

**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, 2007

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)

**20-3562868**  
(I.R.S. Employer  
Identification No.)

**10260 Campus Point Drive, San Diego, California**  
(Address of principal executive offices)

**92121**  
(Zip Code)

**(858) 826-6000**  
(Registrant's telephone number, including area code)

**N/A**  
(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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 30, 2007, the registrant had 166,848,797 shares of common stock, \$.0001 par value per share, issued and outstanding, and 246,488,155 shares of Class A preferred stock, \$.0001 par value per share, issued and outstanding.

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## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements.

SAIC, INC.  
Condensed Consolidated Statements of Income  
(Unaudited)

	Three Months Ended October 31		Nine Months Ended October 31	
	2007	2006	2007	2006
	(in millions, except per share amounts)			
Revenues	\$ 2,365	\$ 2,081	\$ 6,598	\$ 5,972
Costs and expenses:				
Cost of revenues	2,027	1,807	5,683	5,154
Selling, general and administrative expenses	152	133	420	388
Operating income	186	141	495	430
Non-operating income (expense):				
Interest income	14	35	42	97
Interest expense	(22)	(22)	(67)	(68)
Minority interest in income of consolidated subsidiaries	—	(1)	(3)	(4)
Other income (expense), net	—	1	(4)	4
Income from continuing operations before income taxes	178	154	463	459
Provision for income taxes	69	64	180	178
Income from continuing operations	109	90	283	281
Discontinued operations (Note 1):				
Income (loss) from discontinued operations before minority interest in income of consolidated subsidiaries and income taxes (including a net loss on sales of \$3 million and a net gain on sales of \$41 million for the three and nine months ended October 31, 2007, respectively, and net gain on sales of \$19 million and \$18 million for the three and nine months ended October 31, 2006, respectively)	(3)	25	47	36
Minority interest in income of consolidated subsidiaries	—	3	2	7
Provision for income taxes	1	14	12	3
Income (loss) from discontinued operations	(4)	8	33	26
Net income	<u>\$ 105</u>	<u>\$ 98</u>	<u>\$ 316</u>	<u>\$ 307</u>
Earnings per share:				
Basic:				
Income from continuing operations	\$ .27	\$ .27	\$ .70	\$ .84
Income (loss) from discontinued operations	(.01)	.02	.08	.08
	<u>\$ .26</u>	<u>\$ .29</u>	<u>\$ .78</u>	<u>\$ .92</u>
Diluted:				
Income from continuing operations	\$ .26	\$ .26	\$ .68	\$ .81
Income (loss) from discontinued operations	(.01)	.02	.08	.08
	<u>\$ .25</u>	<u>\$ .28</u>	<u>\$ .76</u>	<u>\$ .89</u>
Weighted average shares outstanding:				
Basic	402	336	404	334
Diluted	414	347	417	345

See accompanying notes to condensed consolidated financial statements.

**SAIC, INC.**  
**Condensed Consolidated Balance Sheets**  
(Unaudited)

	<u>October 31,</u> <u>2007</u>	<u>January 31,</u> <u>2007</u>
(in millions)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,011	\$ 1,109
Receivables, net	1,844	1,598
Inventory, prepaid expenses and other current assets	217	190
Assets of discontinued operations	—	85
Total current assets	3,072	2,982
Property, plant and equipment (less accumulated depreciation and amortization of \$287 million and \$261 million at October 31, 2007 and January 31, 2007, respectively)	402	382
Intangible assets, net	111	109
Goodwill	1,081	920
Deferred income taxes	63	57
Other assets	101	109
	<u>\$ 4,830</u>	<u>\$ 4,559</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,108	\$ 1,032
Accrued payroll and employee benefits	506	507
Income taxes payable	32	73
Notes payable and long-term debt, current portion	139	29
Liabilities of discontinued operations	—	25
Total current liabilities	1,785	1,666
Notes payable and long-term debt, net of current portion	1,099	1,199
Other long-term liabilities	155	102
Commitments and contingencies (Note 8)		
Minority interest in consolidated subsidiaries	—	56
Stockholders' equity:		
Preferred stock, \$.0001 par value, 1.5 billion shares authorized, 258 million and 320 million shares issued and outstanding at October 31, 2007 and January 31, 2007, respectively	—	—
Common stock, \$.0001 par value, 2 billion shares authorized, 155 million and 92 million shares issued and outstanding at October 31, 2007 and January 31, 2007, respectively	—	—
Additional paid-in capital	1,767	1,557
Retained earnings	48	6
Accumulated other comprehensive loss	(24)	(27)
Total stockholders' equity	1,791	1,536
	<u>\$ 4,830</u>	<u>\$ 4,559</u>

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 (in millions)	Accumulated other comprehensive loss	Totals	Comprehensive income
	Common stock	Preferred stock					
Balance at February 1, 2007	92	320	\$ 1,557	\$ 6	\$ (27)	\$1,536	
Net income	—	—	—	316	—	316	\$ 316
Other comprehensive income	—	—	—	—	3	3	3
Issuances of stock and other stock transactions	—	25	241	—	—	241	—
Repurchases of stock	(11)	(13)	(150)	(273)	—	(423)	—
Conversion of preferred stock to common stock	74	(74)	—	—	—	—	—
Income tax benefit from employee stock transactions	—	—	51	—	—	51	—
Stock-based compensation	—	—	68	—	—	68	—
Adjustment to initially apply FIN 48	—	—	—	(1)	—	(1)	—
Balance at October 31, 2007	<u>155</u>	<u>258</u>	<u>\$ 1,767</u>	<u>\$ 48</u>	<u>\$ (24)</u>	<u>\$1,791</u>	<u>\$ 319</u>

See accompanying notes to condensed consolidated financial statements.

**SAIC, INC.**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited)

	Nine Months Ended October 31	
	2007	2006
	(in millions)	
<b>Cash flows from operations:</b>		
Net income	\$ 316	\$ 307
Income from discontinued operations	(33)	(26)
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	57	52
Stock-based compensation	68	43
Excess tax benefits from stock-based compensation	(51)	—
Other non-cash items	15	14
Increase (decrease) in cash and cash equivalents, excluding effects of acquisitions and divestitures, resulting from changes in:		
Receivables	(194)	(28)
Inventory, prepaid expenses and other current assets	(23)	43
Deferred income taxes	(5)	5
Other assets	2	1
Accounts payable and accrued liabilities	52	(35)
Accrued payroll and employee benefits	(2)	73
Dividend payable	—	9
Income taxes payable	27	37
Other long-term liabilities	(6)	(1)
<b>Total cash flows provided by operations</b>	<b>223</b>	<b>494</b>
<b>Cash flows from investing activities:</b>		
Expenditures for property, plant and equipment	(42)	(64)
Acquisitions of businesses, net of cash acquired of \$29 million in 2007 and \$4 million in 2006	(144)	(143)
Payments for businesses acquired in previous years	(1)	(1)
Purchases of marketable securities available-for-sale	—	(4,258)
Proceeds from sales and maturities of marketable securities available-for-sale	—	5,917
Other	9	11
<b>Total cash flows provided by (used in) investing activities</b>	<b>(178)</b>	<b>1,462</b>
<b>Cash flows from financing activities:</b>		
Payments on notes payable and long-term debt	(9)	(19)
Sales of stock through initial public offering	—	1,244
Sales of stock and exercise of stock options	79	57
Repurchases of stock	(270)	(657)
Excess tax benefits from stock-based compensation	51	—
Other	(1)	(2)
<b>Total cash flows provided by (used in) financing activities</b>	<b>(150)</b>	<b>623</b>
<b>Increase (decrease) in cash and cash equivalents from continuing operations</b>	<b>(105)</b>	<b>2,579</b>
<b>Cash flows of discontinued operations:</b>		
Cash provided by (used in) operating activities of discontinued operations	(3)	35
Cash provided by investing activities of discontinued operations	6	17
Cash used in financing activities of discontinued operations	—	(30)
<b>Increase in cash and cash equivalents from discontinued operations</b>	<b>3</b>	<b>22</b>
<b>Total increase (decrease) in cash and cash equivalents</b>	<b>(102)</b>	<b>2,601</b>
Cash and cash equivalents at beginning of period—continuing operations	1,109	1,001
Cash and cash equivalents at beginning of period—discontinued operations	4	34
<b>Cash and cash equivalents at beginning of period</b>	<b>1,113</b>	<b>1,035</b>
Cash and cash equivalents at end of period—continuing operations	1,011	3,631
Cash and cash equivalents at end of period—discontinued operations	—	5
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,011</b>	<b>\$ 3,636</b>

See accompanying notes to condensed consolidated financial statements.

**SAIC, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

**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. Governmental civil agencies, state and local government agencies, foreign governments and customers in selected 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). All intercompany transactions and accounts have been eliminated in consolidation. The Company recognized revenues of \$8 million and \$17 million on sales to certain unconsolidated affiliates during the three and nine months ended October 31, 2007, respectively. The Company recognized revenues of \$4 million and \$11 million on sales to certain unconsolidated affiliates during the three and nine months ended October 31, 2006, 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 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, 2007. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and actual results could differ from those estimates.

In the opinion of management, the financial information as of October 31, 2007 and for the three and nine months ended October 31, 2007 and 2006 reflects all adjustments, which include normal recurring adjustments, necessary for a fair presentation thereof. Operating results for the three and nine months ended October 31, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2008, or any future period.

***Discontinued Operations***

On July 13, 2007, the Company completed a reorganization transaction involving AMSEC LLC. Before this transaction was completed, AMSEC LLC was jointly owned 55% by the Company and 45% by another party, and AMSEC LLC's results were reported as a consolidated majority-owned subsidiary of the Company within the Government segment. The reorganization transaction resulted in the disposition of the Company's 55% interest in AMSEC LLC in exchange for the acquisition by the Company of certain divisions of AMSEC LLC. The Company no longer owns any interest in AMSEC LLC nor has minority interest ownership by others in any consolidated subsidiary.

The Company applied purchase accounting to the AMSEC LLC divisions that were acquired and recorded the portion of the business retained by the other party as a sale at fair value. The Company recorded a pre-tax gain on sale of \$33 million in discontinued operations during the nine months ended October 31, 2007. The parties have a mutual indemnification arrangement for pre-transaction events.

**Notes to Condensed Consolidated Financial Statements—(Continued)**  
(Unaudited)

The Company previously completed the sale of ANX, a majority-owned subsidiary, on October 27, 2006.

The condensed consolidated financial statements for all periods presented reflect ANX and the divisions of AMSEC LLC retained by the other party as discontinued operations. The balance sheet as of January 31, 2007 has been retrospectively adjusted to separately present the assets and liabilities of the discontinued operations. The operating results of these discontinued operations prior to disposition (October 27, 2006 for ANX and July 13, 2007 for AMSEC LLC) for the periods indicated were as follows:

	Nine Months Ended October 31	
	2007	2006
	(in millions)	
Revenues	\$ 106	\$ 189
Costs and expenses:		
Cost of revenues	96	161
Selling, general and administrative expenses	4	11
Interest income	—	1
Income before minority interest in income of consolidated subsidiaries and income taxes	<u>\$ 6</u>	<u>\$ 18</u>

**Supplementary Cash Flow Information**

The non-cash investing and financing activities for the periods noted were as follows:

	Nine Months Ended October 31	
	2007	2006
	(in millions)	
Accrual of special dividend	<u>\$ —</u>	<u>\$ 2,443</u>
Stock exchanged upon exercise of stock options	<u>\$ 154</u>	<u>\$ 103</u>
Stock issued for settlement of accrued employee benefits	<u>\$ 4</u>	<u>\$ 54</u>
Fair value of assets acquired in acquisitions	\$ 207	\$ 170
Cash paid in acquisitions, net of cash acquired	(144)	(143)
Accrued acquisition payments	—	(4)
Liabilities assumed in acquisitions	<u>\$ 63</u>	<u>\$ 23</u>

The following non-cash investing and financing activities were associated with the AMSEC LLC reorganization transaction during the nine months ended October 31, 2007 (in millions):

Fair value of assets received	\$49
Assets divested, excluding cash	93
Liabilities divested, including minority interest	86
Note receivable exchanged for accounts receivable	16

**Notes to Condensed Consolidated Financial Statements—(Continued)**  
**(Unaudited)*****Recently Adopted Accounting Pronouncements***

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 “Accounting for Uncertainty in Income Taxes” (FIN 48). The Company adopted FIN 48 on February 1, 2007. In connection with the implementation of FIN 48, the Company increased the liability associated with its uncertain tax positions by \$1 million through an adjustment to retained earnings. At February 1, 2007, the Company’s liability for uncertain tax positions resulting from unrecognized tax benefits was \$44 million. As of October 31, 2007, the liability for uncertain tax positions was \$64 million, of which \$36 million is classified as income taxes payable and \$28 million is classified as other long-term liabilities on the condensed consolidated balance sheet. If all of the Company’s positions as of October 31, 2007 are sustained by the various taxing authorities in favor of the Company, the provision for income taxes from continuing operations would be reduced by \$27 million, the provision for income taxes from discontinued operations would be reduced by \$32 million and goodwill would be reduced by \$5 million. The Company recognizes accrued interest and penalties related to uncertain tax positions in its provision for income taxes.

The Company is subject to routine compliance reviews by the Internal Revenue Service (IRS), which is currently auditing fiscal years 2005 and 2006, and other taxing jurisdictions. During the next 12 months, it is reasonably possible that resolution of these reviews by the IRS and other taxing jurisdictions, both domestic and international, could be reached with respect to \$36 million of the Company’s unrecognized tax benefits (\$26 million of which relates to discontinued operations), depending on the timing of ongoing examinations, litigation and statute closures, 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. These unrecognized tax benefits are primarily related to research and development and foreign tax credits and certain recurring deductions customary for the Company’s industry. The change in the amount of the unrecognized tax benefits, if recognized, is not expected to have a material impact on the income statement or the effective tax rate.

The Company has effectively settled with the IRS and certain states for all fiscal years prior to and including fiscal year 2004. While the Company believes it has adequate accruals for its uncertain tax positions, there is no assurance that the tax authorities will not assert that the Company owes taxes in excess of recorded accruals or that recorded accruals will not be in excess of the final settlement amounts agreed to by the tax authorities.

***Recently Issued Accounting Pronouncements***

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157 “Fair Value Measurements.” SFAS No. 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and expands disclosures about fair value measurements. This statement will be effective for the Company during the fiscal year ending January 31, 2009 and applied prospectively. The Company does not believe that the adoption of the provisions of SFAS No. 157 will materially impact its consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159 “The Fair Value Option for Financial Assets and Financial Liabilities (Including an Amendment of FASB Statement No. 115).” SFAS No. 159 permits companies to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS No. 159 are elective. This statement is effective for the Company during the fiscal year ending January 31, 2009 and may be applied prospectively. The Company is currently evaluating the potential impact of applying the provisions of this statement to its assets and liabilities and the impact to its consolidated financial position and results of operations.



