be payable in whole or in part in 2006:

(i) Each Participant who had not had a Separation From Service as of December 31, 2006 shall be permitted to elect, for distributions made if the Participant's Separation From Service occurs on or after age 59 1/2, to receive payment in lump sum or over a 5-year period.

(ii) The elections under this Section 6.2(d) shall be made pursuant to rules prescribed by the Committee, but shall in no event be made after December 31, 2006.

(e) Each distribution shall be made in the form of Company Stock, except that fractional Share Units shall, as determined according to procedures established by the Committee, be distributed in kind as fractional shares or applied towards satisfying tax withholding obligations with respect to Participants' distributions. A Participant shall have no right to request a cash distribution.

### 6.3 Beneficiary Designation.

(a) Upon forms provided by the Committee, each Participant shall designate in writing the Beneficiary or Beneficiaries whom such Participant desires to receive the benefits of this Plan, if any, payable in the event of such Participant's death. A Participant may from time to time change his or her designated Beneficiary or Beneficiaries without the consent of such Beneficiary or Beneficiaries by filing a new designation in writing with the Committee. The Committee may rely upon the designation of Beneficiary or Beneficiaries last filed by the Participant in accordance with the terms of this Plan.

(b) If the designated Beneficiary does not survive the Participant, or if there is no valid Beneficiary designation, amounts payable under the Plan shall be paid to the Participant's spouse, or if there is no surviving spouse, then to the duly appointed and currently acting personal representative of the Participant's estate. If there is no personal representative of the Participant's estate duly appointed and acting in that capacity within sixty (60) days after the Participant's death, then all payments due under the Plan shall be payable to the person or persons who can verify by affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder pursuant to the laws of intestate succession or other statutory provision in effect at the Participant's death in the state in which the Participant resided.

6.4 Distribution to Guardian. If the Committee shall find that any person to whom any payment is payable under this Plan is unable to care for his or her affairs because of illness or accident, or is a minor, a payment due (unless a prior claim therefor shall have been made by a duly appointed guardian or other legal representative) may be paid to the spouse, a child, a parent, or a brother or sister, or to any custodian, conservator or other fiduciary responsible for the management and control of such person's financial affairs in such manner and proportions as the Committee may determine. Any such payment shall be a complete discharge of the liabilities of the Company and the Trust to the Participant or Beneficiary under this Plan.

6.5 Withholding of Taxes. To the extent any distribution is subject to withholding taxes, the Committee shall require, as a condition to the payment of such distribution, that the taxes be withheld from such distribution. With respect to amounts paid from the Trust, the Trustee shall deliver the withheld amounts to the Company which shall pay over the withheld taxes as required by law. The Committee may, but need not, allow the Participant to make payment to the Company in the form of a check for such withholding taxes, and the Committee may provide in its discretion for other methods of withholding acceptable to the Company.



#### 6.6 Distribution of Dividend Equivalents.

(a) Notwithstanding anything to the contrary in this Article VI, effective January 1, 2006, Dividend Equivalents with respect to the Capital Restructuring Dividend shall be distributed as set forth in this Section 6.6.

(b) Dividend Equivalents with respect to the Capital Restructuring Dividend shall be distributed by the Company to Participants as soon as administratively feasible upon the Company's receipt of the Capital Restructuring Dividend from the Trustee in accordance with Section 5.3. No one (including, but not limited to, the Trustee, the Company, the Board, the Committee or any Participant) shall have the authority or the ability to delay the immediate distribution of Dividend Equivalents or alter the amount of Dividend Equivalents distributed with respect to the Capital Restructuring Dividend. The distribution of Dividend Equivalents with respect to the Capital Restructuring Dividend to be made to a Participant in accordance with this Section 6.6(b) shall equal the product of (i) the Participant's Share Units as of the record date for the Capital Restructuring Dividend, times (ii) the per share Capital Restructuring Dividend. Immediate payment of the Dividend Equivalent upon the payment of the Capital Restructuring Dividend by the Company is intended to satisfy the requirement of Code Section 409A that payment be made as of a specified time or pursuant to a fixed schedule.

(c) Distributions of Dividend Equivalents with respect to the Capital Restructuring Dividend shall be made in cash without interest and shall be made from the Capital Restructuring Dividend paid to the Trust and transferred to the Company pursuant to Section 5.3.

### **ARTICLE VII ACCELERATION OF DISTRIBUTION AND/OR VESTING**

7.1 Change in Control. Every Account shall become fully vested and shall be immediately distributed to the Participants to whom such Accounts belong, upon the occurrence of a Change in Control (as hereinafter defined) of the Company. A Change in Control shall be deemed to occur upon any "person" (as defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act")), other than the Company, a subsidiary or any employee benefit plan or trust maintained by the Company or a subsidiary becoming the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 25% of the Company Stock outstanding at such time, without the prior approval of the Board. For purposes of the foregoing, a subsidiary is any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations, other than the last corporation in such chain, owns at least fifty percent (50%) of the total voting power in one of the other corporations in such chain. Effective January 1, 2005, 35% shall be substituted for 25% in the above definition of Change in Control, in accordance with Code Section 409A.

#### 7.2 Hardship.

(a) Prior to January 1, 2005, notwithstanding the provisions of Section 6.1 hereof, a Participant shall be entitled to request a hardship distribution of all or any portion of the vested portion of his or her Account(s). A Participant must make a written request for a hardship

distribution, stating the reasons such withdrawal is necessary because of a financial hardship. The Committee, in its sole discretion, shall determine whether or not to grant the hardship distribution of such Participant's Account(s) and, in so doing, may rely on the Participant's statements, and a hardship distribution may be approved without further investigation unless the Committee has reason to believe such statements are false.

(b) Effective January 1, 2005, a withdrawal under this Section 7.2 shall be permitted only if the Participant incurs an "unforeseeable emergency," as defined below. Any such distribution shall be limited to the amount of which distribution is reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, State or local income taxes or penalties reasonably anticipated to result from the distribution). For purposes of this Section 7.2(b), an "unforeseeable emergency" is a severe financial hardship of the Participant resulting from (i) an illness or accident of the Participant, the Participant's spouse or dependent, (ii) the loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home to the extent not otherwise covered by insurance), or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of whether a Participant has an unforeseeable emergency shall be made in accordance with the authorities published pursuant to Code Section 409A.

## **ARTICLE VIII PLAN TERMINATION AND AMENDMENT**

8.1 Termination and Amendments. The Plan shall continue until all amounts have been distributed in accordance with the terms of the Plan. Notwithstanding the foregoing sentence, the Company retains the right to amend or terminate the Plan for any reason, including but not limited to adverse changes in accounting rules or tax laws or the bankruptcy, receivership or dissolution of the Company. In the event of a Plan termination, benefits will be paid out when due under the terms of the Plan. To the extent feasible, the Committee shall use its best efforts to avoid adversely affecting the rights of any existing Participants in the Plan, but prior to a Change in Control, the Committee shall be under no specific duty or obligation in this regard. Following a Change in Control, no amendment or termination of the Plan shall adversely affect any benefits earned by Participants prior to the amendment or termination.

## **ARTICLE IX PLAN ADMINISTRATION**

9.1 Committee. The Plan shall be administered by the Committee. Subject to the provisions of the Plan and the authority granted hereunder to the Awarding Authority, the Committee shall have exclusive power to determine the manner and time of Awards and payment of benefits to the extent herein provided and to exercise any other discretionary powers granted to the Committee pursuant to the Plan. The decisions or determinations by the Committee shall be final and binding upon all parties, including shareholders, Participants, Beneficiaries and other Employees. The Committee shall have the authority to interpret the Plan, to make factual findings and determinations, to adopt and revise rules and regulations relating to the Plan and to make any other determinations which it believes necessary or advisable for the administration of

the Plan. The Committee's discretion in these matters shall be as broad and unfettered as permitted by law. Notwithstanding the foregoing, after a Change in Control, any findings, adoption or revision of rules or regulations, interpretations, decisions or determinations made by the Committee (including under Section 9.2) shall not be given any deference by a court or arbitrator, and if challenged by a Participant or Beneficiary, shall be reviewed on a *de novo* basis.

9.2 Committee Powers. The Committee shall have all powers necessary to supervise the administration of the Plan and control its operations. In addition to any powers and authority conferred on the Committee elsewhere in the Plan or by law, the Committee shall have, by way of illustration and not by way of limitation, the following powers and authority:

(a) To designate agents to carry out responsibilities relating to the Plan;

(b) To employ such legal, actuarial, medical, accounting, clerical and other assistance as it may deem appropriate in carrying out the provisions of this Plan;

(c) To administer, interpret, construe and apply this Plan and to decide all questions which may arise or which may be raised under this Plan by any Employee, Participant, Beneficiary or other person whomsoever, including but not limited to all questions relating to eligibility to participate in the Plan, determination of Awards and the amount of benefits to which any Participant may be entitled;

(d) To establish rules and procedures from time to time for the conduct of its business and for the administration and effectuation of its responsibilities under the Plan;

(e) To establish claims procedures, and to make forms available for filing of such claims, and to provide the name of the person or persons with whom such claims should be filed. The Committee shall establish procedures for action upon claims initially made and the communication of a decision to the claimant promptly and, in any event, not later than sixty (60) days after the date of the claim; the claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a written decision is not furnished to the claimant within such sixty (60) day period. Every claim for benefits which is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (1) the specific reason or reasons for the denial, (2) specific reference to any provisions of this Plan on which denial is based, (3) description of any additional material or information necessary for the claimant to perfect his claim with an explanation of why such material or information is necessary, and (4) an explanation of the procedure for further reviewing the denial of the claim under the Plan. The Committee shall establish a procedure for review of claim denials, such review to be undertaken by the Committee. The review given after denial of any claim shall be a full and fair review with the claimant or his duly authorized representative having one hundred eighty (180) days after receipt of denial of his claim to request such review, having the right to review all pertinent documents and the right to submit issues and comments in writing. The Committee shall establish a procedure for issuance of a decision by the Committee not later than sixty (60) days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than one hundred twenty (120) days after receipt of

the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of this Plan on which the decision is based; and

(f) To perform or cause to be performed such further acts as it may deem to be necessary, appropriate, or convenient in the efficient administration of the Plan.

Prior to a Change in Control, any action taken in good faith by the Committee in the exercise of authority conferred upon it by this Plan shall be conclusive and binding upon the Participants and their beneficiaries, and all discretionary powers conferred upon the Committee shall be absolute. Following a Change in Control, the actions of the Committee and its exercise of discretionary powers shall be reviewed on a *de novo* basis if challenged by a Participant or Beneficiary.

9.3 Plan Expenses. Members of the Committee shall serve as such without compensation from the Plan, but may receive compensation from the Company for so serving. All Plan administration expenses shall be borne by the Company or the Trust as determined by the Committee in its sole discretion.

9.4 Reliance Upon Documents and Opinions. The members of the Committee, the Awarding Authority, the Board, and the Company shall be entitled to rely upon any tables, valuations, computations, estimates, certificates, opinions and reports furnished by any consultant, or firm or corporation which employs one or more consultants or advisors. The Committee may, but is not required to, rely upon all records of the Company with respect to any matter or thing whatsoever, and may likewise treat such records as conclusive with respect to all Employees, Participants, Beneficiaries and any other persons whomsoever, except as otherwise provided by law.

9.5 Requirement of Proof. The Committee, the Awarding Authority, the Board, or the Company may require satisfactory proof of any matter under this Plan from or with respect to any Employee, Participant or Beneficiary, and no such person shall acquire any rights or be entitled to receive any benefits under this Plan until such proof shall be furnished as so required.

9.6 Limitation on Liability. No employee or director of the Company and no other person shall be subject to any liability by reason of or arising from his or her participation in the establishment or administration or operation of the Plan unless he or she acts fraudulently or in bad faith.

#### 9.7 Indemnification.

(a) To the extent permitted by law, the Company shall indemnify each member of the Awarding Authority, of the Committee, and any other employee or director of the Company who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative, or investigative, by reason of his or her conduct in the performance in connection with the establishment or administration of the Plan or any amendment or termination of the Plan.

(b) This indemnification shall apply against expenses including, without limitation, attorneys fees and any expenses of establishing a right to indemnification hereunder, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, except in relation to matters as to which he or she has acted fraudulently or in bad faith in the performance of such duties.

(c) The termination of any proceeding by judgment, order, settlement, conviction, upon a plea of nolo contendere or its equivalent shall not, in and of itself, create a presumption that the person acted fraudulently or in bad faith in the performance of his or her duties.

(d) Expenses incurred in defending any such proceeding may be advanced by the Company prior to the final disposition of such proceeding, upon receipt of an undertaking by or on behalf of the recipient to repay such amount, unless it shall be determined ultimately that the recipient is entitled to be indemnified as authorized in this Section 9.7.

(e) The right of indemnification set forth in this Section 9.7 shall be in addition to any other right to which any Awarding Authority member, Committee member or other person may be entitled as a matter of law, by corporate bylaws or otherwise.

## **ARTICLE X MISCELLANEOUS PROVISIONS**

### **10.1 Restrictions on Plan Interest.**

(a) A Participant's interest in this Plan shall be limited to his or her Account and he or she shall have no other interest in any assets of the Company nor any right as against the Company, Awarding Authority or Committee for payment of benefits under this Plan.

(b) None of the benefits, payments, proceeds, claims or rights hereunder of any Participant or Beneficiary shall be subject to any claim of any creditor of such Participant or Beneficiary and in particular the same shall not be subject to attachment, garnishment, or other legal process by any creditor of such Participant or Beneficiary.

(c) A Participant or Beneficiary shall not have any right to alienate, anticipate, commute, pledge, encumber, or assign any of the benefits or payments or proceeds which he or she may expect to receive, contingently or otherwise, under the Plan.

(d) A Participant's and Beneficiary's interest in this Plan and the assets of the Trust are subject to the claims of the Company's creditors as provided in the Trust. Each Participant and Beneficiary shall, however, be considered a general creditor of the Company with respect to his or her Account, so that if the Company should become insolvent, the Participant or Beneficiary will have a claim against the Company and Trust assets equal to that of the Company's other general creditors (regardless of whether assets are removed from the Trust by a trustee in bankruptcy).

(e) Whenever a provision of this Plan restricts or limits a Participant or a Participant's Account, benefit or distribution, such limitation shall also apply to a Beneficiary unless otherwise specified.

10.2 No Enlargement of Employee Rights.

(a) This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Employee, or to be consideration for, or an inducement to, or a condition of, the employment of any Employee.

(b) An Employee's employment with the Company is not for any specified term and may be terminated by such Employee or by the Company at any time for any reason, with or without cause. Nothing in this Plan or in any agreement pursuant to this Plan shall confer upon any Employee or Participant any right to continue in the employ of or affiliation with the Company nor constitute any promise or commitment by the Company regarding future positions, future work assignments, future compensation or any other term or condition of employment or affiliation.

(c) No person shall have any right to any benefits under this Plan, except to the extent expressly provided herein.

(d) The Plan is not intended to nor shall it be deemed to be a Plan providing retirement income or resulting in the deferral of income by employees for periods extending to the termination of covered employment or beyond.

10.3 Rights of Repurchase and First Refusal for the Company. Any Company Stock distributed from the Plan may be subject to a right of repurchase and right of first refusal by the Company, as well as any conditions, limitations, or restrictions contained in any applicable agreement. The terms and conditions of the right of repurchase and right of first refusal, to the extent applicable, shall be in addition to those applied to Company Stock by the Restated Certificate of Incorporation of Science Applications International Corporation, as amended.

10.4 Mailing of Payments. All payments under the Plan shall be delivered in person or mailed to the last address of the Participant (or, in the case of the death of the Participant to that of any other person entitled to such payments under the terms of the Plan). Each Participant shall be responsible for furnishing the Committee with his or her correct current address and the correct current name and address of his or her Beneficiary.

10.5 Inability to Locate Participant or Beneficiary. In the event that the Committee is unable to locate a Participant or Beneficiary to whom benefits are payable hereunder after mailing a notice to the Participant's or Beneficiary's last known address, and such inability lasts for a period of three (3) years, then any remaining benefits payable hereunder shall be forfeited to the Company and no Participant or Beneficiary shall have any right to further benefits from the Plan, even if subsequently located.

10.6 Governing Law. All legal questions pertaining to the Plan shall be determined in accordance with the laws of the State of California, excluding its rules governing conflict of

laws. Without limiting Section 10.9, it is intended that this Plan be administered and interpreted in a manner consistent with the applicable requirements of Code Section 409A, and further that the Plan be interpreted in a manner that satisfied the applicable requirements of Rule 16b-3 promulgated under the Exchange Act, so that Awards will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Exchange Act and will not be subject to avoidable liability thereunder.

10.7 Illegality of Particular Provision. If any particular provision of this Plan shall be found to be illegal or unenforceable, such provision shall not affect the other provisions thereof, but the Plan shall be construed in all respect as if such invalid provision were omitted.

10.8 Interpretation. Section headings are for convenient reference only and shall not be deemed to be part of the substance of this instrument or in any way to enlarge or limit the contents of any article or section.

10.9 Tax Effects. The Company makes no representations or warranties as to the tax consequences to a Participant or to a Participant's Beneficiary from the grant of Awards hereunder or the subsequent receipt of any benefits as a result thereof. Each Participant must rely solely on his or her own tax advisor with respect to the tax consequences arising from the grant of Awards or the receipt of benefits hereunder, or from any other related transaction.

10.10 Receipt or Release. Any payment to any Participant or Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Awarding Authority, the Committee and the Company, and the Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

10.11 Records. The records of the Company with respect to the Plan shall be conclusive on all Participants, Beneficiaries, and all other persons whomsoever.

10.12 Arbitration. Any person disputing a decision of the Committee shall submit such dispute to binding arbitration pursuant to the rules of the American Arbitration Association, to be held in San Diego County. In any arbitration with respect to a decision or action of the Committee taken before a Change in Control, the losing party in such arbitration proceedings shall bear the costs of arbitration, and each party shall bear its own attorneys' fees. In any arbitration with respect to a decision or action of the Committee taken after a Change in Control, the Company shall bear the costs of arbitration (other than attorneys' fees), and the arbitrator may make an award of attorneys' fees; any such award shall be made according to the then-prevailing standards for judicial awards of attorneys' fees applicable to civil actions brought under the Employee Retirement Income Security Act of 1974, as amended.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
MANAGEMENT STOCK COMPENSATION PLAN  
Amendment No. One**

Effective on and after September 17, 2009, the Science Applications International Corporation Management Stock Compensation Plan is hereby amended by adding the following new Section 10.13 to the Plan:

“10.13 Recoupment of Awards. Notwithstanding any other provision herein including, but not limited to, Sections 2.2, 7.1, 8.1 and 10.1(b), and notwithstanding any other provisions in any Award agreement with respect to this Plan, Awards granted or paid under this Plan shall be subject to recoupment by the Company pursuant to the Company’s recoupment policy originally adopted on June 18, 2009 by the Human Resources and Compensation Committee of the Board, as such policy may subsequently be amended (the “Recoupment Policy”). Although consent to the Recoupment Policy by a Participant is not a prerequisite to the effectiveness of the Recoupment Policy with respect to the Participant, acceptance of an Award under this Plan shall be deemed to constitute consent by the Participant to the terms and conditions of the Recoupment Policy with respect to such Award and any and all prior Awards granted to the Participant under this Plan. For purposes of clarity, to the extent provided by the Recoupment Policy, a Participant may be required to return certain payments made to the Participant with respect to an Award, and payments that otherwise would have been made to the Participant with respect to an Award may be reduced or entirely eliminated. Such actions may be taken pursuant to the Recoupment Policy without regard to whether such payments and the Participant’s Awards were otherwise vested.”

Science Applications International Corporation

By: /s/ Joseph P. Walkush  
Joseph P. Walkush  
Executive Vice President



**KEYSTAFF DEFERRAL PLAN  
SCIENCE APPLICATIONS  
INTERNATIONAL CORPORATION**

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KEYSTAFF DEFERRAL PLAN

OF

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

1. **Purpose**

1.1 The purpose of this Plan is to provide a means to enhance the Company's capacity to attract and retain outstanding directors and executives in key positions by assisting them in meeting their future financial security objectives. The Plan is amended and restated effective January 1, 2005 to comply with Section 409A of the Code.