**Notes to Condensed Consolidated Financial Statements—(Continued)**  
**(Unaudited)**

In December 2007, the FASB issued SFAS No. 141(R) "Business Combinations." SFAS No. 141(R) changes the requirements for an acquirer's recognition and measurement of the assets acquired and liabilities assumed in a business combination. This statement is effective for the Company with respect to all business combinations for which the acquisition date is after January 31, 2009.

In December 2007, the FASB issued SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statements (an amendment of ARB No. 51)." SFAS No. 160 requires that noncontrolling (minority) interests be reported as a component of equity, that net income attributable to the parent and to the noncontrolling interest be separately identified in the income statement, that changes in a parent's ownership interest while the parent retains its controlling interest be accounted for as equity transactions, and that any retained noncontrolling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value. This statement is effective for the Company during the fiscal year ending January 31, 2010, and shall be applied prospectively. However, the presentation and disclosure requirements of this statement shall be applied retrospectively for all periods presented. As of October 31, 2007, the Company does not have any consolidated subsidiaries in which there is a noncontrolling interest. The retrospective presentation and disclosure requirements of this statement will be applied to any prior periods presented in financial statements for the fiscal year ending January 31, 2010 and later periods during which the Company had a consolidated subsidiary with a noncontrolling interest.

**Note 2—Stockholders' Equity and Earnings per Share (EPS):**

The Company had shares of Class A preferred stock and common stock issued and outstanding as of October 31, 2007 and January 31, 2007. On October 9, 2007, each share of series A-1, A-2, A-3 and A-4 preferred stock was reclassified as one share of Class A preferred stock without any series designation. The only difference among each of the series of preferred stock was the expiration date of the restriction period on the stock's transferability or conversion into common stock. All applicable restriction periods lapsed prior to the reclassification as Class A preferred stock. Shares of common stock contain the same economic rights as shares of Class A preferred stock. However, holders of Class A preferred stock are entitled to 10 votes per share while holders of common stock are entitled to one vote per share. The computation of EPS by applying the two-class method to the Class A preferred stock does not yield a different result than that provided under the if-converted method. Therefore, the two-class method is not shown in the accompanying condensed consolidated financial statements. Basic EPS is computed by dividing income by the weighted average number of shares outstanding. Stock awards are included in the computation of basic EPS only after the shares become vested. Included in the number of shares of Class A preferred stock issued and outstanding as of October 31, 2007 were 11 million shares that were unvested and therefore excluded from the computation of basic EPS. Diluted EPS is computed similarly to basic EPS, except the weighted average number of shares outstanding is increased to include the dilutive effect of stock options, unvested stock and other stock-based awards granted under stock-based compensation plans that were outstanding during the periods.

**Notes to Condensed Consolidated Financial Statements—(Continued)**  
(Unaudited)

A reconciliation of the weighted average number of shares outstanding used to compute basic and diluted EPS is as follows:

	Three Months Ended October 31		Nine Months Ended October 31	
	2007	2006	2007	2006
	(in millions)			
Basic weighted average shares outstanding	402	336	404	334
Add: Dilutive common share equivalents				
Stock options	10	8	11	8
Unvested stock awards and other stock-based awards	2	3	2	3
Diluted weighted average shares outstanding	414	347	417	345
Antidilutive shares excluded (stock options)	6	17	6	17

There were no adjustments to income from continuing operations and income from discontinued operations in calculating basic and diluted EPS for the three and nine months ended October 31, 2007 and 2006.

**Note 3—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	
	2007	2006	2007	2006
	(in millions)			
Stock-based compensation expense:				
Stock options	\$ 6	\$ 6	\$ 19	\$ 17
Vesting stock awards	14	(2)	39	16
Vested stock awards	—	1	—	2
Employee stock purchase plan discount	3	2	10	8
Total stock-based compensation expense	\$ 23	\$ 7	\$ 68	\$ 43

In connection with the Company's October 2006 reorganization merger, which constituted a modification in connection with an equity restructuring, the Company recorded a cumulative effect adjustment during the three months ended October 31, 2006, which reduced stock-based compensation by \$12 million, to apply a forfeiture rate to vesting stock granted prior to September 1, 2005 and to accelerate compensation expense over the requisite service period on certain of those awards granted to special retirement eligible persons as required SFAS No. 123(R), "Share-Based Payment." For vesting stock granted prior to September 1, 2005, the Company had accounted for the effects of forfeitures of vesting stock as the forfeitures occurred, as required by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, until the completion of the initial public offering and reorganization merger.

The Company recognized excess tax benefits realized from stock options exercised and unvested stock that vested subsequent to its reorganization merger as cash inflows from financing activities as required by SFAS No. 123(R) "Share-Based Payment." Excess tax benefits realized prior to the reorganization merger and initial public offering were presented as cash flows from operations as required by SFAS No. 95 "Statement of Cash Flows."

SAIC, INC.

Notes to Condensed Consolidated Financial Statements—(Continued)  
(Unaudited)

*Stock Options.* All of the options granted during the nine months ended October 31, 2007 and 2006 were granted with vesting periods of four years and expire five years after the date of grant. The fair value of options granted during the periods noted was determined using the following weighted average assumptions:

	Nine Months Ended October 31	
	2007	2006
Expected term (in years)	3.9	3.9
Expected volatility	26.9%	33.4%
Risk-free interest rate	4.6%	4.7%
Dividend yield	0%	0%

The weighted average grant-date fair value of stock options granted during the nine months ended October 31, 2007 and 2006 using the Black-Scholes valuation model was \$5.01 and \$4.81, respectively. The weighted average grant-date fair value of stock options granted during the nine months ended October 31, 2006 was adjusted to give effect to a special dividend paid in November 2006.

Stock option activity for the nine months ended October 31, 2007 was as follows:

	Shares of stock under options (in millions)	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in millions)
Outstanding at January 31, 2007	73.3	\$ 12.23	2.3	\$ 463
Options granted	5.8	17.64		
Options forfeited or expired	(4.9)	12.96		
Options exercised	(17.0)	10.64		131
Outstanding at October 31, 2007	<u>57.2</u>	<u>13.19</u>	<u>2.3</u>	<u>373</u>

*Stock Awards.* Vesting stock award activity for the nine months ended October 31, 2007 was as follows:

	Shares of stock under stock awards (in millions)	Weighted average grant-date fair value
Unvested at January 31, 2007	7.7	
Awards granted	5.6	\$ 17.74
Awards forfeited	(0.8)	18.75
Awards vested	(2.0)	17.70
Unvested at October 31, 2007	<u>10.5</u>	

The aggregate fair value of vesting stock awards that vested during the nine months ended October 31, 2007 was \$36 million.

**Notes to Condensed Consolidated Financial Statements—(Continued)**  
(Unaudited)

**Note 4—Acquisitions:**

During the nine months ended October 31, 2007, the Company completed two acquisitions, one in the Government segment and one in the Commercial segment which individually and in the aggregate were not considered material business combinations, for an aggregate purchase price of \$173 million, paid in cash. One acquired business is an engineering and life-cycle technology company with specific competencies in energy services. The other acquired business is an India-based provider of hydrocarbon exploration product development services and technology consulting in the science and engineering sector. The preliminary purchase price allocations related to these acquisitions resulted in identifiable intangible assets amortizable over a weighted average life of seven years of \$27 million (\$24 million assigned to the Government segment and \$3 million assigned to the Commercial segment) and goodwill of \$121 million (\$107 million assigned to the Government segment and \$14 million to the Commercial segment). A portion of the goodwill is tax deductible. The Company has not yet obtained all of the information required to complete the purchase price allocations related to these acquisitions. The final purchase price allocations will be completed once the information identified by the Company has been received.

During the nine months ended October 31, 2007, the Company also completed the AMSEC LLC reorganization transaction as discussed in Note 1. The Company recorded intangible assets of \$7 million and non-deductible goodwill of \$20 million in the Government segment related to the former AMSEC LLC divisions acquired in the reorganization.

During the nine months ended October 31, 2007, the Company recorded adjustments to goodwill of \$18 million, including \$11 million reclassified from intangible assets to goodwill, as a result of the finalization of the valuation of certain intangible assets acquired during the year ended January 31, 2007.

**Note 5—Goodwill and Intangible Assets:**

Intangible assets, including those arising from preliminary purchase price allocations, consisted of the following:

	October 31, 2007			January 31, 2007		
	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
	(in millions)					
<b>Amortizable intangible assets:</b>						
Customer relationships	\$ 107	\$ 36	\$ 71	\$ 75	\$ 30	\$ 45
Non-compete agreements	4	4	—	12	7	5
Software and technology	54	20	34	63	12	51
Other	3	1	2	6	4	2
Total amortizable intangible assets	168	61	107	156	53	103
<b>Non-amortizable intangible assets:</b>						
Tradenames	4	—	4	6	—	6
Total intangible assets	<u>\$ 172</u>	<u>\$ 61</u>	<u>\$ 111</u>	<u>\$ 162</u>	<u>\$ 53</u>	<u>\$ 109</u>

**Notes to Condensed Consolidated Financial Statements—(Continued)**  
**(Unaudited)**

Amortization expense related to amortizable intangible assets was \$8 million and \$20 million for the three and nine months ended October 31, 2007, respectively, and \$7 million and \$19 million for the three and nine months ended October 31, 2006, respectively.

The estimated annual amortization expense related to amortizable intangible assets as of October 31, 2007 is as follows (in millions):

<u>Fiscal Year Ending January 31,</u>	
2008 (remainder of the fiscal year)	\$ 7
2009	28
2010	22
2011	16
2012	10
Thereafter	24
	<u>\$107</u>

Actual amortization expense in future periods could differ from these estimates as a result of acquisitions, divestitures, impairments, adjustments to preliminary allocations of purchase price and other factors. There were no goodwill or intangible asset impairment losses during the three and nine months ended October 31, 2007 and 2006, respectively.

**Note 6—Accumulated Other Comprehensive Loss and Other Comprehensive Income:**

Other comprehensive income consisted of the following:

	<u>Three Months Ended</u> <u>October 31</u>		<u>Nine Months Ended</u> <u>October 31</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(in millions)			
Net income	\$ 105	\$ 98	\$ 316	\$ 307
Other comprehensive income (loss), net of tax:				
Minimum pension liability adjustments	(1)	—	(2)	(1)
Foreign currency translation adjustments	1	1	4	1
Unrealized loss on derivative instruments	—	1	1	2
Total comprehensive income	<u>\$ 105</u>	<u>\$ 100</u>	<u>\$ 319</u>	<u>\$ 309</u>

The components of accumulated other comprehensive loss were as follows:

	<u>October 31,</u> <u>2007</u>	<u>January 31,</u> <u>2007</u>
	(in millions)	
Unrealized net loss on derivative instruments	\$ (8)	\$ (9)
Net loss on defined benefit pension plan	(21)	(19)
Foreign currency translation adjustments	5	1
	<u>\$ (24)</u>	<u>\$ (27)</u>

Of the unrealized net loss on derivative instruments as of October 31, 2007, \$2 million is expected to be recognized as expense within the next 12 months.

**Notes to Condensed Consolidated Financial Statements—(Continued)**  
(Unaudited)

**Note 7—Business Segment Information:**

The following summarizes interim business segment information with prior year amounts adjusted for discontinued operations and reclassified for consistency with the current year's presentation:

	Three Months Ended October 31		Nine Months Ended October 31	
	2007	2006	2007	2006
	(in millions)			
<b>Revenues:</b>				
Government	\$ 2,218	\$ 1,936	\$6,168	\$5,537
Commercial	147	145	430	435
<b>Total revenues</b>	<u>\$ 2,365</u>	<u>\$ 2,081</u>	<u>\$6,598</u>	<u>\$5,972</u>
<b>Operating income (loss):</b>				
Government	\$ 178	\$ 141	\$ 478	\$ 418
Commercial	17	11	36	42
Corporate and Other	(9)	(11)	(19)	(30)
<b>Total operating income</b>	<u>\$ 186</u>	<u>\$ 141</u>	<u>\$ 495</u>	<u>\$ 430</u>

As described in more detail in Note 17 of the notes to consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2007, certain corporate expenses are reflected in the Government and Commercial segments based on agreed-upon allocations to the segments or as required by U.S. Government Cost Accounting Standards. To the extent not allocated, corporate expenses are retained in the Corporate and Other segment.

**Note 8—Commitments and Contingencies:****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. On September 27, 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 a 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 now commenced. Telcordia submitted its statement of claim and related document production on March 30, 2007, which seeks damages in excess of \$200 million plus interest and legal fees and costs. As a result of a preliminary hearing with the arbitrator, Telkom South Africa paid Telcordia \$9 million of uncontested damages 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, running from the date of breach by Telkom South Africa. Due to the complexity of the remaining issues, the arbitrator cancelled a September 2007 arbitration hearing to determine the amount of Telcordia's damages and scheduled an April 2008 hearing focusing only on damage issues. A final hearing with closing submissions is scheduled for June 2008 in London. Pursuant to the definitive stock purchase agreement

**Notes to Condensed Consolidated Financial Statements—(Continued)**  
**(Unaudited)**

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. The Company received \$4 million during the three months ended October 31, 2007 related to the \$9 million collected by Telcordia.

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 applicable taxes, are not presently determinable. The Company does not have any assets or liabilities recorded related to this dispute.

***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 C4I (Command, Control, Communications, Coordination and Integration) 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 \$109 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 continues to use significant portions of the System today. In November 2004, the Company delivered a revised version of the CDSS portion of the System to the Customer. Beginning in December 2004 and continuing through April 2005, 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 identified 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.* On March 29, 2007, the Company and the Customer executed a modification to the Greek contract which establishes specific requirements, contract terms, and a payment schedule under which the various subsystems can be completed and provides for, among other things, the following:

- acceptance of 20 specific subsystems of the 29 subsystems comprising the System within 70 days of the execution of the modification
- payment of \$34 million within 30 days of the Company submitting invoices for certain work already performed on both the system development portion and service portion of the Greek contract
- reduction of the advance payment and performance bonds maintained by the Company in favor of the Customer by at least \$123 million which represents the value of the 20 subsystems required to be accepted within 70 days of the execution of the modification
- credit for past warranty, maintenance and TETRA services
- a revised test and acceptance process for the remaining subsystems being re-delivered during 2008
- provision of subsystem maintenance for a period of up to 5 years following subsystem acceptance

**Notes to Condensed Consolidated Financial Statements—(Continued)**  
**(Unaudited)**

In connection with the acceptance of 20 of the 29 subsystems referred to above, the Greek contract modification provides a framework for the parties to determine the price reduction for omissions and deviations relating to those subsystems. An agreement of the parties limits the total price reduction for these subsystems to a maximum of \$11 million. On September 11, 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 on March 29, 2007, the following developments have occurred:

- 18 of the 20 subsystems to have been accepted within 70 days of March 29, 2007 have been fully and finally accepted by the Customer. A subcontractor, in consultation with the Company and the Customer, has chosen to remediate omissions and deviations in the remaining two subsystems it delivered, in an effort to minimize or eliminate the price reduction associated with them. The contract authorizes such remediation as long as it is completed before the System acceptance testing to be conducted in fiscal 2009.
- The Customer has paid substantially all of the \$34 million related to services previously performed required to be paid within 30 days of the Company submitting its invoices.
- The initial price reduction assessed by the Customer for omissions and deviations on the 18 subsystems accepted to date totaled \$13 million, which is \$2 million in excess of the previously agreed-upon maximum price reduction limit of \$11 million. Accordingly, the parties have entered into negotiation under the provisions of the Greek contract to resolve this discrepancy. On November 9, 2007, the Customer offered to resolve the omissions and deviations on these 18 subsystems for a total price reduction of \$6 million, and discussions of this offer are ongoing.
- The Customer has reduced the advance payment, performance and offset bonds requirement by \$152 million.
- The Company and its subcontractors are performing work under the terms of the modified Greek contract and modified subcontracts, including the requirement to deliver a modified CDSS.