2. **Definitions**

2.1 Whenever the following terms are used in the Plan, they shall have the meaning specified below.

2.2 "**Account**" — shall mean the Account maintained for bookkeeping purposes by the Committee with respect to each Participant to evidence the Participant's Deferrals of Deferrable Amounts hereunder. The Company shall credit to each Participant's Account an amount equal to the compensation which otherwise would have been paid had the Participant not elected to defer compensation. Such credits shall be made at the time compensation would have been paid to the Participant. The Account shall also receive quarterly earnings credits in accordance with provisions of Section 5. Separate Accounts shall be established to record amounts deferred (and earnings credits thereon) with respect to Plan Years beginning before and after December 31, 1990, to be referred to herein as Pre-1991 Accounts and Post-1990 Accounts, respectively. Except as otherwise stated herein, references to Account(s) shall include both the Pre-1991 and Post-1990 Account(s).

2.3 "**Anniversary Date**" — shall be the last day of a Plan Year.

2.4 "**Beneficiary**" — shall mean the person or persons properly designated by the Participant, in accordance with Section 7, to receive the benefits provided herein upon death of the Participant.

2.5 "**Board**" — shall mean the Board of Directors of Science Applications International Corporation, or its ultimate parent corporation, if any.

2.6 "**Bonus Compensation Plan**" — shall mean the Company's 1984 Bonus Compensation Plan and any successor plan.

2.7 "**Code**" — shall mean the Internal Revenue Code of 1986, as amended.

- 2.8 “Committee”**— shall mean the committee composed of such members as shall be appointed from time to time by the Board to administer the Plan.
- 2.9 “Company”**— shall mean Science Applications International Corporation (or its ultimate parent corporation, if any). In addition, unless the context indicates otherwise, as used in this Plan the term Company shall also mean and include any direct or indirect subsidiary of the Company which has been approved by the Deferral Authority for participation in this Plan by its Employees.
- 2.10 “Deferrable Amount(s)”**— shall mean the cash bonus or vested stock bonus, if any, payable to an Employee or Director, in accordance with Company procedures under the Bonus Compensation Plan, Directors’ fees or other payments as determined by the Committee. In no way does the adoption or operation of this Plan obligate the Company to pay any bonus or continue any compensation program. Effective for salaries paid on or after January 1, 2007, the Committee may in its discretion designate all or part of Employees’ salaries as Deferrable Amounts.
- 2.11 “Deferral”** — shall mean the amount of Deferrable Amounts a Participant has deferred in accordance with Section 4.1
- 2.12 “Deferral Authority”** — shall mean the individual or group of individuals appointed by the Board to determine which Employees are eligible to make Deferrals and to participate in the Plan.
- 2.13 “Director”** — shall mean a member of the Board, other than a Director Emeritus, or a member of the Board of Directors of any subsidiary or affiliate thereof which has been approved by the Deferral Authority for participation in this Plan by its Employees or Directors.
- 2.14 “Effective Date”** — shall be January 1, 1986.
- 2.15 “Employee”** — shall mean a management or highly compensated employee of the Company.
- 2.16 “Moody’s Seasoned Corporate Bond Rate”** — sometimes referred to as “Moody’s,” is an economic indicator; an arithmetic average of yields of representative bonds: industrials, public utilities, AAA, AA, A and BAA. For Plan purposes, Moody’s Rate shall be determined by the Committee based on financial services or publications selected by the Committee.
- 2.17 “Normal Payout”** — shall mean the payment(s) described in Section 6.3.
- 2.18 “Participant”** — shall mean an Employee or Director designated by the Deferral Authority for participation in the Plan who timely files an election to participate and makes or receives Deferrals hereunder.

**2.19 "Plan"** — shall mean the Science Applications International Corporation Keystaff Deferral Plan as set forth herein and as amended from time to time.

**2.20 "Plan Year"** — shall begin on February 1 of each year. The Plan Year which commenced January 1, 2000 shall end on January 31, 2001 and thereafter shall be the period from February 1 to January 31. A short Plan Year shall commence February 1, 2005 and end December 31, 2005. Effective January 1, 2006 and thereafter, the Plan Year shall be the calendar year.

**2.21 "Retirement Date"** — shall mean the date of an Employee's or Director's Termination of Affiliation on attaining age 59-1/2. Effective January 1, 2005, a Retirement Date shall not occur unless the Employee or Director has had a Separation From Service.

**2.22 "Separation From Service"** — shall mean the death, retirement or termination of the Employee's employment with the Company, or in the case of a Director, ceasing to perform services for the Company as a member of the Board. This definition of Separation From Service shall be interpreted and construed in a manner intended to comply with Code Section 409A and the published authorities thereunder.

**2.23 "Termination of Affiliation"** — shall mean any termination of employment with the Company by an Employee, as determined by the Committee, whether by reason of death, disability, voluntary resignation, layoff, discharge, divestiture of the Employee's business unit or otherwise, and, in the case of a Director, ceasing to be an active Director. The Committee shall have the discretion to establish rules and make determinations as to what constitutes a Termination of Affiliation including, without limitation, change of status (e.g., part-time, consulting Employee, etc.) or leave of absence. Notwithstanding the foregoing, effective January 1, 2005, a Termination of Affiliation shall not occur unless the Employee or Director has had a Separation From Service.

**3. Eligibility**

**3.1** The Deferral Authority in its sole discretion shall designate those Employees or Directors who are to be eligible to participate in the Plan with respect to Deferrals for a particular Plan Year or with respect to a particular Deferrable Amount or Amounts. Designating an individual as eligible to participate in the Plan for a particular Plan Year or with respect to a particular Deferrable Amount shall not require the Deferral Authority to designate such individual for any subsequent Plan Year or with respect to any subsequent Deferrable Amounts. The designation of eligibility by the Deferral Authority may be made in such manner as determined by the Deferral Authority, including, without limitation, establishment of criteria such as compensation level or level or authority.

#### **4. Deferrals**

##### **4.1 Deferral Elections**

**4.1.1** An eligible Employee or Director shall not become a Participant in the Plan unless and until he or she has executed and delivered to the Committee a Deferral election, including any forms or agreements as may be prescribed by the Committee, and the Committee shall have accepted such Deferral election and/or additional forms or agreements. To initially participate in the Plan, the Employee or Director must submit his or her Deferral election, including any forms or agreements prescribed by the Committee, during the applicable Deferral election period established by the Committee. Beginning with the Deferral election made in the Plan Year ending January 31, 2004 for Deferrals during calendar year 2004, the Participant's election shall be carried forward automatically to future Plan Years for which the Participant is eligible to participate unless, during the applicable election period for such future Plan Years, the Participant elects to modify or cancel the prior election under procedures established by the Committee. Effective for Deferrals on or after January 1, 2005, the last day of the Deferral election period for any Deferrable Amounts other than "performance-based compensation" (as defined below) shall be no later than the last day of the calendar year prior to the first calendar year during which the Employee or Director performs services for which such Deferrable Amounts is earned. Furthermore, the Committee may to the extent consistent with satisfying Code Section 409A, permit an Employee or Director to make a Deferral election within 30 days of the date such Employee or Director first becomes eligible to participate in the Plan, as indicated by the effective date of his status change in the Plan's records. Such a Deferral election shall be with respect to compensation earned for services performed after the election.

**4.1.2** If Deferrable Amounts constitutes "performance-based compensation," then the Committee may, but need not, delay the last day of the Deferral election period. The last day of the Deferral election period with respect to any Deferrable Amounts considered to be performance-based compensation shall be no later than six months before the end of the service period over which such Deferrable Amounts is earned. For this purpose, "performance-based compensation" means compensation where the amount of or entitlement to the compensation is contingent on the satisfaction of pre-established written performance criteria relating to a performance period of at least twelve consecutive months, provided that performance-based compensation does not include any amount that will be paid regardless of performance, or based upon a level of performance that is substantially certain to be met at the time the criteria is established. Performance-based compensation must also meet any other applicable requirements established under authority issued pursuant to Code Section 409A.

**4.1.3** The total Deferrals elected for a particular Plan Year may be in an amount up to a specified percentage of Deferrable Amounts, such maximum percentage to be up to one hundred percent (100%) as determined by the Deferral Authority.

**4.1.4** A Participant's initial Deferral election shall elect among the forms of distribution specified in Section 6.3.2 with respect to the Participant's Normal Payout (if any).

**4.2 Changes to Deferral Elections**

**4.2.1** Any Deferral election by a Participant for a particular Plan Year shall be irrevocable for that Plan Year following the end of such Plan Year's Deferral election period.

**5. Earnings on Participants' Accounts**

**5.1** Deferrals shall be credited to the Participant's Account as of the date of deferral. Interest in each Plan Year will be credited quarterly on the average Account balance for that quarter. The rate of interest applied to the Pre-1991 Account shall be at a base rate equivalent to an annual rate equal to Moody's Rate, and the rate applicable to the Post-1990 Account shall be at a base rate equivalent to an annual rate equal to the Moody's Rate less 1%. In each case, the Moody's Rate in effect on each Anniversary Date shall be used to determine the applicable rate of interest applied during the subsequent Plan Year.

**6. Payout of Participants' Accounts**

**6.1 Termination Payouts**

**6.1.1** A Participant who has a Termination of Affiliation prior to one year of Plan participation shall receive an amount equal to his or her Account, less any credited earnings. Payment shall be made in a lump sum within 90 days following Termination of Affiliation or as soon as administratively feasible thereafter.

**6.1.2** A Participant who has a Termination of Affiliation on or after one year of Plan participation but prior to the Participant's Retirement Date shall receive payment in a lump sum within 90 days following Termination of Affiliation or as soon as administratively feasible thereafter equal to his or her Account(s) as of the most recent quarterly valuation.

**6.1.3** A Participant who has a Termination of Affiliation on or after the Participant's Retirement Date shall be subject and entitled to the Normal Payout provisions set forth in Section 6.3.

**6.2 Survivor Payouts**

**6.2.1** If a Participant dies before Normal Payout commences, the Company shall make a Survivor Payout, as defined in Section 6.2.2, to the designated Beneficiary.

**6.2.2** The Survivor Payout shall consist of the Participant's Account(s) at the time of death.

**6.2.3** The Survivor Payout shall be paid in a lump sum to the Beneficiary within 90 days following verification of the Participant's death or as soon as administratively feasible thereafter.

**6.2.4** Notwithstanding subsection 6.2.3 above, if while an Employee and on or before the date of the Participant's death, the Participant had reached age 59  $\frac{1}{2}$ , the Survivor Payout shall be made in the form (i.e., lump sum, 5-year, 10-year or 15-year period) the Participant had elected for the Participant's Normal Payout.

### **6.3 Normal Payouts**

**6.3.1** Normal Payouts shall be made to Participants who have a Termination of Affiliation on or after a Retirement Date. Normal Payouts shall commence upon Termination of Affiliation.

**6.3.2** As set forth in Section 4.1.4, the Participant shall elect to receive the Normal Payout in a lump sum or over a 5-year, 10-year or 15-year period. The first payment will commence within 90 days following the Termination of Affiliation or as soon as administratively feasible thereafter.

**6.3.3** If a Participant does not elect a payout option, the payments shall be over a 5-year period.

**6.3.4** Normal Payout shall consist of the Participant's Account(s) spread equally over the elected payout period. Earnings shall continue to be credited to the remaining Account(s) during the payout period and shall be estimated so that approximately equal payments can be made.

**6.3.5** If a Participant dies during the Normal Payout period, Normal Payout shall continue as scheduled to the Participant's Beneficiary.

**6.3.6** Except as set forth in this Section 6.3.6 and in Section 6.3.7, a Participant's election of form of distribution shall be irrevocable. Each of the forms of distribution set forth in Section 6.3.2 shall be considered a single payment for purposes of Code Section 409A. Accordingly, Participants shall be allowed to make a new form of distribution election, provided that the following requirements are satisfied.

- (a) The election does not take effect until at least twelve months after the date the election is made, and the election must be made at least twelve months prior to the date the first payment would be made to the Participant absent the election.
- (b) The commencement date of the first payment to the Participant shall be five years following the date the payment would have commenced absent the change in the Participant's election; and
- (c) No Participant may make more than one new form of distribution election.



Any attempt to change a payout election that does not satisfy these requirements shall be void.

**6.3.7** Pursuant to authority issued by the Internal Revenue Service under Code Section 409A, the following transition rules shall apply:

(a) Each Participant who had not had a Separation From Service as of December 31, 2006 shall be permitted to elect among the forms of distribution specified in Section 6.3.2 with respect to the Participant's Normal Payout (if any). If a Participant does not make an election under this subsection (a), then the Participant's previous election among forms of distribution shall continue to apply.

(b) Each Participant who had not had a Separation From Service as of December 31, 2006 and had reached the Participant's 55<sup>th</sup> birthday as of December 31, 2006 shall (in addition to the election under subsection (a)) be permitted to elect whether distribution of the Participant's Normal Payout (if any) shall commence (i) upon the Participant's Termination of Affiliation, or (ii) upon the later of the date the Participant reaches age 65 or the Participant's Termination of Affiliation. If a Participant does not make an election under this subsection (b), then distribution of the Participant's Normal Payout (if any) shall commence upon the Participant's Termination of Affiliation.

(c) The elections under this Section 6.3.7 shall be made pursuant to rules prescribed by the Committee, but shall in no event be made after December 31, 2006.

**6.3.8** Notwithstanding the foregoing, if any stock of the Company is publicly traded on an established securities market, the distribution to any Participant who is a "specified employee" under Code Section 409A(a)(1)(B)(i) shall not be made (or commence to be made in the case of installment payments) before the earlier of (i) the date which is six months after such Participant's Separation From Service or (ii) the date of the Participant's death. For any twelve month period commencing April 1 and ending March 31, an Employee is a "specified employee" if the Employee was a "key employee" at any time during the calendar year ending before such April 1. A key employee is defined in Code Section 416(i) without regard to Code Section 416(i)(5).

#### **6.4 Cash Distributions**

**6.4.1** All distributions under the Plan shall be made in cash.

### **7. Beneficiary Designation**

**7.1** Upon forms provided by the Committee, each Participant shall designate in writing the Beneficiary or Beneficiaries whom such Participant desires to receive the benefits of this Plan payable in the event of such Participant's death.

7.2 A Participant may from time to time change his or her designated Beneficiary or Beneficiaries without the consent of such Beneficiary or Beneficiaries by filing a new designation in writing with the Committee.

7.3 The Company may rely upon the designation of Beneficiary or Beneficiaries last filed by the Participant in accordance with the terms of this Plan.

7.4 If the designated Beneficiary does not survive the Participant, or if there is no valid Beneficiary designation, amounts payable under the Plan shall be paid to the Participant's spouse, or if there is no surviving spouse, then to the duly appointed and currently acting personal representative of the Participant's estate. If there is no personal representative of the Participant's estate duly appointed and acting in that capacity within 60 days after the Participant's death, then all payments due under the Plan shall be payable to the person or persons who can verify by affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder pursuant to the laws of intestate succession or other statutory provisions in effect at the Participant's death in the state in which the Participant resided.

7.5 If the Committee shall find that any person to whom any payment is payable under this Plan is unable to care for his or her affairs because of illness or accident, or is a minor, a payment due (unless a prior claim therefore shall have been made by a duly appointed guardian or other legal representative) may be paid to the spouse, a child, a parent, or a brother or sister, or to any custodian, conservator or other fiduciary responsible for the management and control of such person's financial affairs in such manner and proportions as the Committee may determine. Any such payment shall, to the extent thereof, discharge of the liabilities of the Company to the Participant or Beneficiary under this Plan.

7.6 Whenever a provision of this Plan restricts or limits a Participant or a Participant's Account, benefit or distribution, such limitation shall also apply to a Beneficiary unless otherwise specified.

**8. Hardship and Acceleration Provisions**

8.1 Notwithstanding the provisions of Section 6 hereof, a Participant shall be entitled to request a hardship withdrawal of all or any portion of the Participant's Account or acceleration of payments of the Participant's Account if payments have already commenced under the payout option selected by the Participant. A Participant must make a written request to the Committee for a hardship withdrawal or request for accelerated payment, stating the reasons such withdrawal or acceleration is necessary because of a financial hardship. The Committee, in its sole discretion, shall determine whether or not to grant the Participant's request and, in so doing, may rely on the Participant's statements, and a hardship withdrawal or accelerated payment may be approved without further investigation unless the Committee has reason to believe such statements are false. The Participant shall specify from which of the Participant's Account(s) (i.e., Pre-1991 or Post-1990, or both) the hardship withdrawal shall be taken.

**8.2** Effective January 1, 2005, a withdrawal under Section 8.1 shall be permitted only if the Participant incurs an “unforeseeable emergency,” as defined below. Any such distribution shall be limited to the amount for which distribution is reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, State or local income taxes or penalties reasonably anticipated to result from the distribution). For purposes of this Section, an “unforeseeable emergency” is a severe financial hardship of the Participant resulting from (i) an illness or accident of the Participant, the Participant’s spouse or dependent, (ii) the loss of the Participant’s property due to casualty (including the need to rebuild a home following damage to a home to the extent not otherwise covered by insurance, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of whether a Participant has an unforeseeable emergency shall be made in accordance with the authorities published pursuant to Code Section 409A.

**9. Amendment and Termination of Plan; Change in Control**

**9.1** The Company may, at its absolute and sole discretion, amend or terminate the Plan at any time.

**9.2** In the event of a Plan termination, benefits will be paid out when due under the terms of the Plan. To the extent feasible, the Committee shall use its best efforts to avoid adversely affecting the rights of any existing Participants in the Plan, but prior to a Change in Control (as hereinafter defined), the Committee shall be under no specific duty or obligation in this regard. Following a Change in Control no amendment or termination of the Plan shall adversely affect any benefits earned by Participants prior to the amendment or termination.

**9.3** All Accounts shall be immediately distributed to the Participants to whom such Accounts belong, upon the occurrence of a Change in Control of the Company. A change in Control shall be deemed to occur upon any “person” (as defined in Section 3(a)(9) of the United States Securities Exchange Act of 1934 (the “34 Act”), other than the Company, any subsidiary or any employee benefit plan or trust maintained by the Company or subsidiary becoming the beneficial owners (as defined in Rule 13d-3 under the 34 Act), directly or indirectly, of more than 35% of the Company Stock outstanding at such time, without the prior approval of the Board. For purposes of the foregoing, a subsidiary is any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations, other than the last corporation in such chain, owns at least fifty percent (50%) of the total voting power in one of the other corporations in such chain. The above definition of Change in Control shall be applied in accordance with Code Section 409A.

**10. Nature of Accounts**

**10.1** All amounts credited to the Account(s) shall remain the sole property of the Company and shall be usable by it as part of its general funds for any legal purpose

whatsoever. The Account(s) shall exist only as bookkeeping entries for the purpose of facilitating the computation of earnings credits hereunder and such Account(s) shall not constitute trust funds, escrow accounts, or any other form of asset segregation in favor of anyone other than the Company. No participant shall have any interest in any specific asset of the Company by virtue of this Plan and each Participant's rights under this Plan shall at all times be limited to those of a general unsecured creditor of the Company. Although sometimes referred to in this Plan as "interest," amounts credited to Account(s) pursuant to Section 5.1 may be treated as compensation for tax and payroll withholding purposes, pursuant to applicable Internal Revenue Code and Treasury regulation requirements.

## **11. Committee**

**11.1** The Plan shall be administered by the Committee appointed by the Board. Subject to the provisions of the Plan and the authority granted to the Deferral Authority, the Committee shall have exclusive power to determine the manner and time of Deferrals and payment of benefits to the extent herein provided and to exercise any other discretionary powers granted to the Committee pursuant to the Plan. The decisions or determinations by the Committee shall be final and binding upon all parties, including shareholders, Participants, Beneficiaries and other Employees. The Committee shall have the authority to interpret the Plan, to make factual findings and determinations, to adopt and revise rules and regulations relating to the Plan and to make any other determinations which it believes necessary or advisable for the administration of the Plan. The Committee's discretion shall be as broad and unfettered as permitted by law. Notwithstanding the foregoing, after a Change in Control, any findings, adoption or revision of rules or regulations, interpretations, decisions or determinations made by the Committee (including under Section 11.2) shall not be given any deference by a court or arbitrator, and if challenged by a Participant or Beneficiary, shall be reviewed on a *de novo* basis.

**11.2** The Committee shall have all powers necessary to supervise the administration of the Plan and control its operations. In addition to any powers and authority conferred on the Committee elsewhere in the Plan or by law, the Committee shall have, by way of illustration and not by way of limitation, the following powers and authority:

**11.2.1** To designate agents to carry out responsibilities relating to the Plan;

**11.2.2** To employ such legal, actuarial, medical, accounting, clerical and other assistance as it may deem appropriate in carrying out the provisions of this Plan;

**11.2.3** To administer, interpret, construe and apply this Plan and to decide all questions which may arise or which may be raised under this Plan by any Employee, Participant, Beneficiary or other person whatsoever, including but not limited to all questions relating to eligibility to participate in the Plan, and the amount of benefits to which any Participant may be entitled;

**11.2.4** To establish rules and procedures from time to time for the conduct of its business and for the administration and effectuation of its responsibilities under the Plan;

**11.2.5** To establish claims procedures, and to make forms available for filing of such claims, and to provide the name of the person or persons with whom such claims should be filed. The Committee shall establish procedures for action upon claims initially made and the communication of a decision to the claimant promptly and, in any event, not later than sixty (60) days after the date of the claim; the claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a decision is not furnished to the claimant within such sixty (60) day period. Every claim for benefits which is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (1) the specific reason or reasons for the denial, (2) specific reference to any provisions of this Plan on which denial is based, (3) description of any additional material or information necessary for the claimant to perfect his claim with an explanation of why such material or information is necessary, and (4) an explanation of the procedure for further reviewing the denial of the claim under the Plan. The Committee shall establish a procedure for review of claim denials, such review to be undertaken by the Committee. The review given after denial of any claim shall be a full and fair review with the claimant or his duly authorized representative having one hundred eighty (180) days after receipt of denial of his claim to request such review, having the right to review all pertinent documents and the right to submit issues and comments in writing. The Committee shall establish a procedure for issuance of a decision by the Committee not later than sixty (60) days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than one hundred twenty (120) days after receipt of the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of this Plan on which the decision is based.

**11.2.6** To perform or cause to be performed such further acts as it may deem to be necessary, appropriate, or convenient in the efficient administration of the Plan.

**11.2.7** Prior to a Change in Control, any action taken in good faith by the Committee in the exercise of authority conferred upon it by this Plan shall be conclusive and binding upon the Participants and their beneficiaries, and all discretionary powers conferred upon the Committee shall be absolute. Following a Change in Control, the actions of the Committee and its exercise of discretionary powers shall be reviewed on a *de novo* basis if challenged by a Participant or Beneficiary.

**11.3** Members of the Committee shall serve as such without compensation from the Plan, but may receive compensation from the Company for so serving. All Plan administration expenses shall be borne by the Company.

**11.4** The members of the Committee, the Deferral Authority, the Board, and the Company shall be entitled to rely upon any tables, valuations, computations, estimates, certificates, opinions and reports furnished by any consultant, or firm or corporation which employs one or more consultants or advisors. The Committee may, but is not required to, rely upon all records of the Company with respect to any matter or thing whatsoever, and may likewise treat such records as conclusive with respect to all Employees, Participants, Beneficiaries and any other persons whomsoever, except as otherwise provided by law.

**11.5** The Committee, the Deferral Authority, the Board or the Company may require satisfactory proof of any matter under this Plan from or with respect to any Employee, director, consultant, Participant or Beneficiary, and no such person shall acquire any rights or be entitled to receive any benefits under this Plan until such proof shall be furnished as so required.

**11.6** Any person dealing with the Committee may rely on and shall be fully protected in relying on a certificate or memorandum in writing signed by any Committee member so authorized, or by a quorum of the members of the Committee, as constituted as of the date of such certificate or memorandum, as evidence of any action taken or resolution adopted by the Committee.

**11.7** No employee or director of the Company shall be subject to any liability by reason of or arising from his or her participation in the establishment or administration or operation of the Plan unless he or she acts fraudulently or in bad faith.

**11.8 Indemnification**

**11.8.1** To the extent permitted by law, the Company shall indemnify each member of the Deferral Authority, the Committee, and any other employee or director of the Company who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative, or investigative, by reason of his or her conduct in the performance in connection with the establishment or administration of the Plan or any amendment or termination of the Plan.

**11.8.2** This indemnification shall apply against expenses including, without limitation, attorneys fees and any expenses of establishing a right to indemnification hereunder, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, except in relation to matters as to which he or she has acted fraudulently or in bad faith in the performance of such duties.

**11.8.3** The termination of any proceeding by judgment, order, settlement, conviction, upon a plea of nolo contendere or its equivalent shall not, in and of itself, create a presumption that the person acted fraudulently or in bad faith in the performance of his or her duties.

**11.8.4** Expenses incurred in defending any such proceeding may be advanced by the Company prior to the final disposition of such proceeding, upon receipt of an undertaking

by or on behalf of the recipient to repay such amount, unless it shall be determined ultimately that the recipient is entitled to be indemnified as authorized in this Section 11.8.

**11.8.5** The right of indemnification set forth in this Section 11.8 shall be in addition to any other right to which any Committee member or other person may be entitled as a matter of law, by corporate bylaws or otherwise.

**12. Limitation on Rights of Participants**

**12.1** If a Participant is an employee of the Company, such employment is not for any specific term and may be terminated by the Participant or Company at any time, for any reason, with or without cause. Neither this Plan nor any election to defer compensation hereunder shall be held or construed to confer on any person any legal right to be continued as an employee, consultant or Director of the Company; nor to constitute any promise or commitment by the Company regarding future positions, future work assignments, future compensation or any other term or condition of employment or affiliation.

**13. Non-Transferability**

**13.1** No right to payment under this Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same shall be void. No right to payment shall in any manner be liable for, or subject to, the debts, contracts, liabilities or torts of the person entitled thereto.

**14. Restriction Against Assignment**

**14.1** The Participant or Beneficiary shall not have the power to transfer, assign, anticipate, modify, or otherwise encumber in any manner whatsoever any of the payments that will become due pursuant to this Plan, nor shall said payments be subject to attachment, garnishment or execution, or be transferable by operation of law in event of bankruptcy or insolvency.

**15. Forfeiture**

**15.1** In the event that the Committee is unable to locate a Participant or Beneficiary to whom benefits are payable hereunder after mailing a notice to the Participant's or Beneficiary's last known address, and such inability lasts for a period of three (3) years, then any remaining benefits payable hereunder shall be forfeited to the Company and no Participant or Beneficiary shall have any right to further benefits from the Plan, even if subsequently located.

**16. Mailing of Payments.**

**16.1** All payments under the Plan shall be delivered in person or mailed to the last address of the Participant (or, in the case of the death of the Participant to that of any other person entitled to such payments under the terms of the Plan). Each Participant shall be responsible for furnishing the Committee with his or her correct current address and the correct current name and address of his or her Beneficiary.

**17. Governing Law.**

**17.1** All legal questions pertaining to the Plan shall be determined in accordance with the laws of California, excluding its rules governing conflicts of laws. Without limiting Section 20, it is intended that this Plan be administered and interpreted in a manner consistent with the applicable requirements of Code Section 409A.

**18. Illegality of Particular Provision.**

**18.1** If any particular provision of this Plan shall be found to be illegal or unenforceable, such provision shall not affect the other provisions thereof, but the Plan shall be construed in all respect as if such invalid provision were omitted.

**19. Interpretation.**

**19.1** Section headings are for convenient reference only and shall not be deemed to be part of the substance of this instrument or in any way to enlarge or limit the contents of any article or section.

**20. Tax Effects.**

**20.1** The Company makes no representations or warranties as to the tax consequences to a Participant or to a Participant's Beneficiary from Deferrals hereunder or the subsequent receipt of any benefits as a result thereof. Each Participant must rely solely on his or her own tax advisor with respect to the tax consequences arising from the Deferrals or the receipt of benefits hereunder, or from any other related transaction. All distributions of benefits shall be subject to applicable tax withholding requirements.

**21. Receipt or Release.**

**21.1** Any payment to any Participant or Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Committee and the Company, and the Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

**22. Records.**

**22.1** The records of the Company with respect to the Plan shall be conclusive on all Participants, Beneficiaries, and all other persons whomsoever.



**23. Arbitration.**

**23.1** Any person disputing a decision of the Committee shall submit such dispute to binding arbitration pursuant to the rules of the American Arbitration Association, to be held in San Diego County. In any arbitration with respect to a decision or action of the Committee taken before a Change in Control, the losing party in such arbitration proceedings shall bear the costs of arbitration, and each party shall bear its own attorneys' fees. In any arbitration with respect to a decision or action of the Committee taken after a Change in Control, the Company shall bear the costs of arbitration (other than attorneys' fees), and the arbitrator may make an award of attorneys' fees; any such award shall be made according to the then-prevailing standards for judicial awards of attorneys' fees applicable to civil actions brought under the Employee Retirement Income Security Act of 1974, as amended.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**KEYSTAFF DEFERRAL PLAN**  
**Amendment No. One**

Effective on and after September 17, 2009, the Science Applications International Corporation Keystaff Deferral Plan is hereby amended by adding the following new Section 24 to the Plan:

**“24. Recoupment of Awards.**

**24.1** Notwithstanding any other provision herein including, but not limited to, Sections 8, 9.2, 9.3, and 11.1 and notwithstanding any other provisions in any Deferral election or other agreement with respect to the Plan, payments made under the Plan and Accounts under the Plan shall be subject to recoupment or reduction by the Company pursuant to the Company’s recoupment policy originally adopted on June 18, 2009 by the Human Resources and Compensation Committee of the Board, as such policy may subsequently be amended (the “Recoupment Policy”). Although consent to the Recoupment Policy by a Participant is not a prerequisite to the effectiveness of the Recoupment Policy with respect to the Participant, the filing of an election by a Participant with respect to any Deferral under the Plan shall be deemed to constitute consent by the Participant to the terms and conditions of the Recoupment Policy with respect to the Participant’s Deferrals and any and all prior Deferrals under the Plan. For purposes of clarity, to the extent provided by the Recoupment Policy, a Participant may be required to return certain payments of Plan benefits made to the Participant, and payments that otherwise would have been made to the Participant with respect to the Participant’s Account under the Plan may be reduced or entirely eliminated. Such actions may be taken pursuant to the Recoupment Policy without regard to whether such payments and the Participant’s Account were otherwise vested.”

Science Applications International Corporation

By: /s/ Joseph P. Walkush  
Joseph P. Walkush  
Executive Vice President

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**

**KEY EXECUTIVE STOCK DEFERRAL PLAN**

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SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

KEY EXECUTIVE STOCK DEFERRAL PLAN

ARTICLE I  
PURPOSE AND EFFECTIVE DATE

This Plan is an unfunded, deferred compensation arrangement established by Science Applications International Corporation ("Company") to provide selected Employees and Directors with a method of supplementing their retirement income by deferring a portion of their compensation and to make an indirect investment in Company Stock through a "rabbi trust" vehicle. The Plan is effective as of January 4, 1996, and is amended and restated effective January 1, 2005 to comply with Section 409A of the Code.

ARTICLE II  
DEFINITIONS

Whenever the following terms are used in the Plan they shall have the meaning specified below, unless the context indicates clearly to the contrary.

**2.1 Account.** The Account maintained for bookkeeping purposes by the Committee with respect to each Participant to evidence the Participant's Deferrals of Deferrable Amounts hereunder and to record the number of Share Units credited as a result of such Deferrals.

**2.2 Beneficiary.** The person or persons properly designated by the Participant, in accordance with Section 7.3, to receive the benefits provided herein upon death of the Participant.

**2.3 Board.** The Board of Directors of Science Applications International Corporation, or its ultimate parent corporation, if any.

**2.4 Bonus Compensation Plan.** The Company's 1984 Bonus Compensation Plan and any successor plan.

**2.5 Capital Restructuring Dividend.** The non-recurring cash dividend paid by the Company in 2006 on shares of Company Stock in connection with the Company's capital restructuring and the initial public offering of Company Stock.

**2.6 Code.** The Internal Revenue Code of 1986, as amended.

**2.7 Committee.** The committee composed of such members as shall be appointed from time to time by the Board to administer the Plan.

**2.8 Company.** Science Applications International Corporation (or its ultimate parent corporation, if any). In addition, unless the context indicates otherwise, as used in this Plan the term Company shall also mean and include any direct or indirect subsidiary of the Company which has been approved by the Deferral Authority for participation in this Plan by its Employees.

**2.9 Company Stock.** The Class A Common Stock of Science Applications International Corporation, or any other security (including preferred stock) of the Company or the Company's ultimate parent corporation, if any, designated as Company Stock by the Committee.

**2.10 Deferral.** The amount of Deferrable Amounts a Participant has deferred in accordance with Section 3.2 or which is designated as a Deferral under this Plan in connection with an Employee's offer letter for employment with the Company. Deferrals shall be denominated as Share Units.

**2.11 Deferral Authority.** The individual or group of individuals appointed by the Board to determine which Employees are eligible to make Deferrals and to participate in the Plan.

**2.12 Deferrable Amount(s).** The bonus, if any, payable to an Employee or Director, in accordance with Company procedures under the Bonus Compensation Plan, Directors' fees or other payments as determined by the Committee. In no way does the adoption or operation of this Plan obligate the Company to pay any bonus or continue any compensation program.

**2.13 Director.** A member of the Board, other than a Director Emeritus, or a member of the Board of Directors of any subsidiary or affiliate thereof which has been approved by the Deferral Authority for participation in this Plan by its Employees or Directors.

**2.14 Distribution Date.** The date when distributions begin under the Plan, as specified in Section 7.1.

**2.15 Dividend Equivalent.** The amount of the Capital Restructuring Dividend paid by the Company on that number of shares of Company Stock which is equal to the number of Share Units then credited to a Participant's Account.

**2.16 Employee.** A management or highly compensated employee of the Company.

**2.17 Fair Market Value.**

(1) If the Company Stock is being valued in connection with a transaction (such as the crediting of amounts to an Account or a distribution) for which the Committee determines there is a corresponding transaction by the Trust, the net price per share of Company Stock purchased or the net proceeds per share of Company Stock sold in the transaction by the Trust, in each case including all expenses of such transaction by the Trust.

(2) If paragraph (1) does not apply, (a) the closing price of the Company Stock on the New York Stock Exchange on the date for which the fair market value is determined, or, if there is no trading of the Company Stock on such date, then the closing



price of the Company Stock on the New York Stock Exchange on the next preceding date on which there was trading in such shares; or (b) if the Company Stock is not listed, admitted or quoted, the Committee may designate such other source of data as it deems appropriate for determining such value for purposes of this Plan.

**2.18 Ordinary Dividend.** All cash dividends or other cash distributions, other than the Capital Restructuring Dividend, paid by the Company on shares of Company Stock.

**2.19 Participant.** An Employee or Director designated by the Deferral Authority for participation in the Plan who timely files an election to participate and makes or receives Deferrals hereunder.

**2.20 Plan.** The Science Applications International Corporation Key Executive Stock Deferral Plan, as set forth herein and as amended from time to time.

**2.21 Plan Year.** January 1 through December 31.

**2.22 Retirement Date.** The date of an Employee's termination of employment from the Company or a Director's ceasing to be an active Director as determined by the Committee, on or after attaining age 59-1/2. Effective January 1, 2005, a Retirement Date shall not occur unless the Employee or Director has had a Separation From Service.

**2.23 Separation From Service.** The death, retirement or termination of the Employee's employment with the Company, or in the case of a Director, ceasing to perform services for the Company as a member of the Board. This definition of Separation From Service shall be interpreted and construed in a manner intended to comply with Code Section 409A and the published authorities thereunder.

**2.24 Share Unit.** The interest of a Participant in a share of Company Stock held in the Participant's Account. A full Share Unit shall be equivalent to a full share of Company Stock, and a partial Share Unit shall be equivalent to the corresponding fraction of a share of Company Stock.

**2.25 Termination of Affiliation.** Any termination of employment with the Company by an Employee, as determined by the Committee, whether by reason of death, disability, voluntary resignation, layoff, discharge or otherwise, prior to attaining age 59-1/2 and, in the case of a Director, ceasing to be an active Director prior to attaining age 59-1/2. The Committee shall have the discretion to establish rules and make determinations as to what constitutes a Termination of Affiliation including, without limitation, change of status (e.g., part-time, consulting Employee, etc.) or leave of absence. Notwithstanding the foregoing, effective January 1, 2005, a Termination of Affiliation shall not occur unless the Employee or Director has had a Separation From Service.

**2.26 Trust.** The Science Applications International Corporation Key Executive Stock Deferral Trust established by the Company to hold assets used by the Company to provide for benefits to Participants and Beneficiaries under the Plan.

**2.27 Trustee.** Wachovia Bank or such successor trustee as shall be appointed pursuant to the Trust instrument.

### **ARTICLE III PARTICIPATION**

**3.1 Designation by Deferral Authority.** The Deferral Authority in its sole discretion shall designate those Employees or Directors who are to be eligible to participate in the Plan with respect to Deferrals for a particular Plan Year or with respect to a particular Deferrable Amount or Amounts. Designating an individual as eligible to participate in the Plan for a particular Plan Year or with respect to a particular Deferrable Amount shall not require the Deferral Authority to designate such individual for any subsequent Plan Year or with respect to any subsequent Deferrable Amounts. The designation of eligibility by the Deferral Authority may be made in such manner as determined by the Deferral Authority, including, without limitation, establishment of criteria such as compensation level or level or authority.

#### **3.2 Deferral Elections.**

(a) An eligible Employee or Director shall not become a Participant in the Plan unless and until he or she has executed and delivered to the Committee a Deferral election, including any forms or agreements as may be prescribed by the Committee, and the Committee shall have accepted such Deferral election and/or additional forms or agreements. Participation in the Plan and any elections made by a Participant, including Deferral elections and elections as to form of distribution under Article VII, is conditioned on the Participant executing an agreement with the Company, in a manner prescribed by the Committee, relating to the Company's right of repurchase of Company Stock (to the extent applicable) and such other matters as the Committee shall prescribe. To initially participate in the Plan, the Employee or Director must submit his or her Deferral election, including any forms or agreements prescribed by the Committee, during the applicable Deferral election period established by the Committee. Effective for Deferrals on or after January 1, 2005, the last day of the Deferral election period for any Deferrable Amount other than "performance-based compensation" (as defined below) shall be no later than the last day of the calendar year prior to the first calendar year during which the Employee or Director performs services for which such Deferral Amount is earned. Beginning with the Deferral election made in the 2003 Plan Year for Deferrable Amounts received during calendar year 2004, the Participant's election shall be carried forward automatically to future Plan Years for which the Participant is eligible to participate unless, during the applicable Deferral election period for such future Plan Years, the Participant elects to modify or cancel the prior election under procedures established by the Committee. In addition to amounts deferred pursuant to a Deferral election, additional Deferrals may be credited to a Participant's Account pursuant to the terms of an offer letter with an Employee made at the time of commencement of employment with the

Company, as determined and approved by the Deferral Authority in its sole discretion. Furthermore, the Committee may, to the extent consistent with satisfying Code Section 409A, permit an Employee or Director to make a Deferral Election within 30 days of the date such Employee or Director first becomes eligible to participate in the Plan, as indicated by the effective date of his status change in the Plan's records. Such a Deferral election shall be with respect to compensation earned for services performed after the election.

(b) If a Deferrable Amount constitutes "performance-based compensation," then the Committee may, but need not, delay the last day of the Deferral election period. The last day of the Deferral election period with respect to any Deferrable Amount which is considered to be performance-based compensation shall be no later than six months before the end of the service period over which such Deferrable Amount is earned. For this purpose, "performance-based compensation" means compensation where the amount of or entitlement to the compensation is contingent on the satisfaction of pre-established written performance criteria relating to a performance period of at least twelve consecutive months, provided that performance-based compensation does not include any amount that will be paid regardless of performance, or based upon a level of performance that is substantially certain to be met at the time the criteria is established. Performance-based compensation must also meet any other applicable requirements established under authority issued pursuant to Code Section 409A.

**3.3 Amounts Subject to Deferral.** The total Deferrals elected for a particular Plan Year may be in an amount up to a specified percentage of Deferrable Amounts, such maximum percentage to be up to one hundred percent (100%) as determined by the Deferral Authority.

**3.4 Deferral Election Irrevocable.** Any Deferral election by a Participant for a particular Plan Year shall be irrevocable for that Plan Year following the end of such Plan Year's Deferral election period.