*Financial Status and Contingencies of the Greek Contract.* The Company has recorded \$123 million of losses under the Greek contract as of October 31, 2007. No profits or losses were recorded during the three and nine months ended October 31, 2007. The Company recorded no profit or losses during the three months ended October 31, 2006 and \$2 million of losses relating to foreign currency translation during the nine months ended October 31, 2006.

The Greek contract modification resulted in significant changes to the terms and conditions and the deliverables under the Greek contract and clarifies the parties' responsibilities. If the Company completes the work and 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 it is difficult 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 more precisely 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 acceptance of the remaining subsystems and the overall system, receipt of the remaining payments, release of the remaining bonds, and changes in the political representatives from the Greek government involved with the project. 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



**Notes to Condensed Consolidated Financial Statements—(Continued)**  
**(Unaudited)**

maintenance payments are received from the Customer. The Company recognized \$2 million and \$24 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, 2007, respectively, primarily related to the receipt of payments from the Customer for services previously rendered.

The Company has \$14 million of accounts receivable (classified as other assets) relating to Value Added Taxes (VAT) that it has paid and believes it is entitled to recover either as a refund from the taxing authorities or as a payment under the Greek contract upon final billing. The Customer has paid to the Company all amounts owed for VAT to date for the subsystems accepted and services provided. Failure by the Customer to pay any future VAT amounts could result in an additional obligation payable by the Company to the Greek taxing authorities and could increase the Company's total losses on the Greek contract.

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. These bonding requirements have been met through the issuance of standby letters of credit. As of October 31, 2007, there were \$109 million in advance payment and performance standby letters of credit and \$7 million in offset bonds outstanding. If the standby letters of credit are called based on a future failure to fulfill the Company's obligations under the Greek contract, the Company may have the right to call some of the \$127 million of bonds provided by its subcontractors in connection with their work under the Greek contract if the performance failure relates to subcontracted work.

If the Company and its 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 affect on the Company's consolidated financial position, results of operations and cash flows.

**Other**

The Company is subject to investigations and reviews relating to compliance with various laws and regulations 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. Such matters can lead to criminal, civil or administrative proceedings and the Company could be faced with penalties, fines, repayments or compensatory damages. Adverse findings could also have a material adverse effect on the Company because of its reliance on government contracts. Although the Company can give no assurance, based upon management's evaluation of current matters that are subject to U.S. Government investigations of which the Company is aware and based on management's current understanding of the facts, the Company does not believe that the outcome of any such matter would have a material adverse effect on its consolidated financial position, results of operations, cash flows or its ability to conduct business.

During the nine months ended October 31, 2007, the Company recorded \$8 million in costs associated with actions taken to remediate data security lapses on several customer contracts, none of which were recorded during the three months ended October 31, 2007. As part of the remediation effort, the Company commenced a review of its technology assets to evaluate any other areas of potential information security risk.

The Company is subject to periodic audits by state and local governments for taxes other than income taxes. During the three months ended October 31, 2007, the Company received an initial notice of proposed excise tax assessment in the amount of \$27 million from a state government. The Company believes it has satisfied the state statutory requirements for an excise tax exemption for the substantial majority of the work performed in the state

**Notes to Condensed Consolidated Financial Statements—(Continued)**  
**(Unaudited)**

and has recorded a liability for the minor portion of this work that may not satisfy these requirements. Accordingly, the Company is contesting this initial proposed assessment with the state taxing authorities. The Company does not believe that the outcome of this or any other such tax matters would have a material adverse effect on its consolidated financial position, results of operations, cash flows or its ability to conduct business.

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, cash flows or its ability to conduct business.

**Note 9—Supplemental Guarantor Information:**

In October 2006, Science Applications International Corporation completed a merger (reorganization merger) in which it became a 100%-owned subsidiary of SAIC, Inc., after which SAIC, Inc. completed an initial public offering of its common stock. SAIC, Inc. (Parent) has fully and unconditionally guaranteed the obligations of its 100%-owned subsidiary, Science Applications International Corporation (Subsidiary Issuer), under its revolving credit facility, \$300 million 5.5% notes, \$550 million 6.25% notes, \$250 million 7.125% notes, \$100 million 6.75% notes and certain letter of credit agreements.

The Parent has loaned all of its cash to the Subsidiary Issuer and issues stock-based awards to employees of the Subsidiary Issuer. The Subsidiary Issuer is the operating subsidiary of the Parent.

As permitted by SEC rules, the following condensed consolidating financial statements are provided as an alternative to filing separate financial statements of the Subsidiary Issuer. The condensed consolidating financial statements should be read in conjunction with the condensed consolidated financial statements of the Company and notes thereto of which this note is an integral part.

The following tables present condensed consolidating financial information for the Parent and the Subsidiary Issuer on the equity method of accounting since October 16, 2006, the effective date of the reorganization merger.

**SAIC, INC.**  
**Notes to Condensed Consolidated Financial Statements—(Continued)**  
(Unaudited)

**SAIC, Inc. and Subsidiaries**  
**Condensed Consolidating Statements of Income**

	<u>Three Months Ended October 31, 2007</u>			
	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Eliminations</u> <small>(in millions)</small>	<u>Consolidated</u>
Revenues	\$ —	\$ 2,365	\$ —	\$ 2,365
Costs and expenses:				
Cost of revenues	—	2,027	—	2,027
Selling, general and administrative expenses	—	152	—	152
Operating income	—	186	—	186
Non-operating income (expense):				
Interest income	22	14	(22)	14
Interest expense	—	(44)	22	(22)
Equity in net income of consolidated subsidiaries	91	—	(91)	—
Income from continuing operations before income taxes	113	156	(91)	178
Provision for income taxes	8	61	—	69
Income from continuing operations	105	95	(91)	109
Discontinued operations:				
Loss from discontinued operations before minority interest in income of consolidated subsidiaries and income taxes	—	(3)	—	(3)
Provision for income taxes	—	1	—	1
Loss from discontinued operations	—	(4)	—	(4)
Net income	<u>\$ 105</u>	<u>\$ 91</u>	<u>\$ (91)</u>	<u>\$ 105</u>
	<u>Nine Months Ended October 31, 2007</u>			
	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Eliminations</u> <small>(in millions)</small>	<u>Consolidated</u>
Revenues	\$ —	\$ 6,598	\$ —	\$ 6,598
Costs and expenses:				
Cost of revenues	—	5,683	—	5,683
Selling, general and administrative expenses	—	420	—	420
Operating income	—	495	—	495
Non-operating income (expense):				
Interest income	53	39	(50)	42
Interest expense	—	(117)	50	(67)
Minority interest in income of consolidated subsidiaries	—	(3)	—	(3)
Other expense, net	—	(4)	—	(4)
Equity in net income of consolidated subsidiaries	282	—	(282)	—
Income from continuing operations before income taxes	335	410	(282)	463
Provision for income taxes	19	161	—	180
Income from continuing operations	316	249	(282)	283
Discontinued operations:				
Income from discontinued operations before minority interest in income of consolidated subsidiaries and income taxes	—	47	—	47
Minority interest in income of consolidated subsidiaries	—	2	—	2
Provision for income taxes	—	12	—	12
Income from discontinued operations	—	33	—	33
Net income	<u>\$ 316</u>	<u>\$ 282</u>	<u>\$ (282)</u>	<u>\$ 316</u>

## SAIC, INC.

Notes to Condensed Consolidated Financial Statements—(Continued)  
(Unaudited)

	Three Months Ended October 31, 2006			
	Parent	Subsidiary Issuer	Eliminations (in millions)	Consolidated
Revenues	\$ —	\$ 2,081	\$ —	\$ 2,081
Costs and expenses:				
Cost of revenues	—	1,807	—	1,807
Selling, general and administrative expenses	—	133	—	133
Operating income	—	141	—	141
Non-operating income (expense):				
Interest income	2	33	—	35
Interest expense	—	(22)	—	(22)
Minority interest in income of consolidated subsidiaries	—	(1)	—	(1)
Other expense, net	—	1	—	1
Equity in net income of consolidated subsidiaries	26	—	(26)	—
Income from continuing operations before income taxes	28	152	(26)	154
Provision for income taxes	1	63	—	64
Income from continuing operations	27	89	(26)	90
Discontinued operations:				
Income from discontinued operations before minority interest in income of consolidated subsidiaries and income taxes	—	25	—	25
Minority interest in income of consolidated subsidiaries	—	3	—	3
Provision for income taxes	—	14	—	14
Income from discontinued operations	—	8	—	8
Net income	<u>\$ 27</u>	<u>\$ 97</u>	<u>\$ (26)</u>	<u>\$ 98</u>

## SAIC, INC.

Notes to Condensed Consolidated Financial Statements—(Continued)  
(Unaudited)

	Nine Months Ended October 31, 2006			
	Parent	Subsidiary Issuer	Eliminations (in millions)	Consolidated
Revenues	\$ —	\$ 5,972	\$ —	\$ 5,972
Costs and expenses:				
Cost of revenues	—	5,154	—	5,154
Selling, general and administrative expenses	—	388	—	388
Operating income	—	430	—	430
Non-operating income (expense):				
Interest income	2	95	—	97
Interest expense	—	(68)	—	(68)
Minority interest in income of consolidated subsidiaries	—	(4)	—	(4)
Other expense, net	—	4	—	4
Equity in net income of consolidated subsidiaries	26	—	(26)	—
Income from continuing operations before income taxes	28	457	(26)	459
Provision for income taxes	1	177	—	178
Income from continuing operations	27	280	(26)	281
Discontinued operations:				
Income from discontinued operations before minority interest in income of consolidated subsidiaries and income taxes	—	36	—	36
Minority interest in income of consolidated subsidiaries	—	7	—	7
Provision for income taxes	—	3	—	3
Income from discontinued operations	—	26	—	26
Net income	<u>\$ 27</u>	<u>\$ 306</u>	<u>\$ (26)</u>	<u>\$ 307</u>

**SAIC, INC.**  
**Notes to Condensed Consolidated Financial Statements—(Continued)**  
**(Unaudited)**

**SAIC, Inc. and Subsidiaries**  
**Condensed Consolidating Balance Sheets**

	October 31, 2007			
	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Eliminations</u> (in millions)	<u>Consolidated</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ —	\$ 1,011	\$ —	\$ 1,011
Receivables, net	—	1,844	—	1,844
Inventory, prepaid expenses and other current assets	—	217	—	217
Total current assets	—	3,072	—	3,072
Property, plant and equipment, net	—	402	—	402
Intangible assets, net	—	111	—	111
Goodwill	—	1,081	—	1,081
Deferred income taxes	—	63	—	63
Other assets	1,160	101	(1,160)	101
Investment in consolidated subsidiaries	655	—	(655)	—
	<u>\$ 1,815</u>	<u>\$ 4,830</u>	<u>\$ (1,815)</u>	<u>\$ 4,830</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ —	\$ 1,108	\$ —	\$ 1,108
Accrued payroll and employee benefits	—	506	—	506
Income taxes payable	—	32	—	32
Notes payable and long-term debt, current portion	—	139	—	139
Total current liabilities	—	1,785	—	1,785
Notes payable and long-term debt, net of current portion	—	1,099	—	1,099
Other long-term liabilities	—	1,315	(1,160)	155
Total stockholders' equity	1,815	631	(655)	1,791
	<u>\$ 1,815</u>	<u>\$ 4,830</u>	<u>\$ (1,815)</u>	<u>\$ 4,830</u>

## SAIC, INC.

Notes to Condensed Consolidated Financial Statements—(Continued)  
(Unaudited)

	January 31, 2007			
	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Eliminations</u> (in millions)	<u>Consolidated</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 922	\$ 187	\$ —	\$ 1,109
Receivables, net	—	1,598	—	1,598
Inventory, prepaid expenses and other current assets	270	186	(266)	190
Assets of discontinued operations	—	85	—	85
Total current assets	<u>1,192</u>	<u>2,056</u>	<u>(266)</u>	<u>2,982</u>
Property, plant and equipment, net	—	382	—	382
Intangible assets, net	—	109	—	109
Goodwill	—	920	—	920
Deferred income taxes	—	57	—	57
Other assets	—	109	—	109
Investment in consolidated subsidiaries	373	—	(373)	—
	<u>\$ 1,565</u>	<u>\$ 3,633</u>	<u>\$ (639)</u>	<u>\$ 4,559</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 2	\$ 1,062	\$ (32)	\$ 1,032
Accrued payroll and employee benefits	—	507	—	507
Income taxes payable	—	73	—	73
Notes payable and long-term debt, current portion	—	263	(234)	29
Liabilities of discontinued operations	—	25	—	25
Total current liabilities	<u>2</u>	<u>1,930</u>	<u>(266)</u>	<u>1,666</u>
Notes payable and long-term debt, net of current portion	—	1,199	—	1,199
Other long-term liabilities	—	102	—	102
Minority interest in consolidated subsidiaries	—	56	—	56
Total stockholders' equity	<u>1,563</u>	<u>346</u>	<u>(373)</u>	<u>1,536</u>
	<u>\$ 1,565</u>	<u>\$ 3,633</u>	<u>\$ (639)</u>	<u>\$ 4,559</u>

## SAIC, INC.

Notes to Condensed Consolidated Financial Statements—(Continued)  
(Unaudited)SAIC, Inc. and Subsidiaries  
Condensed Consolidating Statements of Cash Flows

	Nine Months Ended October 31, 2007			
	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Eliminations</u> (in millions)	<u>Consolidated</u>
Cash flows provided by operations	\$ 48	\$ 175	\$ —	\$ 223
Cash flows used in investing activities	—	(178)	—	(178)
Cash flows provided by (used in) financing activities	(970)	820	—	(150)
Increase (decrease) in cash and cash equivalents from continuing operations	(922)	817	—	(105)
Cash flows provided by discontinued operations:	—	3	—	3
Total increase (decrease) in cash and cash equivalents	(922)	820	—	(102)
Cash and cash equivalents at beginning of period—continuing operations	922	187	—	1,109
Cash and cash equivalents at beginning of period—discontinued operations	—	4	—	4
Cash and cash equivalents at beginning of period	922	191	—	1,113
Cash and cash equivalents at end of period	\$ —	\$ 1,011	\$ —	\$ 1,011
	Nine Months Ended October 31, 2006			
	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Eliminations</u> (in millions)	<u>Consolidated</u>
Cash flows provided by operations	\$ —	\$ 494	\$ —	\$ 494
Cash flows provided by investing activities	—	1,462	—	1,462
Cash flows provided by (used in) financing activities	1,184	(561)	—	623
Increase in cash and cash equivalents from continuing operations	1,184	1,395	—	2,579
Cash flows provided by discontinued operations:	—	22	—	22
Total increase in cash and cash equivalents	1,184	1,417	—	2,601
Cash and cash equivalents at beginning of period—continuing operations	—	1,001	—	1,001
Cash and cash equivalents at beginning of period—discontinued operations	—	34	—	34
Cash and cash equivalents at beginning of period	—	1,035	—	1,035
Cash and cash equivalents at end of period—continuing operations	1,184	2,447	—	3,631
Cash and cash equivalents at end of period—discontinued operations	—	5	—	5
Cash and cash equivalents at end of period	\$ 1,184	\$ 2,452	\$ —	\$ 3,636



**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 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 year ended January 31, 2007, as may be updated periodically through subsequent quarterly reports on Form 10-Q. Due to such uncertainties and risks, you are warned 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, not calendar years. For example, we refer to the fiscal year ended January 31, 2007 as "fiscal 2007." We are currently in fiscal 2008.