**3.5 Deferrals May be Held in Trust.**

(a) With respect to Deferrals before January 1, 2005, within a reasonable period of time following the date on which a Deferrable Amount would have been paid to a Participant but for the Deferral hereunder, the Company shall contribute, to the Trust, Company Stock or money in an amount sufficient to purchase shares of Company Stock equal in value (based, prior to any public offering of Company Stock, on the then prevailing Formula Price as determined under the Company's Certificate of Incorporation) to the Deferral. The Trustee shall apply such contribution toward the purchase of Company Stock in accordance with the directions of the Committee and the terms of the Trust and the Participant shall be credited with the applicable number of Share Units.

(b) Effective January 1, 2005, contributions to the Trust with respect to Deferrals shall be made only if the Company, in its sole discretion, determines to make such contributions. Regardless of whether the Company makes contributions to the Trust with respect to Deferrals, the Participant shall be credited with a number of Share Units equal to the Deferral. If it becomes necessary to determine the value of a full or partial Share Unit prior to any public offering of Company Stock, such value shall be based on the then prevailing Formula Price (as determined under the Company's Certificate of Incorporation) as of the date the Deferrable Amount

would have been paid to the Participant but for the Deferral hereunder. Following any public offering of Company Stock, such value shall be determined according to the Fair Market Value of the Company Stock as of the date the Deferrable Amount would have been paid to the Participant but for the Deferral hereunder.

#### **ARTICLE IV TRUST FUND**

**4.1 Trust Fund Established.** The Company has established the Trust pursuant to a trust agreement under which the Trustee will hold and administer in trust all assets deposited with the Trustee in accordance with the terms of this Plan. The Board shall have the authority to select and remove the Trustee to act under the Trust agreement, and to enter into new or amended trust agreements as it deems advisable.

**4.2 Company, Board, Deferral Authority, Committee and Trustee Not Responsible for Adequacy of Trust Fund.** Neither the Company, Board, Deferral Authority, Committee nor Trustee shall be liable or responsible for the adequacy of the funds held in the Trust to meet and discharge any or all payments and liabilities hereunder. All Plan benefits will be paid from the Trust assets or by the Company to the extent not paid from Trust assets, and neither the Board, Deferral Authority, Committee nor Trustee shall have any duty or liability to pay such benefits or furnish the Trust with any funds, securities or other assets.

**4.3 Invasion of Trust by Creditors.** If assets of the Trust should be reduced due to action of the Company's creditors, as provided in the Trust document, the Committee shall reduce each Account for which the Trust held assets on a pro rata basis to reflect such reduction in Trust assets, and the Company shall have no obligation to replace such lost assets.

**4.4 Trust Expenses.** Expenses of the Trust which are not paid by the Company shall be applied to reduce each Account for which the Trust holds assets on a pro rata basis.

#### **ARTICLE V ACCOUNTS**

**5.1 Committee to Maintain Accounts.** The Committee shall open and maintain a separate Account for each Participant to record the Deferrals made by the Participant and the number of Share Units credited as a result of the Deferrals.

**5.2 Additional Accounting Procedures.** The Committee shall establish and may amend from time to time additional accounting procedures for the purpose of making allocations, distributions, valuations and adjustments to Accounts, and to allocate Trust earnings expenses and losses to such accounts. A Participant or Beneficiary shall have no contractual or other right to have a particular accounting procedure or convention apply, or continue to apply, and the Committee shall be free to alter any such procedure or convention without notice or obligation to any Participant or Beneficiary.

**5.3 Limitation on Benefits.** Benefits payable to a Participant or Beneficiary under the Plan shall be limited to the vested Account balance credited to such Participant or Beneficiary.

**5.4 Vesting of Account Balances.** A Participant's Account balance shall be one hundred percent (100%) vested except with respect to the portion of the Account balance attributable to vesting bonuses awarded under the Bonus Compensation Plan. Such portion of a Participant's Account balance shall become vested (and the nonvested portion forfeited) at the time or times the bonus would have become vested (and the nonvested portion forfeited) under the Bonus Compensation Plan without regard to deferral under this Plan. The Share Units represented by such forfeited portion shall be returned to the Company or reallocated in accordance with the Committee's directions and the terms of the Trust.

## **ARTICLE VI RIGHTS IN ACQUIRED STOCK**

**6.1 Power to Vote Stock Rests With Trustee.** The power to vote any stock held by the Trustee shall rest solely with the Trustee, who shall vote such stock in the same proportion that the other shareholders vote their shares of stock of the Company. For purposes of this Section 6.1, in determining how other shareholders voted, the Trustee shall take into account the votes of shareholders with respect to all classes of voting stock, including but not limited to Class A and Class B Common Stock.

**6.2 Tender Offers.** In the case of a tender offer for the Company Stock, the Trustee shall tender the shares of Company Stock held by the Trust only if more than fifty percent (50%) of the shares of Company Stock held outside the Trust are tendered by the shareholders.

**6.3 Dividends.** All Ordinary Dividends on Company Stock held in Trust shall be held by the Trustee and reinvested as directed by the Committee. The Committee shall allocate such Ordinary Dividends among the Accounts pro rata to the shares allocated to each Account. The Capital Restructuring Dividend on Company Stock held in Trust shall be immediately disbursed by the Trustee to the Company for immediate distribution by the Company to Participants in accordance with Section 7.7. No person (including, but not limited to, the Trustee, the Company, the Committee or the Board) shall have the authority or ability to delay the immediate transfer of the Capital Restructuring Dividend from the Trustee to the Company pursuant to this Section 6.3.

**ARTICLE VII  
DISTRIBUTIONS**

**7.1 Time of Commencement of Distribution.** Subject to the acceleration provisions of Article VIII, the balance credited to a Participant's Account shall be distributed, or commence to be distributed, to the Participant on the first to occur of the following events:

- (a) the Participant's Retirement Date; or
- (b) the date of the Participant's Termination of Affiliation with the Company.

**7.2 Form of Distribution.** Each distribution shall be made in the form of Company Stock, except that fractional Share Units shall, as determined according to procedures established by the Committee, be distributed in kind as fractional shares or applied towards satisfying tax withholding obligations with respect to Participants' distributions. A Participant shall have no right to request a cash distribution.

**7.3 Methods of Distribution.**

(a) Lump Sum on Death. If a Participant dies having an Account balance (regardless of whether distributions have begun under the Plan), the remaining balance in the Participant's Account shall be paid in the form of a lump sum to the Beneficiary or Beneficiaries designated in accordance with Section 7.4, or as otherwise provided in Sections 7.4 and 7.5, within a reasonable period following the date when the Committee receives notice of the Participant's death.

(b) Election for Retirement Distributions. Subject to the acceleration provisions in Article VIII, distributions made on account of a Participant's Retirement Date shall be made to the Participant in accordance with a valid election made by the Participant under this subsection (b). The Participant may elect in a manner prescribed by the Committee to have his or her Account paid in one of the following forms:

(1) A lump sum payment of the entire Account Balance; or

(2) A series of annual payments over a five or ten year period. Each installment shall include one-fifth or one-tenth, as applicable, of the number of shares of Company Stock distributable to the Participant. Effective for new Participants making Deferral elections for the 2004 and subsequent Plan Years, a series of annual payments over a fifteen year period shall be an available option for Retirement distributions. Each installment shall include one-fifteenth of the number of shares of Company Stock distributable to the Participant.

In the event Participant elects a lump sum payment as described in Section 7.3(b)(1) and Participant has an Account balance attributable to vesting bonuses under the Bonus Compensation Plan that will continue vesting after such lump sum payment, additional distributions shall be made within a reasonable period of time following each date Share Units vest. In the event Participant

elects a series of annual payments as described in Section 7.3(b)(2) and Participant has an Account balance attributable to vesting bonuses under the Bonus Compensation Plan that will continue vesting after any annual distribution of Participant's Account balance occurs, any Share Units that vest after a distribution will be added to the Account balance and distributed ratably over the remaining series of annual payments.

Effective January 1, 2005, a Participant's election of the form of distribution shall be made at the time the Participant first makes a Deferral election. Such election of form of distribution shall be applicable to all subsequent Deferral elections by the Participant.

(c) Change of Distribution Election. Except as set forth in this Section 7.3(c), a Participant's election of form of distribution shall be irrevocable. Each of the forms of distribution set forth in Section 7.3(b) shall be considered a single payment for purposes of Code Section 409A. Accordingly, Participants shall be allowed to make a new form of distribution election, provided that the following requirements are satisfied:

- (1) the election does not take effect until at least twelve months after the date the election is made, and the election must be made at least twelve months prior to the date the first payment would be made to the Participant absent the election;
- (2) the commencement date of the first payment to the Participant shall be five years following the date the payment would have commenced absent the change in the Participant's election; and
- (3) no Participant may make more than one new form of distribution election.

Any attempt to change a distribution election that does not satisfy these requirements shall be void.

(d) Other Distributions. Distributions other than those specified in (a) or (b) above shall be made as a lump sum within a reasonable period of time following a Participant's Termination of Affiliation.

(e) Default Distribution. If the Participant fails to make a valid election as described in subsection (b), the Participant's Account shall be distributed in full as a lump sum payment within a reasonable period of time following the Distribution Date. If Participant has an Account balance attributable to vesting bonuses under the Bonus Compensation Plan that will continue vesting after such lump sum payment is made, additional distributions shall be made within a reasonable period of time following each date Share Units vest.

(f) Notwithstanding the foregoing, if any stock of the Company is publicly traded on an established securities market, the distribution to any Participant who is a "specified employee" under Code Section 409A(a)(1)(B)(i) shall not be made (or commence to be made in the case of installment payments) before the earlier of (i) the date which is six months after such Participant's Separation From Service or (ii) the date of the Participant's death. For any twelve month period commencing April 1 and ending

March 31, an Employee is a "specified employee" if the Employee was a "key employee" at any time during the calendar year ending before such April 1. A key employee is defined in Code Section 416(i) without regard to Code Section 416(i)(5).

**7.4 Beneficiary Designation.**

(a) Upon forms provided by the Committee, each Participant shall designate in writing the Beneficiary or Beneficiaries whom such Participant desires to receive the benefits of this Plan, if any, payable in the event of such Participant's death. A Participant may from time to time change his or her designated Beneficiary or Beneficiaries without the consent of such Beneficiary or Beneficiaries by filing a new designation in writing with the Committee. The Committee may rely upon the designation of Beneficiary or Beneficiaries last filed by the Participant in accordance with the terms of this Plan.

(b) If the designated Beneficiary does not survive the Participant, or if there is no valid Beneficiary designation, amounts payable under the Plan shall be paid to the Participant's spouse, or if there is no surviving spouse, then to the duly appointed and currently acting personal representative of the Participant's estate. If there is no personal representative of the Participant's estate duly appointed and acting in that capacity within sixty (60) days after the Participant's death, then all payments due under the Plan shall be payable to the person or persons who can verify by affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder pursuant to the laws of intestate succession or other legal provision in effect at the Participant's death in the jurisdiction having authority over disposition of the Participant's estate.

**7.5 Distribution to Guardian.** If the Committee shall find that any person to whom any payment is payable under this Plan is unable to care for his or her affairs because of illness or accident, or is a minor, a payment due (unless a prior claim therefore shall have been made by a duly appointed guardian or other legal representative) may be paid to the spouse, a child, a parent, or a brother or sister, or to any custodian, conservator or other fiduciary responsible for the management and control of such person's financial affairs in such manner and proportions as the Committee may determine. Any such payment shall, to the extent thereof, discharge of the liabilities of the Company to the Participant or Beneficiary under this Plan.

**7.6 Withholding of Taxes.** To the extent any distribution is subject to withholding taxes, the Committee shall require, as a condition to the payment of such distribution, that the taxes be withheld from such distribution by the Trustee, in which case the withheld amounts shall be delivered to the Company which shall pay over the withheld taxes as required by law; provided, however, that the Committee may, but need not, allow the Participant to make payment to the Company in the form of a check for such withholding taxes.



### **7.7 Distribution of Dividend Equivalents.**

(a) Notwithstanding anything to the contrary in this Article VII, effective January 1, 2006, Dividend Equivalents with respect to the Capital Restructuring Dividend shall be distributed as set forth in this Section 7.7.

(b) Dividend Equivalents with respect to the Capital Restructuring Dividend shall be distributed by the Company to Participants as soon as administratively feasible upon the Company's receipt of the Capital Restructuring Dividend from the Trustee in accordance with Section 6.3. No one (including, but not limited to, the Trustee, the Company, the Board, the Committee or any Participant) shall have the authority or the ability to delay the immediate distribution of Dividend Equivalents or alter the amount of Dividend Equivalents distributed with respect to the Capital Restructuring Dividend. The distribution of Dividend Equivalents with respect to the Capital Restructuring Dividend to be made to a Participant in accordance with this Section 7.7(b) shall equal the product of (i) the Participant's Share Units as of the record date for the Capital Restructuring Dividend, times (ii) the per share Capital Restructuring Dividend. Immediate payment of the Dividend Equivalent upon the payment of the Capital Restructuring Dividend by the Company is intended to satisfy the requirement of Code Section 409A that payment be made as of a specified time or pursuant to a fixed schedule.

(c) Distributions of Dividend Equivalents with respect to the Capital Restructuring Dividend shall be made in cash without interest and shall be made from the Capital Restructuring Dividend paid to the Trust and transferred to the Company pursuant to Section 6.3.

## **ARTICLE VIII ACCELERATION OF DISTRIBUTION**

**8.1 Change in Control.** All Accounts shall be immediately distributed to the Participants to whom such Accounts belong, upon the occurrence of a Change in Control (as hereinafter defined) of the Company. A Change in Control shall be deemed to occur upon any "person" (as defined in Section 3(a)(9) of the United States Securities Exchange Act of 1934 (the "34 Act")), other than the Company, any subsidiary or any employee benefit plan or trust maintained by the Company or subsidiary becoming the beneficial owner (as defined in Rule 13d-3 under the 34 Act), directly or indirectly, of more than 25% of the Company Stock outstanding at such time, without the prior approval of the Board. For purposes of the foregoing, a subsidiary is any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations, other than the last corporation in such chain, owns at least fifty percent (50%) of the total voting power in one of the other corporations in such chain. Effective January 1, 2005, 35% shall be substituted for 25% in the above definition of Change in Control, in accordance with Code Section 409A.

## **8.2 Hardship.**

(a) Prior to January 1, 2005, notwithstanding the provisions of Section 7.1 and 7.3 hereof, a Participant shall be entitled to request a hardship distribution of all or any portion of his or her Account. A Participant or legal representative of the Participant must make a written request for a hardship distribution, stating the reasons such withdrawal is necessary because of a financial hardship. The Committee, in its sole discretion, shall determine whether or not to grant the hardship distribution of such Participant's Account and, in so doing, may rely on the Participant's statements, and a hardship distribution may be approved without further investigation unless the Committee has reason to believe such statements are false.

(b) Effective January 1, 2005, a withdrawal under this Section 8.2 shall be permitted only if the Participant incurs an "unforeseeable emergency," as defined below. Any such distribution shall be limited to the amount for which distribution is reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, State or local income taxes or penalties reasonably anticipated to result from the distribution). For purposes of this Section 8.2(b), an "unforeseeable emergency" is a severe financial hardship of the Participant resulting from (i) an illness or accident of the Participant, the Participant's spouse or dependent, (ii) the loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home to the extent not otherwise covered by insurance, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of whether an Participant has an unforeseeable emergency shall be made in accordance with the authorities published pursuant to Code Section 409A.

## **ARTICLE IX SOURCE OF PAYMENT**

**9.1 No Direct Interest in Trust Assets.** All distributions hereunder shall be paid solely from the Trust or from the assets of the Company, as determined by the Company. The Company shall pay any distributions not paid by the Trust. No special or separate funds shall be established and no other segregation of assets shall be made to assure the payment of benefits hereunder. A Participant shall have no right, title, or interest whatever in or to any investments which the Company may make through the Trust to meet its obligations hereunder. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create any kind of a fiduciary relationship between the Company and a Participant or any other person.

**ARTICLE X  
PLAN TERMINATION AND AMENDMENT**

**10.1 Termination and Amendments.** The Plan shall continue until all amounts credited to the Participants' Accounts have been distributed in accordance with the terms of the Plan. Notwithstanding the foregoing sentence, the Company retains the right to amend or terminate the Plan for any reason, including but not limited to adverse changes in tax laws or the bankruptcy, receivership or dissolution of the Company. In the event of a Plan termination, benefits will be paid out when due under the terms of the Plan. To the extent feasible, the Committee shall use its best efforts to avoid adversely affecting the rights of any existing Participants in the Plan, but prior to a Change in Control, the Committee shall be under no specific duty or obligation in this regard. Following a Change in Control no amendment or termination of the Plan shall adversely affect any benefits earned by Participants prior to the amendment or termination.

**ARTICLE XI  
PLAN ADMINISTRATION**

**11.1 Committee.** The Plan shall be administered by the Committee. Subject to the provisions of the Plan and the authority granted to the Deferral Authority, the Committee shall have exclusive power to determine the manner and time of Deferrals and payment of benefits to the extent herein provided and to exercise any other discretionary powers granted to the Committee pursuant to the Plan. The decisions or determinations by the Committee shall be final and binding upon all parties, including shareholders, Participants, Beneficiaries and other Employees. The Committee shall have the authority to interpret the Plan, to make factual findings and determinations, to adopt and revise rules and regulations relating to the Plan and to make any other determinations which it believes necessary or advisable for the administration of the Plan. The Committee's discretion shall be as broad and unfettered as permitted by law. Notwithstanding the foregoing, after a Change in Control, any findings, adoption or revision of rules or regulations, interpretations, decisions or determinations made by the Committee (including under Section 11.2) shall not be given any deference by a court or arbitrator, and if challenged by a Participant or Beneficiary, shall be reviewed on a *de novo* basis.

**11.2 Committee Powers.** The Committee shall have all powers necessary to supervise the administration of the Plan and control its operations. In addition to any powers and authority conferred on the Committee elsewhere in the Plan or by law, the Committee shall have, by way of illustration and not by way of limitation, the following powers and authority;

(a) To designate agents to carry out responsibilities relating to the Plan;

(b) To employ such legal, actuarial, medical, accounting, clerical and other assistance as it may deem appropriate in carrying out the provisions of this Plan;

(c) To administer, interpret, construe and apply this Plan and to decide all questions which may arise or which may be raised under this Plan by any Employee, Participant, Beneficiary or other person whatsoever, including but not limited to all questions relating to eligibility to participate in the Plan, and the amount of benefits to which any Participant may be entitled;

(d) To establish rules and procedures from time to time for the conduct of its business and for the administration and effectuation of its responsibilities under the Plan;

(e) To establish claims procedures, and to make forms available for filing of such claims, and to provide the name of the person or persons with whom such claims should be filed. The Committee shall establish procedures for action upon claims initially made and the communication of a decision to the claimant promptly and, in any event, not later than sixty (60) days after the date of the claim; the claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a decision is not furnished to the claimant within such sixty (60) day period. Every claim for benefits which is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (1) the specific reason or reasons for the denial, (2) specific reference to any provisions of this Plan on which denial is based, (3) description of any additional material or information necessary for the claimant to perfect his claim with an explanation of why such material or information is necessary, and (4) an explanation of the procedure for further reviewing the denial of the claim under the Plan. The Committee shall establish a procedure for review of claim denials, such review to be undertaken by the Committee. The review given after denial of any claim shall be a full and fair review with the claimant or his duly authorized representative having one hundred eighty (180) days after receipt of denial of his claim to request such review, having the right to review all pertinent documents and the right to submit issues and comments in writing. The Committee shall establish a procedure for issuance of a decision by the Committee not later than sixty (60) days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than one hundred twenty (120) days after receipt of the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of this Plan on which the decision is based; and

(f) To perform or cause to be performed such further acts as it may deem to be necessary, appropriate, or convenient in the efficient administration of the Plan.

Prior to a Change in Control, any action taken in good faith by the Committee in the exercise of authority conferred upon it by this Plan shall be conclusive and binding upon the Participants and their beneficiaries, and all discretionary powers conferred upon the Committee shall be absolute. Following a Change in Control, the actions of the Committee and its exercise of discretionary powers shall be reviewed on a *de novo* basis if challenged by a Participant or Beneficiary.

**11.3 Plan Expenses.** Members of the Committee shall serve as such without compensation from the Plan, but may receive compensation from the Company for so serving. All Plan administration expenses shall be borne by the Company or the Trust as determined by the Committee in its sole discretion.