**Overview**

Science Applications International Corporation was formed in 1969. In October 2006, in connection with becoming a publicly-traded company, Science Applications International Corporation completed a merger (reorganization merger) in which it became a 100%-owned subsidiary of SAIC, Inc., after which SAIC, Inc. completed an initial public offering of its common stock. We use the terms "Company," "we," "us," and "our" to refer to SAIC, Inc. and its majority-owned and 100%-owned subsidiaries, including Science Applications International Corporation.

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 selected commercial markets.

Key financial highlights and events during the three months ended October 31, 2007 include:

- Consolidated revenues for the three months ended October 31, 2007 increased 14% over the same period in the prior year. This reflects internal, or non-acquisition related, growth of 8% and acquisition-related growth of 6%. Internal revenue growth for the three months ended October 31, 2007 was favorably impacted by increased activity on a number of new and continuing programs in our intelligence business area, growth in our defense solutions business area and increased sales of border, port and mobile security equipment. From a segment perspective, Government revenues increased 15% and Commercial revenues increased 1% for the three months ended October 31, 2007 compared to the same period of the prior year.
- Operating income for the three months ended October 31, 2007 increased 32% compared to the same period in the prior year, primarily due to reductions in costs associated with management infrastructure, improved fee rates on several large programs, better contract labor utilization and increases in sales of more profitable border, port and mobile security equipment.
- Income from continuing operations increased \$19 million for the three months ended October 31, 2007 reflecting an increase in operating income offset by a decrease in interest income of \$21 million. Interest income decreased due to declines in average cash and marketable securities balances mainly due to the payment of a \$2.45 billion special dividend in November 2006.

- Cash and cash equivalents decreased \$98 million during the nine months ended October 31, 2007, primarily reflecting cash provided by operations of \$223 million offset by cash used to acquire two businesses of \$144 million and cash used in support of financing activities of \$150 million, largely consisting of repurchases of our stock.
- Net bookings (as defined in “Key Financial Metrics—Bookings and Backlog”) were approximately \$3.9 billion during the three months ended October 31, 2007. Our total backlog as of October 31, 2007 was \$15.8 billion, a \$1.7 billion increase from July 31, 2007. This increase in backlog at October 31, 2007 reflects improved funding and award activity across all business areas and the addition of \$234 million associated with the acquisition of two businesses during the three months ended October 31, 2007.
- We completed two business acquisitions for an aggregate purchase price of \$173 million (paid in cash) during the three months ended October 31, 2007. One acquired business is an engineering and life-cycle technology company with specific competencies in energy services. The other acquired business is an India-based provider of hydrocarbon exploration product development services and technology consulting in the science and engineering sector. We recorded goodwill and intangible assets related to these acquisitions of \$148 million.

### **Reportable Segments**

We have three reportable segments: Government, Commercial, and Corporate and Other. Except with respect to “Other Income Statement Items—Discontinued Operations” and “Net Income and Earnings per Share” all amounts in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” are presented for our continuing operations only.

*Government Segment.* Through our Government segment, we provide systems engineering, systems integration and advanced technical services and solutions primarily to U.S. federal, state and local government agencies and foreign governments. Within the Government segment, substantially all of our revenues are derived from contracts with the U.S. Government. These revenues include contracts where we serve as the prime or lead contractor, as well as contracts where we serve as a subcontractor to other parties who are engaged directly with various U.S. Government agencies as the prime contractor.

*Commercial Segment.* Through our Commercial segment, we primarily target commercial customers worldwide in selected industry markets, which currently include oil and gas, utilities and life sciences. While the Commercial segment provides an array of information technology (IT) systems integration and advanced technical services, the focused offerings include applications and IT infrastructure management, data lifecycle management, and business transformation. Our Commercial clients often benefit from leveraging our broader governmental experiences, such as geographic information systems, security, and systems engineering.

*Corporate and Other Segment.* Our Corporate and Other segment includes the operations of our internal real estate management subsidiary, various corporate activities, the elimination of intersegment revenues and costs and certain corporate expense items not allocable to our Government customers referred to as unallowable expenses. Our Corporate and Other segment does not contract with third-parties for the purpose of generating revenues.

### **Reclassifications**

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**

*Bookings and Backlog.* We recorded net bookings worth an estimated \$3.9 billion and \$7.3 billion during the three and nine months ended October 31, 2007, respectively. Bookings generally represent the estimated amount of revenue to be earned in the future from receipt of funded and unfunded contract awards during the period net of any adjustments to previously reported backlog amounts. We calculate bookings as the current period ending backlog plus the current period revenues less prior period ending backlog and less backlog obtained in acquisitions.

Total consolidated backlog consists of funded and negotiated unfunded 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 years, under which we are obligated to perform, less revenues previously recognized on these contracts. Negotiated unfunded backlog represents estimated amounts of revenue to be earned in the future from (1) firm orders 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 multi-award and single-award indefinite-delivery / indefinite-quantity, government-wide acquisition contract, General Services Administration Schedule, or other master agreement contract vehicles.

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

	<u>October 31,</u> <u>2007</u>	<u>January 31,</u> <u>2007</u>
	(in millions)	
<b>Government segment:</b>		
Funded backlog	\$ 4,698	\$ 3,902
Negotiated unfunded backlog	10,238	10,185
Total backlog	<u>\$ 14,936</u>	<u>\$ 14,087</u>
<b>Commercial segment:</b>		
Funded backlog	\$ 705	\$ 723
Negotiated unfunded backlog	183	101
Total backlog	<u>\$ 888</u>	<u>\$ 824</u>
<b>Total consolidated:</b>		
Funded backlog	\$ 5,403	\$ 4,625
Negotiated unfunded backlog	10,421	10,286
Total backlog	<u>\$ 15,824</u>	<u>\$ 14,911</u>

The \$0.9 billion increase in total backlog as of October 31, 2007 compared to January 31, 2007 reflects improved funding and award activity across all business areas and the addition of \$234 million associated with two business acquisitions during the three months ended October 31, 2007. Total backlog may fluctuate significantly from period to period depending on the timing of contract awards, renewals, modifications and cancellations.

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 in the

Commercial segment 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 several types of contracts. Cost-reimbursement contracts provide for reimbursement of our direct contract costs and allocable indirect costs, plus a fee. Time-and-materials (T&M) contracts typically provide for negotiated fixed hourly rates plus reimbursement of other direct costs. Fixed-price-level-of-effort contracts 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 provide for a fixed price for specified products, systems and/or services. If actual costs vary from the FFP planned costs, 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	
	2007	2006
Cost-reimbursement	48%	47%
T&M and fixed-price-level-of-effort	35	36
FFP	17	17
Total	<u>100%</u>	<u>100%</u>

*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 material and subcontractor (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, and, in certain cases, can 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		
	2007	Percent Change	2006	2007	Percent Change	2006
	(dollars in millions)					
Labor-related revenues	\$ 1,445	10%	\$ 1,312	\$ 4,111	7%	\$ 3,847
<i>As a percentage of revenues</i>	61%		63%	62%		64%
M&S revenues	920	20	769	2,487	17	2,125
<i>As a percentage of revenues</i>	39%		37%	38%		36%

The increase in labor-related revenues for the three and nine months ended October 31, 2007 as compared to the same periods in the prior year is primarily due to increases in labor rates, the number of direct labor personnel and in direct labor utilization.

The increase in M&S revenues during the three and nine months ended October 31, 2007 as compared to the same periods in the prior year is primarily due to increased activities on several large M&S programs, work with our North Atlantic Treaty Organization and Space and Naval Surface Warfare Center customers, increased sales of materials to our Defense Information Systems Agency customer and increased sales of border, port and mobile security equipment.

## Results of Operations

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

	Three Months Ended October 31			Nine Months Ended October 31		
	2007	Percent Change (dollars in millions)	2006	2007	Percent Change (dollars in millions)	2006
Revenues	\$ 2,365	14%	\$ 2,081	\$ 6,598	10%	\$ 5,972
Cost of revenues	2,027	12	1,807	5,683	10	5,154
Selling, general and administrative expenses	152	14	133	420	8	388
Operating income	186	32	141	495	15	430
<i>As a percentage of revenues</i>	7.9%		6.8%	7.5%		7.2%
Non-operating income (expense), net	(8)		13	(32)		29
Provision for income taxes	69	8	64	180	1	178
Income from continuing operations	109	21	90	283	1	281
Income (loss) from discontinued operations, net of tax	(4)		8	33		26
Net income	<u>\$ 105</u>	7	<u>\$ 98</u>	<u>\$ 316</u>	3	<u>\$ 307</u>

*Revenues.* Our consolidated revenues increased 14% and 10% during the three and nine months ended October 31, 2007, respectively, compared to the same periods of the prior year primarily due to growth in revenues from our U.S. Government customers as well as growth through the acquisition of businesses. Internal, or non-acquisition, related growth was 8% and 6% during the three and nine months ended October 31, 2007, respectively. We calculate internal revenue growth by comparing our current period reported revenue to the prior period revenue adjusted to include the revenue of acquired businesses for the comparable prior period. Revenue growth related to acquisition of businesses was 6% and 4% for the three and nine months ended October 31, 2007, respectively.

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

	Three Months Ended October 31			Nine Months Ended October 31		
	2007	Percent Change	2006	2007	Percent Change	2006
Government revenues	\$ 2,218	15%	\$ 1,936	\$ 6,168	11%	\$ 5,537
<i>As a percentage of total revenues</i>	94%		93%	93%		93%
Commercial revenues	147	1	145	430	(1)	435
<i>As a percentage of total revenues</i>	6%		7%	7%		7%
Total revenues	<u>\$ 2,365</u>	14	<u>\$ 2,081</u>	<u>\$ 6,598</u>	10	<u>\$ 5,972</u>

Government revenues grew \$282 million and \$631 million for the three and nine months ended October 31, 2007, respectively, compared to the same periods in the prior year. Internal revenue growth was 9% and 7% for the three and nine months ended October 31, 2007, respectively. Internal revenue growth in the Government segment for the three and nine months ended October 31, 2007 was attributed to growth in a number of our business areas, most notably our intelligence, defense solutions and homeland security business areas. Our intelligence business area had increased activity on a number of new and continuing programs, including certain

operational intelligence programs. Our defense solutions business area experienced growth during the three months ended October 31, 2007 in Command, Control and Communication programs with our Navy and Marine Corps customers, as well as increased sales of materials to our Defense Information Systems Agency customer. Increases in revenues in our homeland security business area were driven by increased sales of border, port and mobile security equipment. Partially offsetting this internal revenue growth in the Government segment for the nine months ended October 31, 2007 were reductions in revenues on certain prime vendor logistics contracts due to a delay in funding. Revenue growth related to acquisitions of businesses in the Government segment was 6% and 4% for the three and nine months ended October 31, 2007, respectively.

Commercial revenues increased by \$2 million during the three months ended October 31, 2007 as compared to the same period of the prior year primarily due to the acquisition of a new business in India. Commercial revenues decreased by \$5 million for the nine months ended October 31, 2007 as compared to the same period in the prior year primarily due to the completion of a product support contract at the end of fiscal 2007 in our security products business area and reductions in IT outsourcing revenues in our U.K. subsidiary offset by revenue growth related to the acquisition in India.

*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		
	2007	Percent Change	2006	2007	Percent Change	2006
	(dollars in millions)					
Government cost of revenues	\$ 1,927	13%	\$ 1,702	\$ 5,380	11%	\$ 4,844
<i>As a percentage of related revenues</i>	86.9%		87.9%	87.2%		87.5%
Commercial cost of revenues	107	(3)	110	320	(1)	323
<i>As a percentage of related revenues</i>	72.8%		75.9%	74.4%		74.3%
Corporate and Other cost of revenues	(7)		(5)	(17)		(13)
Total cost of revenues	\$ 2,027	12	\$ 1,807	\$ 5,683	10	\$ 5,154
<i>As a percentage of revenues</i>	85.7%		86.8%	86.1%		86.3%

Government cost of revenues decreased as a percentage of revenues for the three months ended October 31, 2007 primarily due to our increased focus on the management of indirect rate performance to improve profitability. Indirect rate overruns expensed to cost of revenues when incurred declined by \$10 million during the three months ended October 31, 2007 as compared to same period in the prior year. This improvement was primarily due to continued reductions in costs associated with management infrastructure and increases in our direct labor utilization. The decrease in cost of revenues was also attributable to increased profitability on certain cost reimbursable contracts in the amount of \$3 million and \$15 million for the three and nine months ended October 31, 2007, respectively, as a result of improved management of prior year indirect rate overruns. Government cost of revenues for the three and nine months ended October 31, 2007 also benefited from increases in contract fee rates, primarily due to a higher volume of sales of more profitable border, port and mobile security equipment.

Commercial cost of revenues decreased as a percentage of revenues for the three months ended October 31, 2007 as compared to the same period of the prior year due to an increase in higher margin IT outsourcing projects. Commercial cost of revenues as a percentage of revenues were relatively unchanged for the nine months ended October 31, 2007 as compared to the same period of the prior year reflecting the improvements in the three months ended October 31, 2007 offset by lower direct labor utilization and higher cost labor used to support a fixed-price IT outsourcing contract in our U.K. subsidiary caused by a temporary lack of available lower cost resources in our India branch during the first half of fiscal 2008.

SAIC, INC.

Corporate and Other cost of revenues for the three and nine months ended October 31, 2007 and 2006 represents the elimination of intersegment facility charges to our Government and Commercial segments for use of company-owned properties.