**11.4 Reliance Upon Documents and Opinions.** The members of the Committee, the Deferral Authority, the Board, and the Company shall be entitled to rely upon any tables, valuations, computations, estimates, certificates, opinions and reports furnished by any consultant, or firm or corporation which employs one or more consultants or advisors. The Committee may, but is not required to, rely upon all records of the Company with respect to any matter or thing whatsoever, and may likewise treat such records as conclusive with respect to all Employees, Participants, Beneficiaries and any other persons whomsoever, except as otherwise provided by law.

**11.5 Requirement of Proof.** The Committee, the Deferral Authority, the Board, or the Company may require satisfactory proof of any matter under this Plan from or with respect to any Employee, director, consultant, Participant or Beneficiary, and no such person shall acquire any rights or be entitled to receive any benefits under this Plan until such proof shall be furnished as so required.

**11.6 Reliance on Committee Memorandum.** Any person dealing with the Committee may rely on and shall be fully protected in relying on a certificate or memorandum in writing signed by any Committee member so authorized, or by a quorum of the members of the Committee, as constituted as of the date of such certificate or memorandum, as evidence of any action taken or resolution adopted by the Committee.

**11.7 Limitation on Liability.** No employee or director of the Company shall be subject to any liability by reason of or arising from his or her participation in the establishment or administration or operation of the Plan unless he or she acts fraudulently or in bad faith.

**11.8 Indemnification**

(a) To the extent permitted by law, the Company shall indemnify each member of the Deferral Authority, the Committee, and any other employee or director of the Company who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative, or investigative, by reason of his or her conduct in the performance in connection with the establishment or administration of the Plan or any amendment or termination of the Plan.

(b) This indemnification shall apply against expenses including, without limitation, attorneys fees and any expenses of establishing a right to indemnification hereunder, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, except in relation to matters as to which he or she has acted fraudulently or in bad faith in the performance of such duties.

(c) The termination of any proceeding by judgment, order, settlement, conviction, upon a plea of nolo contendere or its equivalent shall not, in and of itself, create a presumption that the person acted fraudulently or in bad faith in the performance of his or her duties.

(d) Expenses incurred in defending any such proceeding may be advanced by the Company prior to the final disposition of such proceeding, upon receipt of an undertaking by or on behalf of the recipient to repay such amount, unless it shall be determined ultimately that the recipient is entitled to be indemnified as authorized in this Section 11.8.

(e) The right of indemnification set forth in this Section 11.8 shall be in addition to any other right to which any Committee member or other person may be entitled as a matter of law, by corporate bylaws or otherwise.

## **ARTICLE XII MISCELLANEOUS PROVISIONS**

### **12.1 Restrictions on Plan Interest.**

(a) A Participant's interest in this Plan shall be limited to his or her Account and he or she shall have no other interest in any assets of the Company nor any right as against the Company, Deferral Authority or Committee for payment of benefits under this Plan.

(b) None of the benefits, payments, proceeds, claims or rights hereunder of any Participant or Beneficiary shall be subject to any claim of any creditor of such Participant or Beneficiary and in particular the same shall not be subject to attachment, garnishment, or other legal process by any creditor of such Participant or Beneficiary.

(c) A Participant or Beneficiary shall not have any right to alienate, anticipate, commute, pledge, encumber, or assign any of the benefits or payments or proceeds which he or she may expect to receive, contingently or otherwise, under the Plan.

(d) A Participant's and Beneficiary's interest in this Plan and his or her Account in the Trust are subject to the claims of the Company's creditors as provided in the Trust. Each Participant and Beneficiary shall, however, be considered a general creditor of the Company with respect to his or her Account, so that if the Company should become insolvent, the Participant or Beneficiary will have a claim against the Company and Trust assets equal to that of the Company's other general creditors (regardless of whether assets are removed from the Trust by a trustee in bankruptcy).

(e) Whenever a provision of this Plan restricts or limits a Participant or a Participant's Account, benefit or distribution, such limitation shall also apply to a Beneficiary unless otherwise specified.

## **12.2 No Enlargement of Employee Rights.**

(a) This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Employee or Director, or be consideration for, or an inducement to, or a condition of, the employment of any Employee or affiliation of any Director.

(b) The employment of any Employee is not for any specified term and may be terminated by any Employee or by the Company at any time, for any reason, with or without cause. Nothing contained in the Plan shall be deemed to give any Employee the right to be retained in the employ of the Company, to constitute any promise or commitment by the Company regarding future positions, future work assignments, future compensation or any other term or condition of employment or to interfere with the right of the Company to discharge or retire any Employee at any time.

(c) No person shall have any right to any benefits under this Plan, except to the extent expressly provided herein.

**12.3 Rights of Repurchase and First Refusal for the Company.** Any Company Stock distributed from the Plan may be subject to a right of repurchase and right of first refusal by the Company, as well as any conditions, limitations or restrictions contained in an agreement specified in Section 3.2. The terms and conditions of the right of repurchase and right of first refusal to the extent applicable, shall be in addition to those applied to Company Stock by the Restated Certificate of Incorporation of Science Applications International Corporation, as amended.

**12.4 Mailing of Payments.** All payments under the Plan shall be delivered in person or mailed to the last address of the Participant (or, in the case of the death of the Participant to that of any other person entitled to such payments under the terms of the Plan). Each Participant shall be responsible for furnishing the Committee with his or her correct current address and the correct current name and address of his or her Beneficiary.

**12.5 Inability to Locate Participant or Beneficiary.** In the event that the Committee is unable to locate a Participant or Beneficiary to whom benefits are payable hereunder after mailing a notice to the Participant's or Beneficiary's last known address, and such inability lasts for a period of three (3) years, then any remaining benefits payable hereunder shall be forfeited to the Company and no Participant or Beneficiary shall have any right to further benefits from the Plan, even if subsequently located.

**12.6 Governing Law.** All legal questions pertaining to the Plan shall be determined in accordance with the laws of California, excluding its rules governing conflicts of laws. Without limiting Section 12.9, it is intended that this Plan be administered and interpreted in a manner consistent with the applicable requirements of Code Section 409A, and further that the Plan be interpreted in a manner that satisfies the applicable requirements of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, so that elective deferrals will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Exchange Act and will not be subjected to avoidable liability thereunder.

**12.7 Illegality of Particular Provision.** If any particular provision of this Plan shall be found to be illegal or unenforceable, such provision shall not affect the other provisions thereof, but the Plan shall be construed in all respect as if such invalid provision were omitted.

**12.8 Interpretation.** Section headings are for convenient reference only and shall not be deemed to be part of the substance of this instrument or in any way to enlarge or limit the contents of any article or section.

**12.9 Tax Effects.** The Company makes no representations or warranties as to the tax consequences to a Participant or to a Participant's Beneficiary from Deferrals hereunder or the subsequent receipt of any benefits as a result thereof. Each Participant must rely solely on his or her own tax advisor with respect to the tax consequences arising from the Deferrals or the receipt of benefits hereunder, or from any other related transaction.

**12.10 Receipt or Release.** Any payment to any Participant or Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Committee and the Company, and the Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

**12.11 Records.** The records of the Company with respect to the Plan shall be conclusive on all Participants, Beneficiaries, and all other persons whomsoever.

**12.12 Arbitration.** Any person disputing a decision of the Committee shall submit such dispute to binding arbitration pursuant to the rules of the American Arbitration Association, to be held in San Diego County. In any arbitration with respect to a decision or action of the Committee taken before a Change in Control, the losing party in such arbitration proceedings shall bear the costs of arbitration, and each party shall bear its own attorneys' fees. In any arbitration with respect to a decision or action of the Committee taken after a Change in Control, the Company shall bear the costs of arbitration (other than attorneys' fees), and the arbitrator may make an award of attorneys' fees; any such award shall be made according to the then-prevailing standards for judicial awards of attorneys' fees applicable to civil actions brought under the Employee Retirement Income Security Act of 1974, as amended.



AMENDMENT 2006-1

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
KEY EXECUTIVE STOCK DEFERRAL PLAN

The purpose of these resolutions is to amend the Key Executive Stock Deferral Plan to (i) allow eligible participants to change their distribution elections in 2006 in accordance with the transition rules permitted under Internal Revenue Code Section 409A, and (ii) conform the Plan to the provisions of certain other plans of the Company regarding the potential Capital Restructuring Dividend and tax withholding.

TO APPROVE AMENDMENTS  
TO THE KEY EXECUTIVE STOCK  
DEFERRAL PLAN ALLOWING CHANGES  
TO DISTRIBUTION ELECTIONS PERMITTED  
UNDER INTERNAL REVENUE CODE 409A  
AND CONFORMING OTHER PLAN PROVISIONS

**WHEREAS**, Science Applications International Corporation, a Delaware corporation (the "Company") maintains the Science Applications International Corporation Key Executive Stock Deferral Plan (the "Plan");

**WHEREAS**, the Plan is subject to Section 409A of the Internal Revenue Code of 1986, as amended, which generally restricts the ability of participants in the Plan to make changes to the manner in which their Plan benefits will be paid;

**WHEREAS**, transition rules announced by the Internal Revenue Service allow the Company to grant participants a limited right to make changes to the manner in which their Plan benefits will be paid; and

**WHEREAS**, certain provisions of the Plan do not conform with corresponding provisions of other plans maintained by the Company regarding the possible Capital Restructuring Dividend and tax withholding;

**NOW, THEREFORE**, the Plan is hereby amended, effective January 1, 2006, as follows:

1. Section 2.5 of the Plan, the definition of Capital Restructuring Dividend, is amended to read in its entirety as follows:

**"2.5 Capital Restructuring Dividend.** The non-recurring cash dividend paid by the Company in 2006 or 2007 on shares of Company Stock in connection with the Company's capital restructuring and the initial public offering of Company Stock."

2. A new subsection (g) to Section 7.3 of the Plan is added to read in its entirety as follows:

“(g) Notwithstanding Section 7.3(c), pursuant to a transition rule issued by the Internal Revenue Service under Code Section 409A, each Participant who had not had a Separation From Service as of December 31, 2006 shall be permitted to elect among the forms of distribution specified in Section 7.3(b) with respect to distributions made on account of the Participant’s Retirement Date. The elections under this Section 7.3(g) shall be made pursuant to rules prescribed by the Committee, but shall in no event be made after December 31, 2006. If a Participant does not make an election under this subsection (g), then the Participant’s previous election among forms of distribution shall continue to apply.”

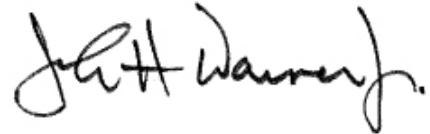
3. Section 7.6 of the Plan is amended to read in its entirety as follows:

“**7.6 Withholding of Taxes.** To the extent any distribution is subject to withholding taxes, the Committee shall require, as a condition to the payment of such distribution, that the taxes be withheld from such distribution. With respect to amounts paid from the Trust, the Trustee shall deliver the withheld amounts to the Company which shall pay over the withheld taxes as required by law. The Committee may, but need not, allow the Participant to make payment to the Company in the form of a check for such withholding taxes, and the Committee may provide in its discretion for other methods of withholding acceptable to the Company.”

**FURTHER RESOLVED**, officers of the Company, or any delegate of such person, be, and each of them hereby is, authorized at any time and from time to time to do and perform any and all acts or things, including, without limitation, the execution and delivery any and all further agreements, documents, instruments or papers of whatever kind or nature, which such officers or any of them may consider necessary or desirable to effect the intent of any and all of the foregoing resolutions, and the performance of such other acts and things by any of such officers shall evidence conclusively and for all purposes that such officer or officers considered the same to be necessary or desirable as aforesaid and that such act or thing so done or performed was hereby authorized, and that all such acts or things heretofore performed by the officers of this Company are hereby ratified and approved.

IN WITNESS WHEREOF, this amendment is hereby adopted this 18 day of April, 2006

SCIENCE APPLICATIONS INTERNATIONAL  
CORPORATION



By \_\_\_\_\_

John H. Warner, Jr.  
Executive Vice President &  
Chief Administrative Officer

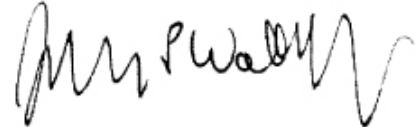
Amendment Two  
Science Applications International Corporation  
Key Executive Stock Deferral Plan

Section 3.5(b) of the Plan is amended to read in its entirety as follows:

“(b) Effective January 1, 2005, contributions to the Trust with respect to Deferrals shall be made only if the Company, in its sole discretion, determines to make such contributions. Regardless of whether the Company makes contribution to the Trust with respect to Deferrals, the Participant shall be credited with a number of Share Units equal to the Deferral. If it becomes necessary to determine the value of a full or partial share Unit prior to any public offering of Company Stock, such value shall be based on the then prevailing Formula Price (as determined under the Company’s Certificate of Incorporation) as of the date the Deferrable Amount would have been paid to the participant but for the Deferral hereunder. Following any public offering of Company Stock, such value shall be determined according to the Fair Market Value of the Company Stock as of the date the Deferrable Amount would have been paid to the Participant but for the Deferral hereunder. However, for Deferrals made by Directors following any public offering of Company Stock, such value shall be determined according to the Fair Market Value of the Company Stock as of the third business day of the calendar quarter following the calendar quarter in which the Deferral Amount was earned by the Director.”

IN WITNESS WHEREOF, the undersigned has adopted this Amendment on the date shown below, but effective as of the dates indicated above.

Science Applications International Corporation



\_\_\_\_\_  
Joseph P. Walkush,  
Executive Vice President

9-4-08

\_\_\_\_\_  
Date

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**KEY EXECUTIVE STOCK DEFERRAL PLAN**  
**Amendment No. Three**

Effective on and after September 17, 2009, the Science Applications International Corporation Key Executive Stock Deferral Plan is hereby amended by adding the following new Section 12.13 to the Plan:

**“12.13 Recoupment of Awards.** Notwithstanding any other provision herein including, but not limited to, Sections 8, 10.1, 11.1 and 12.1(b), and notwithstanding any other provisions in any Deferral election or other agreement with respect to the Plan, payments made under the Plan and Accounts under the Plan shall be subject to recoupment or reduction by the Company pursuant to the Company’s recoupment policy originally adopted on June 18, 2009 by the Human Resources and Compensation Committee of the Board, as such policy may subsequently be amended (the “Recoupment Policy”). Although consent to the Recoupment Policy by a Participant is not a prerequisite to the effectiveness of the Recoupment Policy with respect to the Participant, the filing of an election by a Participant with respect to any Deferral under the Plan shall be deemed to constitute consent by the Participant to the terms and conditions of the Recoupment Policy with respect to the Participant’s Deferrals and any and all prior Deferrals under the Plan. For purposes of clarity, to the extent provided by the Recoupment Policy, a Participant may be required to return certain payments of Plan benefits made to the Participant, and payments that otherwise would have been made to the Participant with respect to the Participant’s Account under the Plan may be reduced or entirely eliminated. Such actions may be taken pursuant to the Recoupment Policy without regard to whether such payments and the Participant’s Account were otherwise vested.”

Science Applications International Corporation

By: /s/ Joseph P. Walkush  
Joseph P. Walkush  
Executive Vice President

## SAIC, INC.

2006 EQUITY INCENTIVE PLAN  
STOCK AWARD AGREEMENT

**BY ACCEPTING THE SHARES OF STOCK DESCRIBED IN THIS AGREEMENT, YOU VOLUNTARILY AGREE TO ALL OF THE TERMS AND CONDITIONS SET FORTH IN THIS AGREEMENT AND IN THE PLAN.**

SAIC, Inc., a Delaware corporation (the “**Company**”), hereby grants to the participant named in the Grant Summary (as defined below) (“**Stockholder**”), who is affiliated with the Company or an Affiliate as an employee, director or consultant, shares of its Common Stock, \$0.0001 par value per share. Certain specific details of this award, including the number of shares of Stock and the Grant Date, may be found in the Grant Summary and are hereby incorporated by reference into this Agreement. The terms and conditions of the grant of Stock are set forth in this Agreement and in the Company’s 2006 Equity Incentive Plan, as amended (the “**Plan**”).

1. **DEFINITIONS.** The following terms shall have the meanings as defined below. Capitalized terms used herein and not defined shall have the meanings attributed to them in the Plan.

“**Affiliate**” shall mean a “parent” or “subsidiary” (as each is defined in Section 424 of the Code) of the Company and any other entity that the Board or Committee designates as an “Affiliate” for purposes of this Plan.

“**Committee**” shall have the meaning as defined in the Plan.

“**Executive Officer**” shall mean an officer of the Company designated as such for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

“**Grant Date**” shall mean the date of the award of the Stock as set forth in the Grant Summary.

“**Grant Summary**” shall mean the summary of this award as reflected in the electronic stock plan award administration system maintained by the Company or its designee that contains a link to this Agreement (which summary information is set forth in the appropriate records of the Company authorizing such award).

“**Permanent Disability**” shall mean the status of disability determined conclusively by the Committee based upon certification of disability by the Social Security Administration or upon such other proof as the Committee may require, effective upon receipt of such certification or other proof by the Committee.

November 2009

“**Special Retirement**” shall mean: (i) retirement by the Stockholder after reaching age 59 1/2 with at least ten (10) years of service with the Company or an Affiliate; or (ii) retirement by the Stockholder after reaching age 59 1/2 and Stockholder’s age plus years of service with the Company or an Affiliate equals at least 70; or (iii) if Stockholder is an Executive Officer at the time of retirement, retirement after reaching the applicable mandatory retirement age, regardless of years of service with the Company or (iv) if the Stockholder is a director of the Company, retirement either (A) after reaching the applicable mandatory retirement age at retirement or (B) at the end of a term of office if Stockholder is not nominated for a successive term of office on account of the fact that Stockholder would have reached the applicable mandatory retirement age during such successive term of office, regardless of years of service with the Company. For Special Retirement purposes, years of service shall mean the period of service determined conclusively by the Committee.

“**Stock**” shall mean the number of shares of the Company’s Common Stock, \$0.0001 par value per share set forth in the Grant Summary that are being issued to Stockholder pursuant to the Plan and the terms and conditions of this Agreement.

2. **VESTING SCHEDULE; STOCK SUBJECT TO REVERSION.** Except in the event of death, Permanent Disability or Special Retirement or as set forth below, any unvested shares of Stock automatically shall revert to the Company without compensation on the date that Stockholder’s affiliation with the Company or any Affiliate as an employee, director or consultant terminates, or if Stockholder is an employee or director of an Affiliate and such entity ceases to be an Affiliate, whether by Committee action or otherwise, on the date such entity ceases to be an Affiliate, in accordance with the following vesting schedule:

- a) Prior to the first-year anniversary of the Grant Date, all of the Stock shall be subject to reversion.
- b) After the first-year anniversary of the Grant Date, 20% of the Stock shall be vested and no longer subject to reversion.
- c) After the second-year anniversary of the Grant Date, an additional 20% of the Stock shall be vested and no longer subject to reversion.
- d) After the third-year anniversary of the Grant Date, an additional 20% of the Stock shall be vested and no longer subject to reversion.
- e) After the fourth-year anniversary of the Grant Date, the remaining 40% of the Stock shall be vested and none of the Stock shall be subject to reversion.

If the application of the foregoing vesting schedule results in a fraction of a share being vested, such fractional share shall be deemed not to be vested and shall continue to be subject to reversion, as described below. However, the foregoing vesting schedule shall be applied on a cumulative basis so that 20% of the Stock shall be vested and no longer subject to reversion after the first-year anniversary of the Grant Date; 40% of the Stock shall be vested and no longer subject to reversion after the second-year anniversary of the Grant Date; 60% of the Stock shall be vested and no longer subject to reversion after the third-year anniversary of the Grant Date;

and 100% of the Stock shall be vested and no longer subject to reversion after the fourth-year anniversary of the Grant Date. Stockholder shall not sell, transfer, assign, hypothecate, pledge, grant a security interest in, or in any other way alienate, any of the unvested shares of Stock subject to reversion, or any interest or right therein.