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

	Three Months Ended October 31			Nine Months Ended October 31		
	2007	Percent Change	2006	2007	Percent Change	2006
	(dollars in millions)					
General and administrative	\$ 111	16%	\$ 96	\$ 299	7%	\$ 279
Bid and proposal	27	—	27	86	(1)	87
Internal research and development	14	40	10	35	59	22
Total SG&A expenses	<u>\$ 152</u>	14	<u>\$ 133</u>	<u>\$ 420</u>	8	<u>\$ 388</u>

Total consolidated SG&A increased \$19 million and \$32 million for the three and nine months ended October 31, 2007, respectively. General and administrative expenses increased \$15 million and \$20 million during the three and nine months ended October 31, 2007, respectively, as compared to the same periods of the prior year. These increases were primarily due to the acquisition of a new business with a higher general and administrative cost structure during the three months ended October 31, 2007, increased intangible assets amortization, increased business development spending and increased spending associated with our internal enterprise resource planning system implementation project. Internal research and development (IR&D) expenses increased \$4 million and \$13 million during the three and nine months ended October 31, 2007, respectively, due to increased efforts to develop new products and technologies to support our customers and our long-term growth. Bid and proposal (B&P) expenses remained relatively unchanged during the three and nine months ended October 31, 2007, reflecting increased B&P activities offset by declines in production costs stemming from government actions to simplify the bidding process and actions taken by us to make our proposal process more efficient, both of which have generally reduced the average cost of responding to a given B&P opportunity. The level of bid and proposal activities fluctuates depending on the timing of bidding opportunities.

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		
	2007	Percent Change	2006	2007	Percent Change	2006
	(dollars in millions)					
Government SG&A	\$ 113	22%	\$ 93	\$ 310	13%	\$ 275
<i>As a percentage of related revenues</i>	5.1%		4.8%	5.0%		5.0%
Commercial SG&A	23	(4)	24	74	6	70
<i>As a percentage of related revenues</i>	15.6%		16.6%	17.2%		16.1%
Corporate and Other SG&A	16	—	16	36	(16)	43
Total SG&A expenses	<u>\$ 152</u>	14	<u>\$ 133</u>	<u>\$ 420</u>	8	<u>\$ 388</u>
<i>As a percentage of revenues</i>	6.4%		6.4%	6.4%		6.5%

Consolidated SG&A expenses remained relatively consistent as a percentage of revenues for the three and nine months ended October 31, 2007 as compared to the same periods in the prior year.

SAIC, INC.

Government SG&A expenses increased \$20 million and \$35 million for the three and nine months ended October 31, 2007, respectively, as compared to the same periods in the prior year, primarily due to the acquisition of a new business with a higher general and administrative cost structure during the three months ended October 31, 2007, increased intangible assets amortization, increased business development spending and increased spending associated with our internal enterprise resource planning system implementation project, including the first phase of implementation which occurred during the three months ended October 31, 2007.

Commercial SG&A expenses decreased \$1 million and increased \$4 million during the three and nine months ended October 31, 2007, respectively, as compared to the same periods in the prior year. The increase for the nine months ended October 31, 2007 reflects an increase in discretionary overhead investment spending in pursuit of new business opportunities.

Corporate and Other SG&A expenses were unchanged and decreased \$7 million during the three and nine months ended October 31, 2007, respectively. The decrease in Corporate and Other SG&A expenses for the nine months ended October 31, 2007, as compared to the same period of the prior year, is primarily due to a reduction in legal expenses.

*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		
	2007	Percent Change	2006	2007	Percent Change	2006
	(dollars in millions)					
Government operating income	\$ 178	26%	\$ 141	\$ 478	14%	\$ 418
<i>As a percentage of related revenues</i>	8.0%		7.3%	7.7%		7.5%
Commercial operating income	17	55	11	36	(14)	42
<i>As a percentage of related revenues</i>	11.6%		7.6%	8.4%		9.7%
Corporate and Other operating loss	(9)		(11)	(19)		(30)
Total operating income	<u>\$ 186</u>	32	<u>\$ 141</u>	<u>\$ 495</u>	15	<u>\$ 430</u>
<i>As a percentage of revenues</i>	7.9%		6.8%	7.5%		7.2%

Total operating income increased \$45 million and \$65 million during the three and nine months ended October 31, 2007, respectively, as compared to the same periods in the prior year, primarily due to increased profitability in the Government segment and reduced losses in the Corporate and Other segment.

Government operating income increased \$37 million and \$60 million during the three and nine months ended October 31, 2007, respectively, as compared to the same periods in the prior year. For the three months ended October 31, 2007, Government operating income benefited from continued reductions in costs associated with management infrastructure, increased profitability on many cost reimbursable contracts as a result of improved management of indirect rates, increases in sales of more profitable border, port and mobile security equipment, improved fee rates on several large programs, and better labor utilization efficiencies. These benefits were offset by increases in costs associated with the ongoing internal enterprise resource planning system implementation project, including the first phase of implementation which occurred during the three months ended October 31, 2007, and a continued emphasis on increased spending for IR&D initiatives and discretionary overhead spending mostly for business development activities.

Commercial operating income increased \$6 million during the three months ended October 31, 2007, primarily due to improved margins on certain contracts, specifically within our consulting business area. Commercial operating income decreased \$6 million during the nine months ended October 31, 2007 due to lower direct labor utilization caused by a planned increase in discretionary overhead investment spending in pursuit of



new business opportunities and lower business volume than anticipated. Operating margins were further impacted during the nine months ended October 31, 2007 by higher cost labor used to support a fixed-price IT outsourcing contract in our U.K. subsidiary caused by a temporary lack of available lower cost resources in our India branch during the first half of fiscal 2008.

The decrease in Corporate and Other operating loss for the three and nine months ended October 31, 2007 primarily reflects lower legal expenses, including expenses relating to our dispute on the Greek contract.

#### Other Income Statement Items

*Interest Income.* Interest income decreased by \$21 million, or 60%, and \$55 million, or 57%, for the three and nine months ended October 31, 2007, respectively, compared to the same periods of the prior year due to a decrease in our cash and marketable securities balances resulting primarily from the payment of a \$2.45 billion special dividend in November 2006.

*Interest Expense.* Interest expense reflects interest on (1) our outstanding debt securities, (2) a building mortgage, (3) deferred compensation arrangements and (4) notes payable. Interest expense remained consistent for the three and nine months ended October 31, 2007 as compared to the same periods of the prior year, as most of our debt instruments have fixed interest rates and there were no significant changes in the underlying debt balances during those periods.

*Other Income (Expense), net.* The components of other income (expense), net were as follows:

	Three Months Ended October 31		Nine Months Ended October 31	
	2007	2006	2007	2006
	(in millions)			
Realized gains (losses) on investments, including impairment losses	\$ (2)	\$ 1	\$ (7)	\$ 1
Equity interest in earnings and impairment losses of unconsolidated affiliates	2	(1)	3	2
Other	—	1	—	1
Total other income (expense), net	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ (4)</u>	<u>\$ 4</u>

*Provision for Income Taxes.* The provision for income taxes as a percentage of income from continuing operations before income taxes was 39% for the three and nine months ended October 31, 2007. This compares with 42% and 39% for the three and nine months ended October 31, 2006, respectively. The higher effective tax rate for the three months ended October 31, 2006 was primarily due to a portion of a special dividend related to unvested shares being treated as non-deductible compensation expense for tax purposes.

We are subject to routine compliance reviews by the Internal Revenue Service (IRS), which is currently auditing fiscal years 2005 and 2006, and other taxing jurisdictions. While we believe we have adequate accruals for uncertain tax positions, there is no assurance that the tax authorities will not assert that we owe taxes in excess of recorded accruals or that recorded accruals will not be in excess of the final settlement amounts agreed to by the tax authorities.

*Income from Continuing Operations.* Income from continuing operations increased \$19 million, or 21%, and \$2 million, or 1%, for the three and nine months ended October 31, 2007, respectively, as compared to the same periods in the prior year. The increases in income from continuing operations primarily result from increases in

operating income of \$45 million and \$65 million offset by decreases in interest income of \$21 million and \$55 million for the three and nine months ended October 31, 2007, respectively.

*Earnings per Share (EPS) from Continuing Operations.* Diluted EPS from continuing operations was unchanged for the three months ended October 31, 2007 as compared to the same period in the prior year reflecting an increase in income from continuing operations of \$19 million offset by an increase in the number of weighted average shares outstanding of 67 million. Diluted EPS from continuing operations decreased \$0.13 per share, or 16%, for the nine months ended October 31, 2007 as compared to the same period of the prior year primarily due an increase in the number of weighted average shares outstanding of 72 million. The increase in the weighted average shares outstanding for the three and nine months ended October 31, 2007 is primarily due to the sale of 86 million shares of common stock in connection with our October 2006 initial public offering.

*Discontinued Operations.* During the nine months ended October 31, 2007, we completed a reorganization transaction resulting in the disposition of our 55% interest in our consolidated majority-owned subsidiary, AMSEC LLC, in exchange for the acquisition by us of certain divisions of AMSEC LLC. We recorded a pre-tax gain on sale of \$33 million in discontinued operations on the portion of the business retained by the other party that owned 45% of AMSEC LLC. We recorded a pre-tax gain of \$19 million in discontinued operations during the three and nine months ended October 31, 2006 related to the sale of ANX, a majority-owned subsidiary, on October 27, 2006.

The results of operations and the financial position of ANX and the divisions of AMSEC LLC retained by the other party have been reported as discontinued operations for all periods presented. The operating results for these discontinued operations prior to disposition (October 27, 2006 for ANX and July 13, 2007 for AMSEC LLC) for the periods indicated were as follows:

	Nine Months Ended October 31	
	2007	2006
	(in millions)	
Revenues	\$ 106	\$ 189
Costs and expenses		
Cost of revenues	96	161
Selling, general and administrative expenses	4	11
Interest income	—	1
Income before minority interest in income of consolidated subsidiaries and income taxes	<u>\$ 6</u>	<u>\$ 18</u>

The AMSEC LLC reorganization transaction was generally treated as a tax-free liquidation of our interest in AMSEC LLC for income tax purposes.

*Net Income and Earnings per Share.* Net income increased \$7 million and \$9 million during the three and nine months ended October 31, 2007, respectively, compared to the same periods of the prior year. This reflects increases in income from continuing operations of \$19 million and \$2 million for the three and nine months ended October 31, 2007, respectively, offset by a decrease in income from discontinued operations of \$12 million for the three months of October 31, 2007 and an increase in income from discontinued operations of \$7 million for the nine months ended October 31, 2007. Diluted EPS decreased \$0.03 per share, or 11%, and \$0.13 per share, or 15%, for the three and nine months ended October 31, 2007, respectively. The decline in EPS for the three and nine months ended October 31, 2007 compared to the same period of the prior year is primarily due to the sale of 86 million shares of common stock in connection with our October 2006 initial public offering partially offset by increased net income.

**Liquidity and Capital Resources**

Our principal sources of liquidity are cash flows from operations and borrowings under our credit facility, and our principal uses of cash are for operating expenses, capital expenditures, working capital requirements, acquisitions, debt service requirements and stock repurchases. We anticipate that our operating cash flows, existing cash, cash equivalents and borrowing capacity under our revolving credit facility are sufficient to meet our expected cash requirements for at least the next 12 months.

**Cash Flows**

The following table summarizes consolidated cash flow information for the periods noted:

	Nine Months Ended October 31	
	2007	2006
	(in millions)	
Net cash provided by operations	\$ 223	\$ 494
Net cash provided by (used in) investing activities	(178)	1,462
Net cash provided by (used in) financing activities	(150)	623
Net cash provided by discontinued operations	3	22
Net increase (decrease) in cash and cash equivalents	<u>\$ (102)</u>	<u>\$ 2,601</u>

*Cash Provided by Operations.* We generated cash from operations of \$223 million for the nine months ended October 31, 2007, compared to \$494 million for the nine months ended October 31, 2006. This \$271 million decrease in cash provided by operations is primarily a result of an increase in accounts receivable due to increased sales and an increase in the average time to collect receivables during the three months ended October 31, 2007 (\$166 million), a greater portion of fiscal 2007 bonuses and retirement plan contributions paid in cash instead of stock in the nine months ended October 31, 2007 (\$50 million), and an increase in inventories (\$57 million). During the nine months ended October 31, 2007, we recognized \$51 million of excess tax benefits realized from stock options exercised and unvested stock that vested subsequent to our reorganization merger as cash inflows from financing activities as required by SFAS No. 123(R) "Share-Based Payment." Excess tax benefits, including \$32 million for the nine months ended October 31, 2006, realized prior to the reorganization merger and initial public offering were presented as cash flows from operations as required by SFAS No. 95 "Statement of Cash Flows."

*Cash Provided by (Used in) Investing Activities.* We used \$178 million of cash in support of investing activities, including \$42 million for purchases of property, plant and equipment and \$144 million (net of cash acquired of \$29 million) to acquire two businesses, one in the Government segment and one in the Commercial segment, during the nine months ended October 31, 2007. We generated cash flows from investing activities of \$1.46 billion during the nine months ended October 31, 2006 primarily due to the liquidation of \$1.66 billion of our investments in marketable securities in anticipation of the payment of a special dividend of \$2.45 billion in connection with our October 2006 initial public offering. We also used \$64 million for purchases of property, plant and equipment and \$143 million (net of cash acquired of \$4 million) to acquire six businesses in our Government segment during the nine months ended October 31, 2006.

*Cash Provided by (Used in) Financing Activities.* We used \$150 million of cash in support of financing activities during the nine months ended October 31, 2007, including \$270 million used to repurchase shares of preferred and common stock, offset by \$79 million in proceeds from the sale of stock and exercise of stock options and \$51 million in excess tax benefits associated with stock-based compensation. We generated \$623 million of cash from financing activities during the nine months ended October 31, 2006, primarily representing \$1.30 billion generated through sales of stock and stock option exercises offset by \$657 million in repurchases of stock and \$19 million used to settle a note payable. Excess tax benefits realized from the exercise of stock

options and the vesting of unvested stock and other stock awards during the nine months ended October 31, 2006 are included as a component of cash flows from operations. Repurchases of our shares reduce the amount of retained earnings and additional paid-in capital in the stockholders' equity section of our condensed consolidated balance sheets.

#### **Stock Repurchase Program**

In December 2006, our board of directors authorized a stock repurchase program under which we may repurchase up to 40 million shares of our common stock. Stock repurchases under this program may be made on the open market or in privately negotiated transactions with third parties. Whether repurchases are made and the timing and actual number of shares repurchased depends on a variety of factors including price, corporate and regulatory requirements and other market conditions. Through October 31, 2007, we repurchased 13.1 million shares of our common stock under this program, which includes 4.4 million and 10.7 million shares repurchased during the three and nine months ended October 31, 2007, respectively.