3. **EFFECT OF REVERSION.** If shares of Stock revert in accordance with the terms of this Agreement, such shares automatically shall be deemed to have been transferred to the Company, shall no longer be outstanding and all rights of Stockholder shall terminate immediately with respect to such shares. Stockholder agrees that any reverted shares shall be deducted from Stockholder's account and canceled.
4. **ACCELERATION OF VESTING UPON DEATH OR PERMANENT DISABILITY.** If Stockholder is an employee, director or consultant of the Company or an Affiliate and ceases to be affiliated with the Company or any Affiliate as a result of Stockholder's death or Permanent Disability, or if Stockholder's death or Permanent Disability occurs following a Special Retirement, all of the Stock shall become fully vested.
5. **CONTINUATION OF VESTING UPON SPECIAL RETIREMENT.**
  - a) If Stockholder is an Executive Officer and Stockholder's affiliation with the Company or any Affiliate terminates as a result of Stockholder's Special Retirement in accordance with the provisions of subsection (iii) of the definition of the term "Special Retirement" in Section 1 above, or if Stockholder is a director of the Company and Stockholder's affiliation with the Company or any Affiliate terminates as a result of Stockholder's Special Retirement in accordance with the provisions of subsection (iv) of the definition of the term "Special Retirement" in Section 1 above, any unvested shares of Stock shall continue to vest in accordance with the vesting schedule set forth in Section 2 above.
  - b) If Stockholder's affiliation with the Company or an Affiliate terminates as a result of Stockholder's Special Retirement in accordance with the provisions of subsection (i) or (ii) of the definition of the term "Special Retirement" in Section 1 above, unvested shares of Stock that Stockholder has held at least twelve (12) months prior to the date of such Special Retirement shall continue to vest in accordance with the vesting schedule set forth in Section 2 above, and any unvested shares of Stock that Stockholder did not hold at least twelve (12) months prior to the date of such Special Retirement shall revert to the Company, as described in Section 3 above.
  - c) Notwithstanding the foregoing right of Stockholder to continued vesting upon Special Retirement under this Section 5, all unvested shares of Stock shall revert to the Company in the event that Stockholder violates the terms of his or her inventions, copyright and confidentiality agreement with the Company or an Affiliate or breaches his or her other contractual or legal obligations to the Company or an Affiliate, including the non-solicitation obligations set forth in Section 13 of this Agreement.

6. **TAX WITHHOLDING.** If the Company or an Affiliate is required to withhold any federal, state, local or other taxes upon the vesting or any acceleration of vesting of the Stock, the Company shall withhold a sufficient number of shares of Stock at the then current Fair Market Value (as defined in the Plan) to meet the withholding obligation based on the minimum rates required by law; provided, however, that the Company may, in its sole discretion, sell a sufficient number of shares of Stock on behalf of Stockholder to satisfy such obligations, accept payment to satisfy such obligations in the form of cash or delivery to the Company of shares of Company stock already owned by Stockholder, or any combination of the foregoing.
7. **RIGHTS, RESTRICTIONS AND LIMITATIONS.** All shares of Stock issued to Stockholder pursuant to this Agreement are subject to the rights, restrictions and limitations set forth in the Company's Restated Certificate of Incorporation.
8. **RESTRICTIONS UNDER SECURITIES LAW.** All shares of Stock covered by this Agreement are subject to any restrictions which may be imposed under applicable state and federal securities laws and are subject to obtaining all necessary consents which may be required by, or any condition which may be imposed in accordance with, applicable state and federal securities laws or regulations.
9. **EMPLOYMENT AT WILL.**
  - a) If Stockholder is an employee or consultant of the Company or an Affiliate, such employment or affiliation is not for any specified term and may be terminated by employee or by the Company or an Affiliate at any time, for any reason, with or without cause and with or without notice. Nothing in this Agreement (including, but not limited to, the vesting of the Stock pursuant to the schedule set forth in Section 2 herein), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon Stockholder any right to continue in the employ of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan; or (iv) deprive the Company of the right to terminate Stockholder at will and without regard to any future vesting opportunity that Stockholder may have.
  - b) Stockholder acknowledges and agrees that the right to continue vesting in the Stock pursuant to the schedule set forth in Section 2 is earned only by continuing as an employee or consultant at the will of the Company or as a director (not through the act of being hired, being granted this Stock or any other award or benefit) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a "reorganization"). Stockholder acknowledges and agrees that such a reorganization could result in the termination of Stockholder's relationship as an employee or consultant to the Company or an Affiliate, or the termination of Affiliate status of Stockholder's employer and the loss of benefits available to Stockholder under this Agreement, including but not limited to, the termination of the right to continue vesting the Stock under this Agreement.



10. **INCORPORATION OF PLAN.** The Stock granted hereby is granted pursuant to the Plan, all the terms and conditions of which are hereby made a part hereof and are incorporated herein by reference. In the event of any inconsistency between the terms and conditions contained herein and those set forth in the Plan, the terms and conditions of the Plan shall prevail.
11. **RECOUPMENT OF AWARDS.** The Human Resources and Compensation Committee of the Company's Board of Directors adopted a recoupment policy on June 18, 2009 (the "**Policy**"), that may require members of senior management to return incentive compensation if there is a material restatement of the financial results upon which the compensation was originally based. The Policy also provides for recovery of incentive compensation from any employee involved in fraud or intentional misconduct, whether or not it results in a restatement of the Company's financial results. Stockholder acknowledges and agrees that the Policy applies to the Stock and that any payments or issuances of Stock are subject to recoupment pursuant to the Policy. This Agreement shall be deemed to include the restrictions imposed by the Policy.
12. **COPIES OF PLAN AND OTHER MATERIALS.** Stockholder acknowledges that Stockholder has received copies of the Plan and the Plan prospectus from the Company and agrees to receive stockholder information, including copies of any annual report, proxy statement and periodic report, electronically from the Company. Stockholder acknowledges that copies of the Plan, Plan prospectus, Plan information and stockholder information are also available upon written or telephonic request to the Company. Stockholder acknowledges that a copy of the Policy referenced in Section 11 is available on ISSAIC, the Company's intranet, and is also available upon written or telephonic request to the Company.
13. **NON-SOLICITATION.**
  - a) **Solicitation of Employees.** Stockholder agrees that, both while employed by the Company or an Affiliate and for one year afterward, Stockholder will not solicit or attempt to solicit any employee of the Company or an Affiliate to leave his or her employment or to violate the terms of any agreement or understanding that employee may have with the Company or an Affiliate. The foregoing obligations apply to both the Stockholder's direct and indirect actions, and apply to actions intended to benefit Stockholder or any other person, business or entity.
  - b) **Solicitation of Customers.** Stockholder agrees that, for one year after termination of employment with the Company or an Affiliate, Stockholder will not participate in any solicitation of any customer or prospective customer of the Company or an Affiliate concerning any business that:
    - (i) involves the same programs or projects for that customer in which Stockholder was personally and substantially involved during the 12 months prior to termination of employment; or

- (ii) has been, at any time during the 12 months prior to termination of employment, the subject of any bid, offer or proposal activity by the Company or an Affiliate in respect of that customer or prospective customer, or any negotiations or discussions about the possible performance of services by the Company or an Affiliate to that customer or potential customer, in which Stockholder was personally and substantially involved.

In the case of a governmental, regulatory or administrative agency, commission, department or other governmental authority, the customer or prospective customer will be determined by reference to the specific program offices or activities for which the Company or an Affiliate provides (or may reasonably provide) goods or services.

- c) **Remedies.** Stockholder acknowledges and agrees that a breach of any of the promises or agreements contained in this Section 13 will result in immediate, irreparable and continuing damage to the Company for which there is no adequate remedy at law, and the Company or an Affiliate will be entitled to injunctive relief, a decree for specific performance, and other relief as may be proper, including money damages.
14. **MISCELLANEOUS.** This Agreement contains the entire agreement of the parties with respect to its subject matter. This Agreement shall be binding upon and shall inure to the benefit of the respective parties, the successors and assigns of the Company, and the heirs, legatees and personal representatives of Stockholder. The parties hereby agree that should any portion of this Agreement be judicially held to be invalid, unenforceable, or void, such portion shall be construed by limiting and reducing it, so as to be enforceable to the maximum extent compatible with the applicable law as is then in effect.
15. **GOVERNING LAW.** This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Delaware without reference to such state's principles of conflict of laws.
16. **NOTICE OF RESTRICTION.** The parties agree that any book entry representing the Stock granted hereunder may contain a legend, or notation as the case may be, indicating that such stock is subject to the restrictions of this Agreement.
17. **ACKNOWLEDGMENT.** Stockholder acknowledges that the Stock constitutes full and adequate consideration for Stockholder's obligations under this Agreement, the acceptance of the Stock constitutes an unequivocal acceptance of this Agreement and any attempted modification or deletion will have no force or effect on the Company's right to enforce the terms and conditions stated herein.

***By accepting the Stock, you agree to all of the terms and conditions set forth above and in the Plan.***

## SAIC, INC.

2006 EQUITY INCENTIVE PLAN  
NONSTATUTORY STOCK OPTION AGREEMENT

BY ACCEPTING THE OPTION DESCRIBED IN THIS AGREEMENT, YOU VOLUNTARILY AGREE TO ALL OF THE TERMS AND CONDITIONS SET FORTH IN THIS AGREEMENT AND IN THE PLAN.

SAIC, Inc., a Delaware corporation (the “**Company**”), hereby grants an option (the “**Option**”) to purchase shares of its Common Stock, \$0.0001 par value per share, (“**Stock**”), to the participant named in the Grant Summary (as defined below) (“**Optionee**”). Certain specific details of the award of this Option, including Option Shares, Option Price and Grant Date, may be found in the Grant Summary and are hereby incorporated by reference into this Agreement. The terms and conditions of the Option are set forth in this Agreement and in the Company’s 2006 Equity Incentive Plan, as amended (the “**Plan**”).

1. **DEFINITIONS.** The following terms shall have the meanings as defined below. Capitalized terms used herein and not defined shall have the meanings attributed to them in the Plan.

“**Administrator**” shall have the meaning as defined in the Plan.

“**Affiliate**” shall mean a “parent” or “subsidiary” (as each is defined in Section 424 of the Code) of the Company and any other entity that the Board or Committee designates as an “Affiliate” for purposes of this Plan.

“**Cause**” shall have the meaning as defined in the Plan.

“**Committee**” shall have the meaning as defined in the Plan.

“**Executive Officer**” shall mean an officer of the Company designated as such for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

“**Expiration Date**” shall have the meaning as defined in Section 3 below.

“**Fair Market Value**” shall have the meaning as defined in the Plan.

“**Grant Date**” shall mean the date of the award of this Option as set forth in the Grant Summary.

“**Grant Summary**” shall mean the summary of this award as reflected in the electronic stock plan award administration system maintained by the Company or its designee that contains a link to this Agreement (which summary information is set forth in the appropriate records of the Company authorizing such award).

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“**Option Price**” shall mean the exercise price per Option Share applicable to this Option set forth in the Grant Summary.

“**Option Shares**” shall mean the number of shares of Stock issuable upon exercise of the Option as set forth in the Grant Summary.

“**Permanent Disability**” shall mean the status of disability determined conclusively by the Committee based upon certification of disability by the Social Security Administration or upon such other proof as the Committee may require, effective upon receipt of such certification or other proof by the Committee.

“**Special Retirement**” shall mean: (i) retirement by the Optionee after reaching age 59 1/2 with at least ten (10) years of service with the Company or an Affiliate; or (ii) retirement by the Optionee after reaching age 59 1/2 and Optionee’s age plus years of service with the Company or an Affiliate equals at least 70; or (iii) if Optionee is an Executive Officer at the time of retirement, retirement after reaching the applicable mandatory retirement age by the Optionee, regardless of years of service with the Company or (iv) if the Optionee is a director of the Company, retirement by the Optionee either (A) after reaching the applicable mandatory retirement age at retirement or (B) at the end of a term of office if Optionee is not nominated for a successive term of office on account of the fact that Optionee would have reached the applicable mandatory retirement age during such successive term of office, regardless of years of service with the Company. For Special Retirement purposes, years of service shall mean the period of service determined conclusively by the Committee.

2. **GRANT OF OPTION; NUMBER OF SHARES; OPTION PRICE.** The Company hereby grants to Optionee an Option to purchase all or any part of the Option Shares at the Option Price.
3. **TERM OF OPTION.** This Option shall terminate upon the earlier to occur of: (i) five (5) years from the Grant Date (the “**Expiration Date**”); or (ii) the expiration of the applicable period following the occurrence of any of the events specified in Section 5 hereof. The Company shall have no obligation to provide Optionee with notice of termination or expiration of this Option.
4. **EXERCISE OF OPTION.**
  - 4.1 **General Schedule of Vesting and Exercisability.** Subject to the terms of the Plan and this Agreement, this Option shall vest and become exercisable in accordance with the following schedule:
    - a) The Option may not be exercised in whole or in part at any time prior to the first-year anniversary of the Grant Date.
    - b) The Option may be exercised as to 20% of the Option Shares after the first-year anniversary of the Grant Date.

- c) The Option may be exercised as to an additional 20% of the Option Shares after the second-year anniversary of the Grant Date.
- d) The Option may be exercised as to an additional 20% of the Option Shares after the third-year anniversary of the Grant Date.
- e) The Option may be exercised as to the remaining 40% of the Option Shares after the fourth-year anniversary of the Grant Date.

If the application of the foregoing vesting schedule results in a fraction of an Option Share becoming exercisable, such fractional share shall be deemed not to be exercisable. However, the rights to exercise the Option, as specified in the preceding schedule, shall be cumulative so that 20% of the Option Shares shall be exercisable after the first-year anniversary of the Grant Date; 40% of the Option Shares shall be exercisable after the second-year anniversary of the Grant Date; 60% of the Option Shares shall be exercisable after the third-year anniversary of the Grant Date; and 100% of the Option Shares shall be exercisable after the fourth-year anniversary of the Grant Date. Optionee may purchase all, or from time to time, any part of the maximum number of Option Shares which are then exercisable. Except as set forth in Section 4.4 below, this Option shall be exercisable only by Optionee.

4.2 **General Terms of Exercise.** Subject to the terms of the Plan and this Agreement, the Option shall be exercised pursuant to procedures established by the Committee, which may include electronic or voice procedures as may be specified by the Committee and which may include a requirement to acknowledge this Agreement prior to exercise. Acceptable forms and methods of payment to exercise the Option may include (i) by cashier's check, money order or wire transfer; (ii) by a cashless exercise procedure; or (iii) by tendering shares of Common Stock of the Company acceptable to the Committee valued at their Fair Market Value as of the date of exercise.

4.3 **Treatment of Special Retirement.**

- a) If Optionee is an Executive Officer and has met the provisions of subsection (iii) of the definition of the term "Special Retirement" in Section 1 above, or if Optionee is a director of the Company and has met the provisions of subsection (iv) of the definition of the term "Special Retirement" in Section 1 above, the right to exercise this Option shall continue to vest and be exercisable in accordance with the schedule set forth in Section 4.1 above.
- b) If Optionee has met the provisions of subsection (i) or (ii) of the definition of the term "Special Retirement" in Section 1 above, the right to exercise this Option shall continue to vest and be exercisable in accordance with the schedule set forth in Section 4.1 above, but only if Optionee has held this Option at least twelve (12) months prior to the date of such Special Retirement.

4.4 **Treatment of Death or Permanent Disability.** Notwithstanding anything to the contrary herein, if Optionee is an employee, director or consultant of the Company or an Affiliate and ceases to be affiliated with the Company or any Affiliate as a result of Optionee's death or Permanent Disability, or if Optionee's death or Permanent Disability occurs following a Special Retirement, any unvested portion of this Option shall accelerate and become fully exercisable.

Following Optionee's death, this Option may be exercised only by the executor or administrator of the Optionee's estate or, if there is none, the person entitled to exercise the Option under Optionee's will or the laws of descent and distribution. Following Optionee's termination of affiliation as a result of Optionee's Permanent Disability, if a guardian or conservator has been appointed to act for Optionee and been granted this authority as part of that appointment, that guardian or conservator may exercise this Option on behalf of Optionee.

- 4.5 **Treatment of Leave of Absence.** If Optionee is an employee of the Company or an Affiliate and is on a leave of absence pursuant to the terms of the Company's Administrative Policy No. SH-1 "Working Hours and Absences" or similar policy maintained by an Affiliate, as such policies may be revised from time to time, Optionee shall not, during the period of such absence be deemed, by virtue of such absence alone, to have terminated Optionee's employment. Optionee shall continue to vest in this Option during any approved medical or military leave of absence. Medical leave shall include family or medical leaves, workers' compensation leave, or pregnancy disability leave. For all other leaves of absence, this Option will vest only during active employment and shall not vest during a leave of absence, unless required under local law. However, if Optionee returns to active employment with the Company or an Affiliate following such a leave, this Option will be construed to vest as if there had been no break in active employment. During any leave of absence, Optionee shall have the right to exercise the vested portion of this Option provided that such exercise occurs prior to the Expiration Date.

5. **TERMINATION OF OPTION; EVENTS IMPACTING ABILITY TO EXERCISE OPTION.**

- 5.1 **Termination of Affiliation.** If Optionee is an employee, director or consultant of the Company or an Affiliate and ceases to be affiliated with the Company or an Affiliate for any reason other than death, Special Retirement, Permanent Disability or Cause, Optionee may exercise this Option within the ninety (90) day period following such cessation of affiliation, but only to the extent that this Option was exercisable at the date of such cessation of affiliation and Optionee's rights to exercise the Option have not been suspended as of the date of such cessation of affiliation. This Option shall terminate on the earlier to occur of the expiration of such ninety (90) day period or the Expiration Date.
- 5.2 **Termination for Cause.** If Optionee is an employee, director or consultant of the Company or an Affiliate and is terminated for Cause as determined by the Administrator of the Plan, this Option and all of Optionee's rights with respect thereto shall immediately terminate on the date of such termination.
- 5.3 **Termination for Breach of Obligation.** Notwithstanding the right of Optionee to continued vesting upon Special Retirement under Section 4.3 above, the Company shall have the right to terminate the unvested portion of this Option at any time if Optionee violates the terms of his or her inventions, copyright and confidentiality agreement with the Company or an Affiliate or breaches his or her other contractual or legal obligations to the Company or an Affiliate, including the non-solicitation obligations set forth in Section 12 of this Agreement ("**Breach of Obligation**"). If the Company terminates the unvested portion of this Option during Special Retirement as a result of Optionee's Breach of Obligation, Optionee may exercise this Option within the earlier of the ninety (90) day period following such termination or the Expiration Date, but only to the extent that this Option was exercisable at the date of such termination.

- 5.4 **Termination of Unexercised Options.** If any portion of the Option is not exercised by the earlier of: (i) the end of the applicable period specified in Sections 5.1, 5.2 or 5.3 or (ii) the Expiration Date, any such unexercised portion and all of Optionee's rights with respect thereto shall terminate.
6. **TAX WITHHOLDING.** If the Company or any Affiliate is required to withhold any federal, state, local or other taxes upon the exercise of this Option, Optionee shall remit an amount sufficient to satisfy any applicable tax withholding requirement in a form of payment satisfactory to the Administrator or the Committee, which may include by cashier's check, money order or wire transfer or by the Company's withholding Stock issued upon exercise of this Option to pay the required withholding. If the Company withholds Stock, the Fair Market Value of the Stock withheld, as determined as of the date of withholding, shall not exceed the minimum rates required by law.
7. **RESTRICTIONS UNDER SECURITIES LAW.** All shares of Stock covered by this Agreement are subject to any restrictions which may be imposed under applicable state and federal securities laws and are subject to obtaining all necessary consents which may be required by, or any condition which may be imposed in accordance with, applicable state and federal securities laws or regulations.
8. **INCORPORATION OF PLAN.** The Option granted hereby is granted pursuant to the Plan, all the terms and conditions of which are hereby made a part hereof and are incorporated herein by reference. In the event of any inconsistency between the terms and conditions contained herein and those set forth in the Plan, the terms and conditions of the Plan shall prevail.
9. **RECOUPMENT OF AWARDS.** The Human Resources and Compensation Committee of the Company's Board of Directors adopted a recoupment policy on June 18, 2009 (the "**Policy**"), that may require members of senior management to return incentive compensation if there is a material restatement of the financial results upon which the compensation was originally based. The Policy also provides for recovery of incentive compensation from any employee involved in fraud or intentional misconduct, whether or not it results in a restatement of the Company's financial results. Optionee acknowledges and agrees that the Policy applies to the Option and that any payments or issuances of Stock with respect to the Option are subject to recoupment pursuant to the Policy. This Agreement shall be deemed to include the restrictions imposed by the Policy.
10. **EMPLOYMENT AT WILL.**
- 10.1 If Optionee is an employee or consultant of the Company or an Affiliate, such employment or affiliation is not for any specified term and may be terminated by employee or by the Company or an Affiliate at any time, for any reason, with or without cause and with or without notice. Nothing in this Agreement (including, but not limited to, the right to exercise this Option pursuant to the schedule set forth in Section 4 herein), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall (i) confer upon Optionee any right to continue in the employ of, or affiliation with, the Company or an Affiliate, (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation, (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan or (iv) deprive the Company of the right to terminate Optionee at will and without regard to any future vesting opportunity that Optionee may have.

- 10.2 Optionee acknowledges and agrees that the right to exercise this Option pursuant to the schedule set forth in Section 4 is earned only by continuing as an employee or consultant at the will of the Company or as a director (not through the act of being hired, being granted this Option or any other Option, award or benefit or acquiring shares hereunder) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a "reorganization"). Optionee acknowledges and agrees that such a reorganization could result in the termination of Optionee's relationship as an employee or consultant to the Company or an Affiliate, or the termination of Affiliate status of Optionee's employer and the loss of benefits available to Optionee under this Agreement, including but not limited to, the termination of the right to exercise the Options under this Agreement.
11. **COPIES OF PLAN AND OTHER MATERIALS.** Optionee acknowledges that Optionee has received copies of the Plan and the Plan prospectus from the Company and agrees to receive stockholder information, including copies of any annual report, proxy statement and periodic report, electronically from the Company. Optionee acknowledges that copies of the Plan, Plan prospectus, Plan information and stockholder information are also available upon written or telephonic request to the Company. Optionee acknowledges that copies of the Company's policies referenced in this Agreement, including the Policy, are available on ISSAIC, the Company's intranet, and are also available upon written or telephonic request to the Company.
12. **NON-SOLICITATION.**
- 12.1 **Solicitation of Employees.** Optionee agrees that, both while employed by the Company or an Affiliate and for one year afterward, Optionee will not solicit or attempt to solicit any employee of the Company or an Affiliate to leave his or her employment or to violate the terms of any agreement or understanding that employee may have with the Company or an Affiliate. The foregoing obligations apply to both the Optionee's direct and indirect actions, and apply to actions intended to benefit Optionee or any other person, business or entity.
- 12.2 **Solicitation of Customers.** Optionee agrees that, for one year after termination of employment with the Company or an Affiliate, Optionee will not participate in any solicitation of any customer or prospective customer of the Company or an Affiliate concerning any business that:
- a) involves the same programs or projects for that customer in which Optionee was personally and substantially involved during the 12 months prior to termination of employment; or



- b) has been, at any time during the 12 months prior to termination of employment, the subject of any bid, offer or proposal activity by the Company or an Affiliate in respect of that customer or prospective customer, or any negotiations or discussions about the possible performance of services by the Company or an Affiliate to that customer or potential customer, in which Optionee was personally and substantially involved.

In the case of a governmental, regulatory or administrative agency, commission, department or other governmental authority, the customer or prospective customer will be determined by reference to the specific program offices or activities for which the Company or an Affiliate provides (or may reasonably provide) goods or services.

- 12.3 **Remedies.** Optionee acknowledges and agrees that a breach of any of the promises or agreements contained in this Section 12 will result in immediate, irreparable and continuing damage to the Company for which there is no adequate remedy at law, and the Company or an Affiliate will be entitled to injunctive relief, a decree for specific performance, and other relief as may be proper, including money damages.
13. **MISCELLANEOUS.** This Agreement contains the entire agreement between the parties with respect to its subject matter. This Agreement shall be binding upon and shall inure to the benefit of the respective parties, the successors and assigns of the Company, and the heirs, legatees, and personal representatives of Optionee. The parties hereby agree that should any portion of this Agreement be judicially held to be invalid, unenforceable, or void, such portion shall be construed by limiting and reducing it, so as to be enforceable to the maximum extent compatible with the applicable law as is then in effect.
14. **ACKNOWLEDGMENT.** Optionee acknowledges that the Option constitutes full and adequate consideration for Optionee's obligations under this Agreement, accepting the Option constitutes an unequivocal acceptance of this Agreement and any attempted modifications or deletions will have no force or effect upon the Company's right to enforce the terms and conditions stated herein.
15. **GOVERNING LAW.** This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Delaware without reference to such state's principles of conflict of laws.

***By accepting the Option, you agree to all of the terms and conditions set forth above and in the Plan.***

## SAIC, INC.

2006 EQUITY INCENTIVE PLAN  
STOCK AWARD AGREEMENT  
NON-EMPLOYEE DIRECTORS

BY ACCEPTING THE SHARES OF STOCK DESCRIBED IN THIS AGREEMENT, YOU VOLUNTARILY AGREE TO ALL OF THE TERMS AND CONDITIONS SET FORTH IN THIS AGREEMENT AND IN THE PLAN.

SAIC, Inc., a Delaware corporation (the “**Company**”), hereby grants to the participant named in the Grant Summary (as defined below) (“**Stockholder**”), who is affiliated with the Company or an Affiliate as a non-employee director, shares of its Common Stock, \$0.0001 par value per share. Certain specific details of this award, including the number of shares of Stock and the Grant Date, may be found in the Grant Summary and are hereby incorporated by reference into this Agreement. The terms and conditions of the grant of Stock are set forth in this Agreement and in the Company’s 2006 Equity Incentive Plan, as amended (the “**Plan**”).

1. **DEFINITIONS.** The following terms shall have the meanings as defined below. Capitalized terms used herein and not defined shall have the meanings attributed to them in the Plan.

“**Affiliate**” shall mean a “parent” or “subsidiary” (as each is defined in Section 424 of the Code) of the Company and any other entity that the Board or Committee designates as an “Affiliate” for purposes of this Plan.

“**Committee**” shall have the meaning as defined in the Plan.

“**Grant Date**” shall mean the date of the award of the Stock as set forth in the Grant Summary.

“**Grant Summary**” shall mean the summary of this award as reflected in the electronic stock plan award administration system maintained by the Company or its designee that contains a link to this Agreement (which summary information is set forth in the appropriate records of the Company authorizing such award).

“**Permanent Disability**” shall mean the status of disability determined conclusively by the Committee based upon certification of disability by the Social Security Administration or upon such other proof as the Committee may require, effective upon receipt of such certification or other proof by the Committee.

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“**Special Retirement**” shall mean retirement by a Stockholder who is a director of the Company either (A) after reaching the applicable mandatory retirement age at retirement or (B) at the end of a term of office if Stockholder is not nominated for a successive term of office on account of the fact that Stockholder would have reached the applicable mandatory retirement age during such successive term of office, regardless of years of service with the Company.

“**Stock**” shall mean the number of shares of the Company’s Common Stock, \$0.0001 par value per share set forth in the Grant Summary that are being issued to Stockholder pursuant to the Plan and the terms and conditions of this Agreement.

“**Vesting Date**” shall have the meaning as defined in Section 2 below.

2. **VESTING SCHEDULE; STOCK SUBJECT TO REVERSION.** Except in the event of death, Permanent Disability or Special Retirement or as set forth below, any unvested shares of Stock automatically shall revert to the Company without compensation on the date that Stockholder’s affiliation with the Company or any Affiliate as a director terminates, or if Stockholder is a director of an Affiliate and such entity ceases to be an Affiliate, whether by Committee action or otherwise, on the date such entity ceases to be an Affiliate, in accordance with the following vesting schedule:

- a) After the later of: (i) the first-year anniversary of the Grant Date or (ii) the date the annual meeting of stockholders of the Company following the Grant Date is concluded (the “**Vesting Date**”), 100% of the Stock shall be vested and no longer subject to reversion.
- b) Prior to the Vesting Date, all of the Stock shall be subject to reversion.

Stockholder shall not sell, transfer, assign, hypothecate, pledge, grant a security interest in, or in any other way alienate, any of the unvested shares of Stock subject to reversion, or any interest or right therein.

3. **EFFECT OF REVERSION.** If shares of Stock revert in accordance with the terms of this Agreement, such shares automatically shall be deemed to have been transferred to the Company, shall no longer be outstanding and all rights of Stockholder shall terminate immediately with respect to such shares. Stockholder agrees that any reverted shares shall be deducted from Stockholder’s account and canceled.

4. **ACCELERATION OF VESTING UPON DEATH OR PERMANENT DISABILITY.** If Stockholder ceases to be affiliated with the Company or any Affiliate as a result of Stockholder’s death or Permanent Disability, or if Stockholder’s death or Permanent Disability occurs following a Special Retirement, all of the Stock shall become fully vested.

5. **CONTINUATION OF VESTING UPON SPECIAL RETIREMENT.**

- a) If Stockholder’s affiliation with the Company or any Affiliate terminates as a result of Stockholder’s Special Retirement, any unvested shares of Stock shall continue to vest in accordance with the vesting schedule set forth in Section 2 above.

- b) Notwithstanding the foregoing right of Stockholder to continued vesting upon Special Retirement under this Section 5, all unvested shares of Stock shall revert to the Company in the event that Stockholder breaches his or her contractual or legal obligations to the Company or an Affiliate.
6. **TAX WITHHOLDING.** If the Company or an Affiliate is required to withhold any federal, state, local or other taxes upon the vesting or any acceleration of vesting of the Stock, the Company shall withhold a sufficient number of shares of Stock at the then current Fair Market Value (as defined in the Plan) to meet the withholding obligation based on the minimum rates required by law; provided, however, that the Company may, in its sole discretion, sell a sufficient number of shares of Stock on behalf of Stockholder to satisfy such obligations, accept payment to satisfy such obligations in the form of cash or delivery to the Company of shares of Company stock already owned by Stockholder, or any combination of the foregoing.
7. **RIGHTS, RESTRICTIONS AND LIMITATIONS.** All shares of Stock issued to Stockholder pursuant to this Agreement are subject to the rights, restrictions and limitations set forth in the Company's Restated Certificate of Incorporation.
8. **RESTRICTIONS UNDER SECURITIES LAW.** All shares of Stock covered by this Agreement are subject to any restrictions which may be imposed under applicable state and federal securities laws and are subject to obtaining all necessary consents which may be required by, or any condition which may be imposed in accordance with, applicable state and federal securities laws or regulations.
9. **NO CONTINUED RIGHTS.**
- a) Nothing in this Agreement (including, but not limited to, the vesting of the Stock pursuant to the schedule set forth in Section 2 herein), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon Stockholder any right to continue in the affiliation with the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; or (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan.
- b) Stockholder acknowledges and agrees that the right to continue vesting in the Stock pursuant to the schedule set forth in Section 2 is earned only by continuing as a director of the Company (not through the act of being hired, being granted this Stock or any other award or benefit) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a "reorganization"). Stockholder acknowledges and agrees that such a reorganization could result in the termination of Stockholder's relationship as a director of the Company or an Affiliate, and the loss of benefits available to Stockholder under this Agreement, including but not limited to, the termination of the right to continue vesting the Stock under this Agreement.

10. **INCORPORATION OF PLAN.** The Stock granted hereby is granted pursuant to the Plan, all the terms and conditions of which are hereby made a part hereof and are incorporated herein by reference. In the event of any inconsistency between the terms and conditions contained herein and those set forth in the Plan, the terms and conditions of the Plan shall prevail.
11. **COPIES OF PLAN MATERIALS.** Stockholder acknowledges that Stockholder has received copies of the Plan and the Plan prospectus from the Company and agrees to receive stockholder information, including copies of any annual report, proxy statement and periodic report, electronically from the Company. Stockholder acknowledges that copies of the Plan, Plan prospectus, Plan information and stockholder information are also available upon written or telephonic request to the Company.
12. **MISCELLANEOUS.** This Agreement contains the entire agreement of the parties with respect to its subject matter. This Agreement shall be binding upon and shall inure to the benefit of the respective parties, the successors and assigns of the Company, and the heirs, legatees and personal representatives of Stockholder.
13. **GOVERNING LAW.** This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Delaware without reference to such state's principles of conflict of laws.
14. **NOTICE OF RESTRICTION.** The parties agree that any book entry representing the Stock granted hereunder may contain a legend, or notation as the case may be, indicating that such stock is subject to the restrictions of this Agreement.
15. **ACKNOWLEDGMENT.** Stockholder acknowledges that the acceptance of the Stock constitutes an unequivocal acceptance of this Agreement and any attempted modification or deletion will have no force or effect on the Company's right to enforce the terms and conditions stated herein.

***By accepting the Stock, you agree to all of the terms and conditions set forth above and in the Plan.***

## SAIC, INC.

2006 EQUITY INCENTIVE PLAN  
NONSTATUTORY STOCK OPTION AGREEMENT  
NON-EMPLOYEE DIRECTORS

BY ACCEPTING THE OPTION DESCRIBED IN THIS AGREEMENT, YOU VOLUNTARILY AGREE TO ALL OF THE TERMS AND CONDITIONS SET FORTH IN THIS AGREEMENT AND IN THE PLAN.

SAIC, Inc., a Delaware corporation (the “**Company**”), hereby grants an option (the “**Option**”) to purchase shares of its Common Stock, \$0.0001 par value per share, (“**Stock**”), to the participant named in the Grant Summary (as defined below) (“**Optionee**”). Optionee is a non-employee director of the Company. Certain specific details of the award of this Option, including Option Shares, Option Price and Grant Date, may be found in the Grant Summary and are hereby incorporated by reference into this Agreement. The terms and conditions of the Option are set forth in this Agreement and in the Company’s 2006 Equity Incentive Plan, as amended (the “**Plan**”).

1. **DEFINITIONS.** The following terms shall have the meanings as defined below. Capitalized terms used herein and not defined shall have the meanings attributed to them in the Plan.

“**Administrator**” shall have the meaning as defined in the Plan.

“**Affiliate**” shall mean a “parent” or “subsidiary” (as each is defined in Section 424 of the Code) of the Company and any other entity that the Board or Committee designates as an “Affiliate” for purposes of this Plan.

“**Cause**” shall have the meaning as defined in the Plan.

“**Committee**” shall have the meaning as defined in the Plan.

“**Expiration Date**” shall have the meaning as defined in Section 3 below.

“**Fair Market Value**” shall have the meaning as defined in the Plan.

“**Grant Date**” shall mean the date of the award of this Option as set forth in the Grant Summary.

“**Grant Summary**” shall mean the summary of this award as reflected in the electronic stock plan award administration system maintained by the Company or its designee that contains a link to this Agreement (which summary information is set forth in the appropriate records of the Company authorizing such award).

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“**Option Price**” shall mean the exercise price per Option Share applicable to this Option set forth in the Grant Summary.

“**Option Shares**” shall mean the number of shares of Stock issuable upon exercise of the Option as set forth in the Grant Summary.

“**Permanent Disability**” shall mean the status of disability determined conclusively by the Committee based upon certification of disability by the Social Security Administration or upon such other proof as the Committee may require, effective upon receipt of such certification or other proof by the Committee.

“**Special Retirement**” shall mean retirement by an Optionee who is a director of the Company either (A) after reaching the applicable mandatory retirement age at retirement or (B) at the end of a term of office if Optionee is not nominated for a successive term of office on account of the fact that Optionee would have reached the applicable mandatory retirement age during such successive term of office, regardless of years of service with the Company.

“**Vesting Date**” shall have the meaning as defined in Section 4.1 below.

2. **GRANT OF OPTION; NUMBER OF SHARES; OPTION PRICE.** The Company hereby grants to Optionee an Option to purchase all or any part of the Option Shares at the Option Price.
3. **TERM OF OPTION.** This Option shall terminate upon the earlier to occur of: (i) five (5) years from the Grant Date (the “**Expiration Date**”); or (ii) the expiration of the applicable period following the occurrence of any of the events specified in Section 5 hereof. The Company shall have no obligation to provide Optionee with notice of termination or expiration of this Option.
4. **EXERCISE OF OPTION.**
  - 4.1 **General Schedule of Vesting and Exercisability.** Subject to the terms of the Plan and this Agreement, this Option shall vest and become exercisable in accordance with the following schedule:
    - a) The Option may be exercised as to 100% of the Option Shares on or after the later of: (i) the first-year anniversary of the Grant Date or (ii) the date the annual meeting of stockholders of the Company following the Grant Date is concluded (the “**Vesting Date**”).
    - b) The Option may not be exercised in whole or in part at any time prior to the Vesting Date.

Optionee may purchase all, or from time to time, any part of the maximum number of Option Shares which are then exercisable. Except as set forth in Section 4.4 below, this Option shall be exercisable only by Optionee.

- 4.2 **General Terms of Exercise.** Subject to the terms of the Plan and this Agreement, the Option shall be exercised pursuant to procedures established by the Committee, which may include electronic or voice procedures as may be specified by the Committee and which may include a requirement to acknowledge this Agreement prior to exercise. Acceptable forms and methods of payment to exercise the Option may include (i) by cashier's check, money order or wire transfer; (ii) by a cashless exercise procedure; or (iii) by tendering shares of Common Stock of the Company acceptable to the Committee valued at their Fair Market Value as of the date of exercise.
- 4.3 **Treatment of Special Retirement.** If Optionee has met the provisions of the definition of the term "Special Retirement" in Section 1 above, the right to exercise this Option shall continue to vest and be exercisable in accordance with the schedule set forth in Section 4.1 above.
- 4.4 **Treatment of Death or Permanent Disability.** Notwithstanding anything to the contrary herein, if Optionee ceases to be affiliated with the Company or any Affiliate as a result of Optionee's death or Permanent Disability, or if Optionee's death or Permanent Disability occurs following a Special Retirement, any unvested portion of this Option shall accelerate and become fully exercisable. Following Optionee's death, this Option may be exercised only by the executor or administrator of the Optionee's estate or, if there is none, the person entitled to exercise the Option under Optionee's will or the laws of descent and distribution. Following Optionee's termination of affiliation as a result of Optionee's Permanent Disability, if a guardian or conservator has been appointed to act for Optionee and been granted this authority as part of that appointment, that guardian or conservator may exercise this Option on behalf of Optionee.

5. **TERMINATION OF OPTION; EVENTS IMPACTING ABILITY TO EXERCISE OPTION.**

- 5.1 **Termination of Affiliation.** If Optionee ceases to be affiliated with the Company or an Affiliate for any reason other than death, Special Retirement, Permanent Disability or Cause, Optionee may exercise this Option within the ninety (90) day period following such cessation of affiliation, but only to the extent that this Option was exercisable at the date of such cessation of affiliation and Optionee's rights to exercise the Option have not been suspended as of the date of such cessation of affiliation. This Option shall terminate on the earlier to occur of the expiration of such ninety (90) day period or the Expiration Date.
- 5.2 **Removal for Cause.** If Optionee is a director of the Company or an Affiliate and is removed for Cause as determined by the Administrator of the Plan, this Option and all of Optionee's rights with respect thereto shall immediately terminate on the date of such removal.
- 5.3 **Termination for Breach of Obligation.** Notwithstanding the right of Optionee to continued vesting upon Special Retirement under Section 4.3 above, the Company shall have the right to terminate this Option prior to the Vesting Date if Optionee breaches his or her contractual or legal obligations to the Company or an Affiliate ("**Breach of Obligation**").
- 5.4 **Termination of Unexercised Options.** If any portion of the Option is not exercised by the earlier of: (i) the end of the applicable period specified in Sections 5.1 or 5.2 or (ii) the Expiration Date, any such unexercised portion and all of Optionee's rights with respect thereto shall terminate.



6. **TAX WITHHOLDING.** If the Company or any Affiliate is required to withhold any federal, state, local or other taxes upon the exercise of this Option, Optionee shall remit an amount sufficient to satisfy any applicable tax withholding requirement in a form of payment satisfactory to the Administrator or the Committee, which may include by cashier's check, money order or wire transfer or by the Company's withholding Stock issued upon exercise of this Option to pay the required withholding. If the Company withholds Stock, the Fair Market Value of the Stock withheld, as determined as of the date of withholding, shall not exceed the minimum rates required by law.
7. **RESTRICTIONS UNDER SECURITIES LAW.** All shares of Stock covered by this Agreement are subject to any restrictions which may be imposed under applicable state and federal securities laws and are subject to obtaining all necessary consents which may be required by, or any condition which may be imposed in accordance with, applicable state and federal securities laws or regulations.
8. **INCORPORATION OF PLAN.** The Option granted hereby is granted pursuant to the Plan, all the terms and conditions of which are hereby made a part hereof and are incorporated herein by reference. In the event of any inconsistency between the terms and conditions contained herein and those set forth in the Plan, the terms and conditions of the Plan shall prevail.
9. **NO CONTINUED RIGHTS.**
  - 9.1 Nothing in this Agreement (including, but not limited to, the right to exercise this Option pursuant to the schedule set forth in Section 4 herein), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall (i) confer upon Optionee any right to continue in the affiliation with the Company or an Affiliate, (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation, or (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan.
  - 9.2 Optionee acknowledges and agrees that the right to exercise this Option pursuant to the schedule set forth in Section 4 is earned only by continuing as a director of the Company (not through the act of being hired, being granted this Option or any other Option, award or benefit or acquiring shares hereunder) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a "reorganization"). Optionee acknowledges and agrees that such a reorganization could result in the termination of Optionee's relationship as a director of the Company or an Affiliate, and the loss of benefits available to Optionee under this Agreement, including but not limited to, the termination of the right to exercise the Options under this Agreement.