#### **Underfunded Pension Obligation**

We sponsor a defined benefit pension plan for eligible employees of our United Kingdom subsidiary that perform services on a specific contract. As of January 31, 2007, the pension plan had an underfunded projected benefit obligation of \$24 million, which we expected to fund over the next 13 years. A dispute exists with the customer over the timeframe in which this funding is required under terms of the contract and applicable pension regulations. The resolution of this dispute may result in an acceleration of the funding.

#### **Outstanding Indebtedness**

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

	<u>October 31,</u> <u>2007</u>	(in millions)	<u>January 31,</u> <u>2007</u>
5.5% notes due fiscal 2034	\$ 296		\$ 296
6.25% notes due fiscal 2013	549		549
7.125% notes due fiscal 2033	248		248
6.75% notes due fiscal 2009	99		96
Other notes payable	46		39
	<u>1,238</u>		<u>1,228</u>
Less current portion	139		29
Total	<u>\$ 1,099</u>		<u>\$ 1,199</u>

All of the notes described above contain 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 such covenants as of October 31, 2007. For additional information on our notes payable and long-term debt, see Note 8 of the notes to consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended January 31, 2007.

*Credit Facility.* Effective July 31, 2007, we extended by one year our 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 June 2012. As of October 31, 2007, \$744 million of the revolving

credit facility was available, reduced by \$6 million of standby letters of credit issued in connection with our contract with the Greek government. The terms of the standby letters of credit require them to remain outstanding until the customer formally accepts the system pursuant to the contract. See also “Commitments and Contingencies—Firm-Fixed-Price Contract with the Greek Government.”

The facility contains various customary restrictive covenants, including financial covenants. As of October 31, 2007, we were in compliance with all covenants under the credit facility.

### **Off-Balance Sheet Arrangements**

We are party to various off-balance sheet arrangements including various guarantees, indemnifications and lease obligations. We have outstanding performance guarantees and cross-indemnity agreements in conjunction with our joint venture investments. See Notes 15 and 19 of the notes to consolidated financial statements and “Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations—Commitments and Contingencies” in our Annual Report on Form 10-K for the fiscal year ended January 31, 2007 for detailed information about our lease commitments and off-balance sheet arrangements.

### **Commitments and Contingencies**

#### ***Telkom South Africa***

Our 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. On September 27, 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 a 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 now commenced. Telcordia submitted its statement of claim and related document production on March 30, 2007, which seeks damages in excess of \$200 million plus interest and legal fees and costs. As a result of a preliminary hearing with the arbitrator, Telkom South Africa paid Telcordia \$9 million of uncontested damages 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, running from the date of breach by Telkom South Africa. Due to the complexity of the remaining issues, the arbitrator cancelled a September 2007 arbitration hearing to determine the amount of Telcordia’s damages and scheduled an April 2008 hearing focusing only on damage issues. A final hearing with closing submissions is scheduled for June 2008 in London. 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. We received \$4 million during the three months ended October 31, 2007 related to the \$9 million collected by Telcordia.

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 applicable taxes, are not presently determinable. We do not have any assets or liabilities recorded related to this dispute.

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

*Original Contract.* In May 2003, we entered into a euro-denominated firm-fixed-price contract (the Greek contract) with the Hellenic Republic of Greece (the Customer) to provide a C4I (Command, Control, Communications, Coordination and Integration) 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 us to provide five years of System support and maintenance for approximately \$13 million and ten years of TETRA radio network services for approximately \$109 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 continues to use significant portions of the System today. In November 2004, we delivered a revised version of the CDSS portion of the System to the Customer. Beginning in December 2004 and continuing through April 2005, 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 identified numerous omissions and deviations in its test reports. We believe that certain of these omissions and deviations were valid, while others were not.

*Modification of Contract.* On March 29, 2007, we and the Customer executed a modification to the Greek contract which establishes specific requirements, contract terms, and a payment schedule under which the various subsystems can be completed and provides for, among other things, the following:

- acceptance of 20 specific subsystems of the 29 subsystems comprising the System within 70 days of the execution of the modification
- payment of \$34 million within 30 days of our submitting invoices for certain work already performed on both the system development portion and service portion of the Greek contract
- reduction of the advance payment and performance bonds maintained by us in favor of the Customer by at least \$123 million which represents the value of the 20 subsystems required to be accepted within 70 days of the execution of the modification
- credit for past warranty, maintenance and TETRA services
- a revised test and acceptance process for the remaining subsystems being re-delivered during 2008
- provision of subsystem maintenance for a period of up to 5 years following subsystem acceptance

In connection with the acceptance of 20 of the 29 subsystems referred to above, the Greek contract modification provides a framework for the parties to determine the price reduction for omissions and deviations relating to those subsystems. An agreement of the parties limits the total price reduction for these subsystems to a maximum of \$11 million. On September 11, 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 on March 29, 2007, the following developments have occurred:

- 18 of the 20 subsystems to have been accepted within 70 days of March 29, 2007 have been fully and finally accepted by the Customer. A subcontractor, in consultation with us and the Customer, has chosen to remediate omissions and deviations in the remaining two subsystems it delivered, in an effort to

minimize or eliminate the price reduction associated with them. The contract authorizes such remediation as long as it is completed before the System acceptance testing to be conducted in fiscal 2009.

- The Customer has paid substantially all of the \$34 million related to services previously performed required to be paid within 30 days of us submitting our invoices.
- The initial price reduction assessed by the Customer for omissions and deviations on the 18 subsystems accepted to date totaled \$13 million, which is \$2 million in excess of the previously agreed-upon maximum price reduction limit of \$11 million. Accordingly, the parties have entered into negotiation under the provisions of the Greek contract to resolve this discrepancy. On November 9, 2007, the Customer offered to resolve the omissions and deviations on these 18 subsystems for a total price reduction of \$6 million, and discussions of this offer are ongoing.
- The Customer has reduced the advance payment, performance and offset bonds requirement by \$152 million.
- We and our subcontractors are performing work under the terms of the modified Greek contract and modified subcontracts, including the requirement to deliver a modified CDSS.

*Financial Status and Contingencies of the Greek Contract.* We have recorded \$123 million of losses under the Greek contract as of October 31, 2007. No profits or losses were recorded during the three and nine months ended October 31, 2007. We recorded no profit or losses during the three months ended October 31, 2006 and \$2 million of losses relating to foreign currency translation during the nine months ended October 31, 2006.

The Greek contract modification resulted in significant changes to the terms and conditions and the deliverables under the Greek contract and clarifies the parties' responsibilities. If we complete the work and receive future payments as required under the modified Greek contract, we 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 it is difficult to reliably estimate the ultimate outcome. Accordingly, we have not adjusted and will not adjust the losses on this contract until such time as we can more precisely estimate the ultimate outcome of the modified contract. Also, as a result of the significant uncertainties that remain on this contract, we are utilizing the completed-contract method of accounting for the system development portion of this contract. Examples of these uncertainties include acceptance of the remaining subsystems and the overall system, receipt of the remaining payments, release of the remaining bonds, and changes in the political representatives from the Greek government involved with the project. 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. We recognized \$2 million and \$24 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, 2007, respectively, primarily related to the receipt of payments from the Customer for services previously rendered.

We have \$14 million of accounts receivable (classified as other assets) relating to Value Added Taxes (VAT) that we have paid and believe we are entitled to recover either as a refund from the taxing authorities or as a payment under the Greek contract upon final billing. The Customer has paid to us all amounts owed for VAT to date for the subsystems accepted and services provided. Failure by the Customer to pay any future VAT amounts could result in an additional obligation payable by us to the Greek taxing authorities and could increase our total losses on the Greek contract.

In accordance with the terms of the Greek contract, we are required to maintain certain advance payment, performance and offset bonds in favor of the Customer. These bonding requirements have been met through the issuance of standby letters of credit. As of October 31, 2007, there were \$109 million in advance payment and

performance standby letters of credit and \$7 million in offset bonds outstanding. If the standby letters of credit are called based on a future failure to fulfill the Company's obligations under the Greek contract, we may have the right to call some of the \$127 million of bonds provided by its subcontractors in connection with their work under the Greek contract if the performance failure relates to subcontracted work.

If we and our 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 us, our bonds may be called, and the Customer may be able to recover additional contract costs required to fulfill our obligations. This could have a material adverse affect on our consolidated financial position, results of operations and cash flows.

#### **Other**

We are subject to investigations and reviews relating to compliance with various laws and regulations 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. Such matters can lead to criminal, civil or administrative proceedings and we could be faced with penalties, fines, repayments or compensatory damages. Adverse findings could also have a material adverse effect on us because of our reliance on government contracts. Although we can give no assurance, based upon management's evaluation of current matters that are subject to U.S. Government investigations of which we are aware and based on management's current understanding of the facts, we do not believe that the outcome of any such matter would have a material adverse effect on our consolidated financial position, results of operations, cash flows or our ability to conduct business.

During the nine months ended October 31, 2007, we recorded \$8 million in costs associated with actions taken to remediate data security lapses on several customer contracts, none of which were recorded during the three months ended October 31, 2007. As part of the remediation effort, we commenced a review of our technology assets to evaluate any other areas of potential information security risk.

We are subject to periodic audits by state and local governments for taxes other than income taxes. During the three months ended October 31, 2007, we received an initial notice of proposed excise tax assessment in the amount of \$27 million from a state government. We believe we have satisfied the state statutory requirements for an excise tax exemption for the substantial majority of the work performed in the state and have recorded a liability for the minor portion of this work that may not satisfy these requirements. Accordingly, we are contesting this initial proposed assessment with the state taxing authorities. We do not believe that the outcome of this or any other such tax matters would have a material adverse effect on our consolidated financial position, results of operations, cash flows or our ability to conduct business.

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 or our ability to conduct business.

#### **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, 2007, 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 the critical accounting policies during the nine months ended October 31, 2007.

#### **Effects of Inflation**

Our cost-reimbursement type contracts are generally completed within one year. As a result, we have generally been able to anticipate increases in costs when pricing our contracts. Bids for longer-term FFP and T&M contracts typically include sufficient provisions for labor and other cost escalations to cover cost increases over the period of performance. Consequently, revenues and costs have generally both increased commensurate with the general economy. As a result, net income as a percentage of total consolidated revenues has not been significantly impacted by inflation.

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

During the three and nine months ended October 31, 2007, there were no material changes in our market risk exposure. For a discussion of our market risk associated with foreign currency risk and interest rate risk as of January 31, 2007, see "Quantitative and Qualitative Disclosures about Market Risk" in Part II, Item 7A, of our Annual Report on Form 10-K for the year ended January 31, 2007.

#### **Item 4. Controls and Procedures.**

##### *Evaluation of disclosure controls and procedures.*

Our management, with the participation of our principal executive officer (our Chairman and 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 amended (Exchange Act)) as of the end of the quarterly period covered by this report, 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 Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities 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 Exchange Act 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.*

During the three months ended October 31, 2007, we began a phased implementation of a new enterprise resource planning system to be used as our accounting system. The implementation is expected to be completed in multiple phases through the first quarter of fiscal 2010. The transition to the new information system includes

a significant effort in the testing of the system prior to implementation, training of employees who will be using the system and updating of our internal control process and procedures that will be impacted by the implementation. During each phase of the implementation, we will test the results from the system and perform an appropriate level of monitoring of the system's results. As a result of the implementation of the system, our management will update the system of internal control over the impacted areas.

During the three months ended October 31, 2007, our corporate operations and employees were migrated to the new system. This migration did not materially affect our internal control over financial reporting because of the relatively low level of activity being performed in the new system. 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.

In the fourth quarter of fiscal 2008, it is expected that two of our twenty operating business units will migrate to the new system.

PART II

OTHER INFORMATION

**Item 1. Legal Proceedings.**

***Telkom South Africa***

As previously disclosed in our Annual Report on Form 10-K for the year ended January 31, 2007 and Quarterly Reports on Form 10-Q for the three months ended April 30, 2007 and July 31, 2007, our 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 prevailed in the initial phase of the arbitration with damages to be recovered by Telcordia to be determined in a second phase of the arbitration. 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.

The second phase of the arbitration is underway. The arbitrator cancelled a September 2007 arbitration hearing to determine the amount of Telcordia's damages and scheduled an April 2008 hearing focusing only on damage issues. A final hearing with closing submissions is scheduled for June 2008 in London.

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 applicable taxes, are not presently determinable. We do not have any assets or liabilities recorded related to this dispute.

***Other***

We are subject to investigations and reviews relating to compliance with various laws and regulations 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. Such matters can lead to criminal, civil or administrative proceedings and we could be faced with penalties, fines, repayments or compensatory damages. Adverse findings could also have a material adverse effect on us because of our reliance on government contracts. Although we can give no assurance, based upon management's evaluation of current matters that are subject to U.S. Government investigations of which we are aware and based on management's current understanding of the facts, we do not believe that the outcome of any such matter would have a material adverse effect on our consolidated financial position, results of operations, cash flows or our ability to conduct business.

We are subject to periodic audits by state and local governments for taxes other than income taxes. During the three months ended October 31, 2007, we received an initial notice of proposed excise tax assessment in the amount of \$27 million from a state government. We believe we have satisfied the state statutory requirements for an excise tax exemption for the substantial majority of the work performed in the state and have recorded a liability for the minor portion of this work that may not satisfy these requirements. Accordingly, we are contesting this initial proposed assessment with the state taxing authorities. We do not believe that the outcome of this or any other such tax matters would have a material adverse effect on our consolidated financial position, results of operations, cash flows or our ability to conduct business.

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, cash flows or our ability to conduct business.

**Item 1A. Risk Factors.**

There were no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended January 31, 2007.

**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 may repurchase up to 40 million shares of our common stock as part of our overall strategy for capital allocation. Stock repurchases under this program may be made on the open market or in privately negotiated transactions with third parties. Whether repurchases are made and the timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements and other market conditions.

The following table presents repurchases of our stock during the quarter ended October 31, 2007:

Period	(a) Total Number of Shares (or Units) Purchased <sup>(1) (2)</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>(3)</sup>	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
August 1, 2007—August 31, 2007	3,566,189	\$ 17.19	2,987,500	28,285,439
September 1, 2007—September 30, 2007	2,098,935	\$ 18.36	1,391,500	26,893,939
October 1, 2007—October 31, 2007	967,546	\$ 19.30	—	26,893,939
Total	<u>6,632,670</u>	<u>\$ 17.87</u>	<u>4,379,000</u>	

(1) Includes shares purchased as follows:

	August	September	October
Under publicly announced plans or programs	2,987,500	1,391,500	—
Upon surrender by stockholders of previously owned shares in payment of the exercise price of non-qualified stock options	535,666	681,140	808,902
In privately negotiated transactions	43,023	26,295	158,644
Total	<u>3,566,189</u>	<u>2,098,935</u>	<u>967,546</u>

(2) Does not include newly issued shares acquired by us in connection with employee exercise of non-qualified stock options to satisfy employees' statutory tax withholding obligations related to the options.

(3) Stock repurchase program was publicly announced on December 12, 2006.

**Item 3. Defaults Upon Senior Securities.**

None.

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

None.

**Item 5. Other Information.**

On December 7, 2007, the board of directors amended and restated our bylaws. Section 3.05 of the bylaws was amended to conform to Article SEVENTH of our restated certificate of incorporation providing that any director or the entire board of directors may be removed with or without cause by the holders of the two-thirds of the total voting power of all outstanding shares then entitled to vote at an election of directors. Section 3.07 previously provided that removal could only be for cause.

**Item 6. Exhibits.**

- 3.1 Certificate of Amendment to the Restated Certificate of Incorporation (as filed with the Delaware Secretary of State on October 9, 2007)
- 3.2 Restated Certificate of Incorporation of Registrant (as filed with the Delaware Secretary of State on December 10, 2007)
- 3.3 Restated Bylaws of Registrant
- 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

**SAIC, INC.**

**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 10, 2007

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

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
3.1	Certificate of Amendment to the Restated Certificate of Incorporation (as filed with the Delaware Secretary of State on October 9, 2007)
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# Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "SAIC, INC.", FILED IN THIS OFFICE ON THE NINTH DAY OF OCTOBER, A.D. 2007, AT 6:23 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.



4014717 8100

071098651

*Harriet Smith Windsor*

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 60 61609

DATE: 10-10-07



**CERTIFICATE OF AMENDMENT  
TO THE  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
SAIC, INC.**

SAIC, Inc., a corporation duly organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

1. The Restated Certificate of Incorporation of the Corporation is hereby amended by deleting Article FOURTH thereof and inserting the following in lieu thereof:

**"FOURTH: CAPITALIZATION**

**(A) Authorized Capitalization.**

The Corporation is authorized to issue three classes of capital stock to be designated, respectively, "*Common Stock*," "*Class A Preferred Stock*" and "*Preferred Stock*." The total number of shares of capital stock of all classes which the Corporation shall have the authority to issue is 3,510,000,000 shares, each with a par value of \$0.0001 per share, of which:

- (1) 2,000,000,000 shares shall be Common Stock;
- (2) 1,500,000,000 shares shall be Class A Preferred Stock; and
- (3) 10,000,000 shares shall be Preferred Stock.

Effective upon the effectiveness of this Certificate of Amendment to the Restated Certificate of Incorporation under the DGCL (the "Effective Time"), each share of Series A-1 Preferred Stock, Series A-2 Preferred Stock, Series A-3 Preferred Stock and Series A-4 Preferred Stock issued and outstanding immediately prior to the Effective Time shall be reclassified as one share of Class A Preferred Stock. The number of authorized shares of any class or classes of stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of at least a majority of the voting power of the issued and outstanding shares of Common Stock and Class A Preferred Stock of the Corporation, voting as a single class, irrespective of the provisions of Section 242(b)(2) of the DGCL or any corresponding provision hereinafter enacted.

**(B) Common Stock and Class A Preferred Stock.**

**(1) General.** The powers, preferences and rights of the Common Stock and the Class A Preferred Stock, and the qualifications, limitations or restrictions thereof, shall be in all respects identical, except as otherwise required by law or expressly provided in this Restated Certificate of Incorporation. The Common Stock and the Class A Preferred Stock shall be subject to the express terms of the Preferred Stock and any series thereof that may come into existence from time to time.

**(2) Voting.** In all matters submitted to a vote of the stockholders of the Corporation, each holder of Common Stock shall be entitled to one vote, in person or by proxy, for each share of Common Stock standing in such holder's name on the stock transfer records of the Corporation; and each holder of Class A Preferred Stock shall be entitled to ten votes, in person or by proxy, for each share of Class A Preferred Stock standing in such holder's name on the stock transfer records of the Corporation. Unless otherwise required under applicable law (except as provided in Section (A)) or this Restated Certificate of Incorporation and subject to any rights that may be conferred upon the holders of any series of Preferred Stock that may come into existence from time to time, the holders of Common Stock and Class A Preferred Stock shall vote together as a single class on all matters submitted to a vote of stockholders of the Corporation.

**(3) Dividends and Other Distributions.** Subject to the rights of any series of Preferred Stock that may come into existence from time to time, and subject to Section (B)(7)(f), the holders of Common Stock and the holders of Class A Preferred Stock shall be entitled to share equally, on a per share basis, in such dividends and other distributions of cash, property or shares of the Corporation as may be declared thereon by the Board of Directors out of funds legally available therefor; *provided, however*, that in the event such dividend is paid in the form of shares of the Corporation's capital stock or rights to acquire shares of the Corporation's capital stock, the holders of Common Stock shall receive Common Stock or rights to acquire Common Stock, as the case may be, and the holders of Class A Preferred Stock shall receive Class A Preferred Stock or rights to acquire Class A Preferred Stock, as the case may be.

**(4) Subdivisions or Combinations.** If the Corporation shall in any manner split, subdivide or combine the outstanding shares of Common Stock, the outstanding shares of Class A Preferred Stock shall be proportionately split, subdivided or combined in the same manner and on the same basis; and if the Corporation shall in any manner split, subdivide or combine the outstanding shares of Class A Preferred Stock, the outstanding shares of Common Stock shall be proportionately split, subdivided or combined in the same manner and on the same basis.

**(5) Mergers or Consolidations.** In the event of any merger or consolidation to which the Corporation is a party (whether or not the Corporation is the surviving entity), the holders of Common Stock and Class A Preferred Stock shall be entitled to receive, on a per share basis, the same amount and form of stock and other securities and property (including cash).

**(6) Liquidation.** Subject to the rights of any series of Preferred Stock that may come into existence from time to time, in the event of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of Common Stock and the holders of Class A Preferred Stock shall be entitled to share equally, on a per share basis, in all assets of the Corporation of whatever kind available for distribution to the holders of the Corporation's capital stock.

**(7) Conversion and Transfer Restrictions of the Class A Preferred Stock.**

(a) Each record holder of shares of Class A Preferred Stock may convert any or all of those shares into an equal number of shares of Common Stock. Shares of Common Stock may not be converted into shares of Class A Preferred Stock.

(b) A record holder of shares of Class A Preferred Stock may effect a voluntary conversion of any or all of those shares in accordance with Section (B)(7)(a) by surrendering the certificates, if any, for the number of shares to be converted, accompanied by any required tax transfer stamps, and delivering a written notice by the record holder to the Corporation stating that such record holder desires to convert such shares into the same number of shares of Common Stock and requesting that the Corporation issue such shares of Common Stock to persons named therein, setting forth the number of shares of Common Stock to be issued to each such person and the denominations in which the certificates therefor, if any, are to be issued. To the extent permitted by law, such a voluntary conversion shall be deemed to have been effected at the close of business on the date of surrender of certificates, if any, or the date of receipt by the Corporation of the notice of conversion, if the shares to be converted are uncertificated.

(c) Each share of Class A Preferred Stock shall automatically convert into one share of Common Stock upon the transfer of that share if, after the transfer, the share is not owned by a permitted transferee. In addition, notwithstanding any other provision of this Section (B)(7), each share of Class A Preferred Stock shall be transferable and shall automatically convert into one share of Common Stock at the time of transfer of that share in the following circumstances:

- (A) a transfer by a qualified retirement plan described in Section 401(a) of the Code sponsored by the Corporation or any of its subsidiaries (i) to the Corporation; (ii) to a distributee of any such plan pursuant to the terms of the plan; or (iii) pursuant to instructions of a participant in any such plan to sell or exchange Class A Preferred Stock pursuant to the terms of the plan;

(B) a transfer upon the exercise by a distributee of any such plan of any put right under the terms of the plan requiring the Corporation to purchase the share from the distributee; or

(C) a transfer by such a plan, upon the exercise by a participant or beneficiary of the plan of a right of diversification accorded to the participant or beneficiary by (i) the Pension Protection Act of 2006, as the same may be amended or may be interpreted or implemented from time to time by the U.S. Department of Labor, the U.S. Department of the Treasury or any other federal department or agency or (ii) the Board of Directors in its sole and absolute discretion.

For purposes of the foregoing sentence, any transfer shall be deemed to be a transfer of Common Stock. In the case of any such automatic conversion, stock certificates, if any, formerly representing each such share of Class A Preferred Stock shall thereupon and, except for a transfer to the Corporation where the shares are being retired, thereafter be deemed to represent such number of shares of Common Stock into which such shares of Class A Preferred Stock could be converted pursuant to the terms hereof, such shares of Class A Preferred Stock so converted shall no longer be deemed to be outstanding, and all rights of a holder with respect to such shares shall immediately terminate, except any rights under Section (B)(7)(f).

(d) Shares of Class A Preferred Stock shall be transferred on the books of the Corporation, and a new certificate therefor, if any, issued, upon presentation at the office of the Secretary of the Corporation (or at such additional place or places as may from time to time be designated by the Secretary of the Corporation) of the certificate, if any, for the shares, in proper form for transfer and accompanied by all requisite stock transfer tax stamps, and such documentation as shall be reasonably satisfactory to the Corporation, including documentation showing compliance with this Article Fourth.

(e) Any person (other than a permitted transferee) who takes shares of Class A Preferred Stock in a transfer otherwise permitted by Section (B)(7) may treat the endorsement on the certificate, if any, representing such shares, or the instrument accompanying the transfer of such shares, as authorizing such person on behalf of the transferor to convert the shares in the manner provided in Section (B)(7)(a) for the purpose of registering the transfer to such person of the shares of Common Stock issuable upon conversion, and to give on behalf of the transferor the written notice of conversion required by Section (B)(7)(b), and may convert such shares of Class A Preferred Stock accordingly.

(f) Upon any conversion of shares of Class A Preferred Stock into shares of Common Stock pursuant to the provisions of this Section (B)(7), any dividend, for which the record date is prior to and the payment date is subsequent to the conversion, that has been declared on the shares of Class A Preferred Stock so converted shall be deemed to have been declared, and shall be payable, with respect to the shares of Common Stock into or for which the shares of Class A Preferred Stock are so converted, *provided* that any such dividend, for which the record date is prior to and the payment date is subsequent to the conversion, that is declared on the shares of Class A Preferred Stock payable in shares of Class A Preferred Stock shall be deemed to have been declared, and shall be payable, in shares of Common Stock.

(g) Any shares of Class A Preferred Stock that have been converted to shares of Common Stock will be retired with no further action by the Corporation, and will resume the status of authorized and unissued Class A Preferred Stock.

(h) The Corporation at all times shall reserve and keep available, out of its authorized but unissued Common Stock, at least the number of shares of Common Stock that would become issuable upon the conversion of all shares of Class A Preferred Stock then outstanding.

(i) Every certificate for shares of Class A Preferred Stock shall bear a legend on its face reading as follows:

“The shares of Class A Preferred Stock represented by this certificate may not be transferred (which term includes, without limitation, buying a put option, selling a call option or entering into any other hedging or insurance transaction relating to the shares) to any person in connection with a transfer that does not meet the qualifications set forth in Section (B)(7) of Article Fourth of the Restated Certificate of Incorporation of the Corporation, and no person who receives the shares represented by this certificate in connection with a transfer that does not meet the qualifications prescribed by Section (B)(7) of Article Fourth is entitled to own or to be registered as the record holder of the shares of Class A Preferred Stock represented by this certificate, but the record holder of this certificate may at any time (except as provided in Section (B)(7)(a) of Article Fourth) convert the shares of Class A Preferred Stock represented by this certificate into the same number of shares of Common Stock for purposes of effecting the sale or other disposition of the shares of Class A Preferred Stock to any person. Each holder of this certificate, by accepting the certificate, accepts and agrees to all of the foregoing.”

In the case of uncertificated shares, an appropriate notice containing the applicable transfer restrictions shall be sent to the registered owner thereof.

**(8) Definitions.** For purposes of this Article Fourth, the following terms shall have the following meanings:

(a) “*Code*” means the Internal Revenue Code of 1986, as amended.

(b) “*Employee benefit plan*” means a pension plan within the meaning of Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended, and a nonqualified deferred compensation plan within the meaning of Section 409A(d)(1) of the Code.

(c) “*Immediate family member*” means a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares such person’s home.

(d) “*Individual retirement account*” means an account as defined in Section 408(a) of the Code.

(e) “*Permitted transferee*” means:

(i) an immediate family member of the transferor;

(ii) a trust for the sole benefit of the transferor or an immediate family member of the transferor, and the transferor or any immediate family member of the transferor who receives shares of Class A Preferred Stock from any such trust;

(iii) an individual retirement account that receives shares of Class A Preferred Stock, provided that (A) the transferor is an employee benefit plan sponsored by the Corporation or any of its subsidiaries, (B) the transferor is a distributee of an employee benefit plan described in subclause (A), or (C) the transferor is an individual retirement account for the benefit of a distributee described in subclause (B);

(iv) the beneficial owner of an individual retirement account, provided that the transferor is such individual retirement account;

(v) the estate of a deceased holder of shares, provided that such transfer was pursuant to the deceased holder’s will or the laws of distribution;

(vi) the beneficiary of an estate referred to in clause (v) above, provided that the transferor is such estate and such beneficiary is the immediate family member of the deceased or a trust for the sole benefit of such immediate family member;

- (vii) an employee benefit plan sponsored by the Corporation or any of its subsidiaries;
- (viii) a lending institution in connection with a pledge of shares and such shares are pledged as bona fide collateral for a loan to the transferor;
- (ix) the Corporation or any of its subsidiaries;
- (x) any distributee of an employee benefit plan sponsored by the Corporation or any of its subsidiaries pursuant to the terms of such plan, provided that the transferor is such employee benefit plan; and
- (xi) an employee of the Corporation or any of its subsidiaries, provided that the transferor is the Corporation or any of its subsidiaries.

(f) “*Public offering date*” means the date the Corporation’s Common Stock commences trading on a national securities exchange.

(g) “*Transfer*” (and the related term “*transferred*”) means any sale, pledge, gift, assignment or other transfer (including by merger, testamentary disposition, interspousal disposition pursuant to a domestic relations proceeding or otherwise or otherwise by operation of law) of any ownership or voting interest in any share of Class A Preferred Stock, including:

(i) any offer, pledge, sale, contract to sell, sale of any option or contract to purchase, purchase of any option or contract to sell, grant of any option, right or warrant to purchase, loan or other direct or indirect transfer or disposal of: (A) any shares of Class A Preferred Stock; (B) any securities convertible into or exercisable or exchangeable for Class A Preferred Stock; or (C) any shares of Common Stock into which the shares of Class A Preferred Stock are convertible; or

(ii) entry into any swap or other arrangement (including by way of insurance) that transfers to another, in whole or in part, any of the economic consequences of ownership of any shares of Class A Preferred Stock or any shares of Common Stock into which the shares of Class A Preferred Stock are convertible;

regardless of whether any transaction described in clause (i) or (ii) above is to be settled by delivery of Class A Preferred Stock, Common Stock or other securities, in cash or otherwise; *provided, however*, that an original

issuance of shares of capital stock by the Corporation or the transfer of shares of capital stock from the Corporation's treasury shall not be considered a transfer for purposes of this Article Fourth.