10. **COPIES OF PLAN MATERIALS.** Optionee acknowledges that Optionee has received copies of the Plan and the Plan prospectus from the Company and agrees to receive stockholder information, including copies of any annual report, proxy statement and periodic report, electronically from the Company. Optionee acknowledges that copies of the Plan, Plan prospectus, Plan information and stockholder information are also available upon written or telephonic request to the Company.
11. **MISCELLANEOUS.** This Agreement contains the entire agreement between the parties with respect to its subject matter. This Agreement shall be binding upon and shall inure to the benefit of the respective parties, the successors and assigns of the Company, and the heirs, legatees, and personal representatives of Optionee.
12. **ACKNOWLEDGMENT.** Optionee acknowledges that accepting the Option constitutes an unequivocal acceptance of this Agreement and any attempted modifications or deletions will have no force or effect upon the Company's right to enforce the terms and conditions stated herein.
13. **GOVERNING LAW.** This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Delaware without reference to such state's principles of conflict of laws.

*By accepting the Option, you agree to all of the terms and conditions set forth above and in the Plan.*

## SAIC, INC.

2006 EQUITY INCENTIVE PLAN  
PERFORMANCE SHARE AWARD AGREEMENT

BY ACCEPTING THE AWARD DESCRIBED IN THIS AGREEMENT, YOU VOLUNTARILY AGREE TO ALL OF THE TERMS AND CONDITIONS SET FORTH IN THIS AGREEMENT, THE AWARD LETTER AND IN THE PLAN.

This Performance Share Award Agreement (this "**Agreement**"), effective as of the Grant Date (as defined below), is between SAIC, Inc., a Delaware corporation (the "**Company**"), and Recipient (as defined below).

This Agreement sets forth the terms and conditions applicable to the award granted to Recipient pursuant to the Award Letter (as defined below) representing a right to receive a number of shares of the Company's Common Stock (the "**Shares**") based on the extent, if any, to which the applicable Performance Goals (as defined below) have been achieved for the Performance Period (as defined below) (the "**Performance Share Award**").

1. **DEFINITIONS.** The following terms shall have the meanings as defined below. Capitalized terms used herein and not defined shall have the meanings attributed to them in the Company's 2006 Equity Incentive Plan (as may be amended from time to time, the "**Plan**").

"**Award Letter**" means the award notice delivered to Recipient concurrently with this Agreement and which is hereby made a part hereof and incorporated by reference into this Agreement.

"**Determination Date**" means the date on which the Committee makes a final determination of whether and to what extent the Performance Goals set forth in the Award Letter have been achieved for the Performance Period, as described in Section 3 hereof.

"**Executive Officer**" means an officer of the Company designated as such for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

"**Grant Date**" means the effective date of the grant of the Performance Share Award as set forth in the Award Letter.

"**Ineligible Position**" means a position of employment with the Company or an Affiliate that is not eligible to receive Performance Share Awards as determined by the Committee.

"**Performance Goals**" means the goals set forth in the Award Letter as established by the Committee to determine whether, and to what extent, the Performance Share Award shall be earned and therefore Shares shall be issued to Recipient after the Determination Date pursuant to this Agreement.

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“**Performance Period**” means the period of three fiscal years from fiscal year 20\_\_ through fiscal year 20\_\_, inclusive, based on the Company’s audited annual financial statements.

“**Permanent Disability**” means the status of disability determined conclusively by the Committee based upon certification of disability by the Social Security Administration or upon such other proof as the Committee may require, effective upon receipt of such certification or other proof by the Committee.

“**Recipient**” means the person granted a Performance Share Award as named in the Award Letter who is affiliated with the Company or an Affiliate as an employee.

“**Section 409A**” means Section 409A of the Code together with the regulations promulgated thereunder.

“**Target Shares**” means the target number of Shares as set forth in the Award Letter.

“**Special Retirement**” means: (i) retirement by the Recipient after reaching age 59 1/2 with at least ten (10) years of service with the Company or an Affiliate; (ii) retirement by the Recipient after reaching age 59 1/2 and Recipient’s age plus years of service with the Company or an Affiliate equals at least 70; or (iii) if the Recipient is an Executive Officer at the time of retirement, retirement after reaching age 65 by the Recipient, regardless of years of service with the Company. For Special Retirement purposes, years of service shall mean the period of service determined conclusively by the Committee.

2. **PERFORMANCE SHARE AWARD SUBJECT TO TERMINATION.** Except in the event of death, Permanent Disability or Special Retirement as set forth below, the Performance Share Award shall be terminated automatically without compensation and no Shares shall be issued to Recipient pursuant to this Agreement if, prior to the end of the Performance Period, Recipient’s employment with the Company or any Affiliate terminates, or if Recipient is an employee of an Affiliate and such entity ceases to be an Affiliate, whether by Committee action or otherwise, on the date such entity ceases to be an Affiliate.

3. **PERFORMANCE REQUIREMENTS.**

- a) **Performance Goals.** Following the end of the Performance Period, the Committee shall determine whether and the extent to which each of the Performance Goals have been achieved for the Performance Period and shall determine the number of Shares, if any, issuable to Recipient with respect to the level of achievement of each individual Performance Goal;

*provided* that with respect to any Performance Share Award to a “covered employee” within the meaning of Section 162(m) of the Code, the Committee shall have certified the achievement of the Performance Goals. The aggregate number of Shares potentially issuable to Recipient with respect to all Performance Goals shall be between 0% and 150% (rounded down to the nearest whole Share) of the number of Target Shares. The Committee’s determinations with respect to the achievement of Performance Goals shall be based on the Company’s financial results reported in its annual report on Form 10-K as filed with the SEC, subject to any adjustments made by the Committee in accordance with Section 3(c) below.

- b) **Committee Discretion to Reduce Performance Share Award.** Notwithstanding satisfaction, achievement or completion of the Performance Goals set forth in the Award Letter (or any adjustments thereto as provided below), the number of Shares issuable hereunder may be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion shall determine.
- c) **Adjustment of Performance Goals.** To the extent it is intended that this Performance Share Award comply with the performance-based exception to Section 162(m) of the Code, the Committee shall make no adjustment to the Performance Goals set forth in the Award Letter with respect to a “covered employee” within the meaning of Section 162(m) of the Code, including the performance targets or the method of calculating the actual performance achieved relative to the Performance Goals, except to exclude the impact of (i) changes in accounting standards or adoption of any new accounting standards in accordance with generally accepted accounting principles in the United States, (ii) changes in federal statutory corporate tax rates, and (iii) extraordinary or unusual gains or losses, events or circumstances over which the Company has no or limited control, including the occurrence of any disaster, act of God or any other force majeure event.
- d) **Section 162(m).** To the extent the Committee has determined that this Performance Share Award is intended to comply with the performance-based exception to Section 162(m) of the Code and the Recipient is a “covered employee” within the meaning of Section 162(m) of the Code, all actions taken hereunder (including without limitation any adjustments of Performance Goals or determination of whether a Fundamental Transaction or Change in Control has occurred) shall be made in a manner which would comply with Section 162(m) of the Code.

4. **ISSUANCE OF SHARES.** Shares shall be issued, if and to the extent earned based on the achievement of the Performance Goals as determined by the Committee, promptly following the Determination Date; *provided* that it is intended that to the extent possible, the issuance of the Shares shall be exempt from Section 409A pursuant to the short-term deferral exception thereunder, and the Determination Date (and issuance of Shares hereunder) shall be within 2 and 1/2 months following the end of the Performance Period. As a condition to such issuance, Recipient must have satisfied his or her tax withholding obligations as specified in this Agreement and must have completed, signed and returned any documents and taken any additional action that the Company deems appropriate to enable it to accomplish the delivery of the Shares. In no event will the Company be obligated to issue a fractional share. Notwithstanding the foregoing, (i) the Company shall not be obligated to deliver any Shares during any period when the Company determines that the issuance or the delivery of Shares hereunder would violate any federal, state or other applicable laws and/or may issue Shares subject to any restrictive legends that, as determined by the Company, is necessary to comply with securities or other regulatory requirements, and (ii) the date on which Shares are issued may include a delay (but not later than the next December 31<sup>st</sup> after the end of the Performance Period) in order to provide the Company such time as it determines appropriate to address tax withholding and other administrative matters. If eligible, Recipient shall be given the opportunity to elect to defer receipt of the Shares. Such deferral election shall be in accordance with the terms of the applicable non-qualified deferral plan of the Company or an Affiliate and the requirements of Section 409A and subject to such additional terms and conditions as are set by the Committee.
5. **PARTIAL PAYMENT ON CERTAIN EVENTS.**
- a) **Disability, Retirement or Transfer from an Eligible Position.** If either (i) Recipient ceases to be employed with the Company and its Affiliates as a result of Recipient's Permanent Disability or Special Retirement or (ii) Recipient is transferred to an Ineligible Position and remains employed by the Company or an Affiliate through the end of the Performance Period or, if applicable, through the time of consummation of a Fundamental Transaction as set forth in Section 5(c) below, Recipient shall remain eligible to receive, promptly after the Determination Date, a prorated portion of the Shares that would otherwise be issuable to Recipient under the Performance Share Award in the absence of such event based on the actual achievement of the Performance Goals over the Performance Period; *provided* that such prorated amount shall be based on the ratio of (x) the number of days elapsed from the beginning of the Performance Period to the employment termination date (or date of transfer to an Ineligible Position, as applicable) over (y) the number of days in the entire scheduled Performance Period (and not reflecting any shortening of the Performance Period as a result of a Fundamental Transaction as described below). Notwithstanding the foregoing, Recipient shall not be entitled to any Shares under the Performance Share Award if Recipient: (i) fails to execute and deliver a general release of claims if requested by, and in a form satisfactory to, the Company or an Affiliate, (ii) violates the terms of his or her inventions, copyright and confidentiality agreement with the Company or an Affiliate, or (iii) breaches his or her other contractual or legal obligations to the Company or an Affiliate, including the non-solicitation obligations set forth in Section 13 of this Agreement.

- b) **Death.** If Recipient's employment with the Company and its Affiliates terminates due to the death of Recipient, then Recipient's estate shall receive, promptly after the date of death, a prorated portion of the Shares that Recipient would have been issued pursuant to the Performance Share Award based on the formula set forth in subsection (c) below as if a Fundamental Transaction had occurred on such date of death.
- c) **Change in Control of Company.** If a Fundamental Transaction or Change in Control (as defined in the Plan) occurs prior to the end of the Performance Period while Recipient is employed by the Company or an Affiliate or remains entitled to receive Shares pursuant to Section 5(a) above, the Performance Period shall be terminated and Recipient shall be entitled to receive, immediately prior to the consummation of such Fundamental Transaction or Change in Control, the following number of Shares (the "**CIC Earned Shares**"):
- (i) If the Fundamental Transaction or Change in Control occurs on or prior to 50% of the Performance Period elapsing, a prorated number of the Target Shares, based on the portion of the Performance Period that has elapsed.
  - (ii) If the Fundamental Transaction or Change in Control occurs following at least 50% of the Performance Period elapsing, a number of Shares based on the achievement of the Performance Goals at the time of consummation of the Fundamental Transaction or Change in Control as determined by the Committee and prorated to reflect the portion of the Performance Period that has elapsed through the date of consummation of the Fundamental Transaction or Change in Control (or, if Recipient earlier transfers to an Ineligible Position, through the date of such transfer). For purposes of determining the achievement of the Performance Goals, the Committee shall use the Company's financial results reported in its most recent quarterly report on Form 10-Q or annual report on Form 10-K as filed with the SEC prior to consummation the Fundamental Transaction or Change in Control.

Notwithstanding the foregoing, if the Company determines that this Performance Share Award is "deferred compensation" for purposes of Section 409A and is not eligible for any exemption from or exception to Section 409A, and that the Fundamental Transaction or Change in Control is not also a "change in ownership", "change in effective control" or a "change in the ownership of a substantial portion of the assets" of the Company under Section 409A, then the CIC Earned Shares (or a comparable amount of cash or acquiring company stock, depending on the consideration received by Company stockholders on such Fundamental Transaction or Change in Control) shall only be issued to Recipient on the date such Shares would have been issued pursuant to Section 4 if a Fundamental Transaction or Change in Control had not occurred).

6. **TAX WITHHOLDING.** If the Company or an Affiliate is required to withhold any federal, state, local or other taxes upon the issuance of Shares or otherwise under this Agreement, the Company shall withhold a sufficient number of Shares to meet the withholding obligation based on the minimum rates required by law; provided, however, that the Company may, in its sole discretion, sell a sufficient number of Shares on behalf of Recipient to satisfy such obligations, accept payment to satisfy such obligations in the form of cash or delivery to the Company of Shares already owned by Recipient, or any combination of the foregoing.
7. **RIGHTS, RESTRICTIONS AND LIMITATIONS.** Any Shares issued to Recipient pursuant to this Agreement are subject to the rights, restrictions and limitations set forth in the Company's Restated Certificate of Incorporation. Recipient shall not have the rights of a stockholder until Shares, if any, are issued following the Determination Date. The Performance Share Award and rights under this Agreement may be not transferred by Recipient.
8. **RESTRICTIONS UNDER SECURITIES LAW.** The Performance Share Award and Shares potentially issuable pursuant this Agreement are subject to any restrictions which may be imposed under applicable state and federal securities laws and are subject to obtaining all necessary consents which may be required by, or any condition which may be imposed in accordance with, applicable state and federal securities laws or regulations.
9. **EMPLOYMENT AT WILL.**
  - a) Recipient's employment or affiliation with the Company or an Affiliate is not for any specified term and may be terminated by Recipient or by the Company or an Affiliate at any time, for any reason, with or without cause and with or without notice. Nothing in this Agreement, the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon Recipient any right to continue in the employ of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan; or (iv) deprive the Company of the right to terminate Recipient at will and without regard to any future vesting opportunity that Recipient may have.



- b) Recipient acknowledges and agrees that the right to receive Shares pursuant to this Agreement is earned, among other requirements, only by continuing as an employee at the will of the Company (not through the act of being hired, being granted the Performance Share Award or any other award or benefit) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a “reorganization”). Recipient acknowledges and agrees that such a reorganization could result in the termination of Recipient’s relationship as an employee to the Company or an Affiliate, or the termination of Affiliate status of Recipient’s employer and the loss of benefits available to Recipient under this Agreement, including but not limited to, the termination of the right to receive Shares under this Agreement. Recipient further acknowledges that if the Performance Goals are not met, it is possible that no Shares will be issued hereunder.
10. **INCORPORATION OF PLAN.** The Performance Share Award is granted pursuant to the Plan, all the terms and conditions of which are hereby made a part hereof and are incorporated herein by reference. In the event of any inconsistency between the terms and conditions contained herein and those set forth in the Plan, the terms and conditions of the Plan shall prevail.
11. **RECOUPMENT OF AWARDS.** The Human Resources and Compensation Committee of the Company’s Board of Directors adopted a recoupment policy on June 18, 2009 (the “Policy”), that may require members of senior management to return incentive compensation if there is a material restatement of the financial results upon which the compensation was originally based. The Policy also provides for recovery of incentive compensation from any employee involved in fraud or intentional misconduct, whether or not it results in a restatement of the Company’s financial results. Recipient acknowledges and agrees that the Policy applies to the Performance Share Award and that any payments or issuances of Shares are subject to recoupment pursuant to the Policy. This Agreement shall be deemed to include the restrictions imposed by the Policy.
12. **COPIES OF PLAN AND OTHER MATERIALS.** Recipient acknowledges that Recipient has received copies of the Plan and the Plan prospectus from the Company and agrees to receive stockholder information, including copies of any annual report, proxy statement and periodic report, electronically from the Company. Recipient acknowledges that copies of the Plan, Plan prospectus, Plan information and stockholder information are also available upon written or telephonic request to the Company. Recipient acknowledges that a copy of the Policy referenced in Section 11 is available on ISSAIC, the Company’s intranet, and is also available upon written or telephonic request to the Company.

13. **NON-SOLICITATION.**

- a) **Solicitation of Employees.** Recipient agrees that, both while employed by the Company or an Affiliate and for one year afterward, Recipient will not solicit or attempt to solicit any employee of the Company or an Affiliate to leave his or her employment or to violate the terms of any agreement or understanding that employee may have with the Company or an Affiliate. The foregoing obligations apply to both the Recipient's direct and indirect actions, and apply to actions intended to benefit Recipient or any other person, business or entity.
- b) **Solicitation of Customers.** Recipient agrees that, for one year after termination of employment with the Company or an Affiliate, Recipient will not participate in any solicitation of any customer or prospective customer of the Company or an Affiliate concerning any business that:
  - (i) involves the same programs or projects for that customer in which Recipient was personally and substantially involved during the 12 months prior to termination of employment; or
  - (ii) has been, at any time during the 12 months prior to termination of employment, the subject of any bid, offer or proposal activity by the Company or an Affiliate in respect of that customer or prospective customer, or any negotiations or discussions about the possible performance of services by the Company or an Affiliate to that customer or potential customer, in which Recipient was personally and substantially involved.

In the case of a governmental, regulatory or administrative agency, commission, department or other governmental authority, the customer or prospective customer will be determined by reference to the specific program offices or activities for which the Company or an Affiliate provides (or may reasonably provide) goods or services.

- c) **Remedies.** Recipient acknowledges and agrees that a breach of any of the promises or agreements contained in this Section 13 will result in immediate, irreparable and continuing damage to the Company for which there is no adequate remedy at law, and the Company or an Affiliate will be entitled to injunctive relief, a decree for specific performance, and other relief as may be proper, including money damages.

14. **MISCELLANEOUS.** This Agreement which includes the Award Letter contains the entire agreement of the parties with respect to its subject matter. This Agreement shall be binding upon and shall inure to the benefit of the respective parties, the successors and assigns of the Company, and the heirs, legatees and personal representatives of Recipient. The parties hereby agree that should any portion of this Agreement be judicially held to be invalid, unenforceable, or void, such portion shall be construed by limiting and reducing it, so as to be enforceable to the maximum extent compatible with the applicable law as is then in effect.

15. **GOVERNING LAW.** This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Delaware without reference to such state's principles of conflict of laws.
16. **ACKNOWLEDGMENT.** Recipient acknowledges that the Performance Share Award constitutes full and adequate consideration for Recipient's obligations under this Agreement, the acceptance of the Performance Share Award constitutes an unequivocal acceptance of this Agreement and any attempted modification or deletion will have no force or effect on the Company's right to enforce the terms and conditions stated herein.

***By accepting the Performance Share Award, you agree to all of the terms and conditions set forth herein and in the Plan.***

## SAIC, INC.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Walter P. Havenstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ending October 31, 2009 of SAIC, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 8, 2009

/s/ WALTER P. HAVENSTEIN

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Walter P. Havenstein  
Chief Executive Officer

## SAIC, INC.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark W. Sopp, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ending October 31, 2009 of SAIC, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 8, 2009

/s/ MARK W. SOPP

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**Mark W. Sopp**  
Chief Financial Officer

## SAIC, INC.

CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SAIC, Inc. (the "Company") on Form 10-Q for the period ending October 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Walter P. Havenstein, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 8, 2009

/s/ WALTER P. HAVENSTEIN

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Walter P. Havenstein  
Chief Executive Officer

SAIC, INC.

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SAIC, Inc. (the "Company") on Form 10-Q for the period ending October 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark W. Sopp, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 8, 2009

/s/ MARK W. SOPP

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**Mark W. Sopp**  
Chief Financial Officer