(h) "*Subsidiary*" means a corporation or other entity of which securities or other interests representing at least fifty percent of the voting power in the election of directors are held by the Corporation or its subsidiaries.

**(C) Preferred Stock.**

The Board of Directors is expressly authorized to provide for the issuance of all or any shares of the Preferred Stock, in one or more series, and to fix for each such series the number of shares thereof and such voting powers, full or limited, or no voting powers, and such distinctive designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such series and as may be permitted by the DGCL, including, without limitation, the authority to provide that any such series may be (a) subject to redemption at such time or times and at such price or prices; (b) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (c) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; or (d) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the Corporation at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or resolutions."

2. The foregoing amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

[SIGNATURE PAGE FOLLOWS]



IN WITNESS WHEREOF, SAIC, Inc. has caused this Certificate of Amendment to be executed by a duly authorized officer on this 9th day of October, 2007.

SAIC, INC

By: /s/ DOUGLAS E. SCOTT  
Name: Douglas E. Scott  
Title: Executive Vice President,  
General Counsel and Secretary

**RESTATED CERTIFICATE OF INCORPORATION OF SAIC, INC.**

SAIC, Inc., a Delaware corporation, hereby certifies as follows:

1. The name of the Corporation is SAIC, Inc.
2. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on August 12, 2005.

3. This Restated Certificate of Incorporation restates and integrates, and does not further amend, the provisions of the Corporation's Certificate of Incorporation as heretofore amended and supplemented.

4. There are no discrepancies between the provisions of the Corporation's Certificate of Incorporation as heretofore amended and supplemented and the provisions this Restated Certificate of Incorporation.

5. This Restated Certificate of Incorporation was duly adopted by the Corporation's Board of Directors in accordance with Section 245 of the General Corporation Law of the State of Delaware (the "DGCL").

5. The text of the Corporation's Certificate of Incorporation is hereby restated to read in its entirety as follows:

**FIRST: NAME.** The name of the Corporation is SAIC, Inc.

**SECOND: ADDRESS.** The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, and the name of its registered agent at that address is The Corporation Trust Company.

**THIRD: PURPOSE.** The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

**FOURTH: CAPITALIZATION****(A) Authorized Capitalization.**

The Corporation is authorized to issue three classes of capital stock to be designated, respectively, "*Common Stock*," "*Class A Preferred Stock*" and "*Preferred Stock*." The total number of shares of capital stock of all classes which the Corporation shall have the authority to issue is 3,510,000,000 shares, each with a par value of \$0.0001 per share, of which:

- (1) 2,000,000,000 shares shall be Common Stock;
- (2) 1,500,000,000 shares shall be Class A Preferred Stock; and
- (3) 10,000,000 shares shall be Preferred Stock.

The number of authorized shares of any class or classes of stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of at least a majority of the voting power of the issued and outstanding shares of Common Stock and Class A Preferred Stock of the Corporation, voting as a single class, irrespective of the provisions of Section 242(b)(2) of the DGCL or any corresponding provision hereinafter enacted.

**(B) Common Stock and Class A Preferred Stock.**

**(1) General.** The powers, preferences and rights of the Common Stock and the Class A Preferred Stock, and the qualifications, limitations or restrictions thereof, shall be in all respects identical, except as otherwise required by law or expressly provided in this Restated Certificate of Incorporation. The Common Stock and the Class A Preferred Stock shall be subject to the express terms of the Preferred Stock and any series thereof that may come into existence from time to time.

**(2) Voting.** In all matters submitted to a vote of the stockholders of the Corporation, each holder of Common Stock shall be entitled to one vote, in person or by proxy, for each share of Common Stock standing in such holder's name on the stock transfer records of the Corporation; and each holder of Class A Preferred Stock shall be entitled to ten votes, in person or by proxy, for each share of Class A Preferred Stock standing in such holder's name on the stock transfer records of the Corporation. Unless otherwise required under applicable law (except as provided in Section (A)) or this Restated Certificate of Incorporation and subject to any rights that may be conferred upon the holders of any series of Preferred Stock that may come into existence from time to time, the holders of Common Stock and Class A Preferred Stock shall vote together as a single class on all matters submitted to a vote of stockholders of the Corporation.

**(3) Dividends and Other Distributions.** Subject to the rights of any series of Preferred Stock that may come into existence from time to time, and subject to Section (B)(7)(f), the holders of Common Stock and the holders of Class A Preferred Stock shall be entitled to share equally, on a per share basis, in such dividends and other distributions of cash, property or shares of the Corporation as may be declared thereon by the Board of Directors out of funds legally available therefor; *provided, however*, that in the event such dividend is paid in the form of shares of the Corporation's capital stock or rights to acquire shares of the Corporation's capital stock, the holders of Common Stock shall receive Common Stock or rights to acquire Common Stock, as the case may be, and the holders of Class A Preferred Stock shall receive Class A Preferred Stock or rights to acquire Class A Preferred Stock, as the case may be.

**(4) Subdivisions or Combinations.** If the Corporation shall in any manner split, subdivide or combine the outstanding shares of Common Stock, the outstanding shares of Class A Preferred Stock shall be proportionately split, subdivided or combined in the same manner and on the same basis; and if the Corporation shall in any manner split, subdivide or combine the outstanding shares of Class A Preferred Stock, the outstanding shares of Common Stock shall be proportionately split, subdivided or combined in the same manner and on the same basis.

**(5) Mergers or Consolidations.** In the event of any merger or consolidation to which the Corporation is a party (whether or not the Corporation is the surviving entity), the holders of Common Stock and Class A Preferred Stock shall be entitled to receive, on a per share basis, the same amount and form of stock and other securities and property (including cash).

**(6) Liquidation.** Subject to the rights of any series of Preferred Stock that may come into existence from time to time, in the event of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of Common Stock and the holders of Class A Preferred Stock shall be entitled to share equally, on a per share basis, in all assets of the Corporation of whatever kind available for distribution to the holders of the Corporation's capital stock.

**(7) Conversion and Transfer Restrictions of the Class A Preferred Stock**

(a) Each record holder of shares of Class A Preferred Stock may convert any or all of those shares into an equal number of shares of Common Stock. Shares of Common Stock may not be converted into shares of Class A Preferred Stock.

(b) A record holder of shares of Class A Preferred Stock may effect a voluntary conversion of any or all of those shares in accordance with Section (B)(7)(a) by surrendering the certificates, if any, for the number of shares to be converted, accompanied by any required tax transfer stamps, and delivering a written notice by the record holder to the Corporation stating that such record holder desires to convert such shares into the same number of shares of Common Stock and requesting that the Corporation issue such shares of Common Stock to persons named therein, setting forth the number of shares of Common Stock to be issued to each such person and the denominations in which the certificates therefor, if any, are to be issued. To the extent permitted by law, such a voluntary conversion shall be deemed to have been effected at the close of business on the date of surrender of certificates, if any, or the date of receipt by the Corporation of the notice of conversion, if the shares to be converted are uncertificated.

(c) Each share of Class A Preferred Stock shall automatically convert into one share of Common Stock upon the transfer of that share if, after the transfer, the share is not owned by a permitted transferee. In addition, notwithstanding any other provision of this Section (B)(7), each share of Class A Preferred Stock shall be transferable and shall automatically convert into one share of Common Stock at the time of transfer of that share in the following circumstances:

- (A) a transfer by a qualified retirement plan described in Section 401(a) of the Code sponsored by the Corporation or any of its subsidiaries
- (i) to the Corporation; (ii) to a distributee of any such plan pursuant to the terms of the plan; or (iii) pursuant to instructions of a participant in any such plan to sell or exchange Class A Preferred Stock pursuant to the terms of the plan;

(B) a transfer upon the exercise by a distributee of any such plan of any put right under the terms of the plan requiring the Corporation to purchase the share from the distributee; or

(C) a transfer by such a plan, upon the exercise by a participant or beneficiary of the plan of a right of diversification accorded to the participant or beneficiary by (i) the Pension Protection Act of 2006, as the same may be amended or may be interpreted or implemented from time to time by the U.S. Department of Labor, the U.S. Department of the Treasury or any other federal department or agency or (ii) the Board of Directors in its sole and absolute discretion.

For purposes of the foregoing sentence, any transfer shall be deemed to be a transfer of Common Stock. In the case of any such automatic conversion, stock certificates, if any, formerly representing each such share of Class A Preferred Stock shall thereupon and, except for a transfer to the Corporation where the shares are being retired, thereafter be deemed to represent such number of shares of Common Stock into which such shares of Class A Preferred Stock could be converted pursuant to the terms hereof, such shares of Class A Preferred Stock so converted shall no longer be deemed to be outstanding, and all rights of a holder with respect to such shares shall immediately terminate, except any rights under Section (B)(7)(f).

(d) Shares of Class A Preferred Stock shall be transferred on the books of the Corporation, and a new certificate therefor, if any, issued, upon presentation at the office of the Secretary of the Corporation (or at such additional place or places as may from time to time be designated by the Secretary of the Corporation) of the certificate, if any, for the shares, in proper form for transfer and accompanied by all requisite stock transfer tax stamps, and such documentation as shall be reasonably satisfactory to the Corporation, including documentation showing compliance with this Article Fourth.

(e) Any person (other than a permitted transferee) who takes shares of Class A Preferred Stock in a transfer otherwise permitted by Section (B)(7) may treat the endorsement on the certificate, if any, representing such shares, or the instrument accompanying the transfer of such shares, as authorizing such person on behalf of the transferor to convert the shares in the manner provided in Section (B)(7)(a) for the purpose of registering the transfer to such person of the shares of Common Stock issuable upon conversion, and to give on behalf of the transferor the written notice of conversion required by Section (B)(7)(b), and may convert such shares of Class A Preferred Stock accordingly.

(f) Upon any conversion of shares of Class A Preferred Stock into shares of Common Stock pursuant to the provisions of this Section (B)(7), any dividend, for which the record date is prior to and the payment date is subsequent to the conversion, that has been declared on the shares of Class A Preferred Stock so converted shall be deemed to have been declared, and shall be payable, with respect to the shares of Common Stock into or for which the shares of Class A Preferred Stock are so converted, *provided* that any such dividend, for which the record date is prior to and the payment date is subsequent to the conversion, that is declared on the shares of Class A Preferred Stock payable in shares of Class A Preferred Stock shall be deemed to have been declared, and shall be payable, in shares of Common Stock.

(g) Any shares of Class A Preferred Stock that have been converted to shares of Common Stock will be retired with no further action by the Corporation, and will resume the status of authorized and unissued Class A Preferred Stock.

(h) The Corporation at all times shall reserve and keep available, out of its authorized but unissued Common Stock, at least the number of shares of Common Stock that would become issuable upon the conversion of all shares of Class A Preferred Stock then outstanding.

(i) Every certificate for shares of Class A Preferred Stock shall bear a legend on its face reading as follows:

“The shares of Class A Preferred Stock represented by this certificate may not be transferred (which term includes, without limitation, buying a put option, selling a call option or entering into any other hedging or insurance transaction relating to the shares) to any person in connection with a transfer that does not meet the qualifications set forth in Section (B)(7) of Article Fourth of the Restated Certificate of Incorporation of the Corporation, and no person who receives the shares represented by this certificate in connection with a transfer that does not meet the qualifications prescribed by Section (B)(7) of Article Fourth is entitled to own or to be registered as the record holder of the shares of Class A Preferred Stock represented by this certificate, but the record holder of this certificate may at any time (except as provided in Section (B)(7)(a) of Article Fourth) convert the shares of Class A Preferred Stock represented by this certificate into the same number of shares of Common Stock for purposes of effecting the sale or other disposition of the shares of Class A Preferred Stock to any person. Each holder of this certificate, by accepting the certificate, accepts and agrees to all of the foregoing.”

In the case of uncertificated shares, an appropriate notice containing the applicable transfer restrictions shall be sent to the registered owner thereof.

**(8) Definitions.** For purposes of this Article Fourth, the following terms shall have the following meanings:

(a) “*Code*” means the Internal Revenue Code of 1986, as amended.

(b) “*Employee benefit plan*” means a pension plan within the meaning of Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended, and a nonqualified deferred compensation plan within the meaning of Section 409A(d)(1) of the Code.

(c) “*Immediate family member*” means a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares such person’s home.

(d) “*Individual retirement account*” means an account as defined in Section 408(a) of the Code.

(e) “*Permitted transferee*” means:

(i) an immediate family member of the transferor;

(ii) a trust for the sole benefit of the transferor or an immediate family member of the transferor, and the transferor or any immediate family member of the transferor who receives shares of Class A Preferred Stock from any such trust;

(iii) an individual retirement account that receives shares of Class A Preferred Stock, provided that (A) the transferor is an employee benefit plan sponsored by the Corporation or any of its subsidiaries, (B) the transferor is a distributee of an employee benefit plan described in subclause (A), or (C) the transferor is an individual retirement account for the benefit of a distributee described in subclause (B);

(iv) the beneficial owner of an individual retirement account, provided that the transferor is such individual retirement account;

(v) the estate of a deceased holder of shares, provided that such transfer was pursuant to the deceased holder’s will or the laws of distribution;

(vi) the beneficiary of an estate referred to in clause (v) above, provided that the transferor is such estate and such beneficiary is the immediate family member of the deceased or a trust for the sole benefit of such immediate family member;

(vii) an employee benefit plan sponsored by the Corporation or any of its subsidiaries;

(viii) a lending institution in connection with a pledge of shares and such shares are pledged as bona fide collateral for a loan to the transferor;

(ix) the Corporation or any of its subsidiaries;

(x) any distributee of an employee benefit plan sponsored by the Corporation or any of its subsidiaries pursuant to the terms of such plan, provided that the transferor is such employee benefit plan; and

(xi) an employee of the Corporation or any of its subsidiaries, provided that the transferor is the Corporation or any of its subsidiaries.

(f) “*Transfer*” (and the related term “*transferred*”) means any sale, pledge, gift, assignment or other transfer (including by merger, testamentary disposition, interspousal disposition pursuant to a domestic relations proceeding or otherwise or otherwise by operation of law) of any ownership or voting interest in any share of Class A Preferred Stock, including:

(i) any offer, pledge, sale, contract to sell, sale of any option or contract to purchase, purchase of any option or contract to sell, grant of any option, right or warrant to purchase, loan or other direct or indirect transfer or disposal of: (A) any shares of Class A Preferred Stock; (B) any securities convertible into or exercisable or exchangeable for Class A Preferred Stock; or (C) any shares of Common Stock into which the shares of Class A Preferred Stock are convertible; or

(ii) entry into any swap or other arrangement (including by way of insurance) that transfers to another, in whole or in part, any of the economic consequences of ownership of any shares of Class A Preferred Stock or any shares of Common Stock into which the shares of Class A Preferred Stock are convertible;

regardless of whether any transaction described in clause (i) or (ii) above is to be settled by delivery of Class A Preferred Stock, Common Stock or other securities, in cash or otherwise; *provided, however*, that an original issuance of shares of capital stock by the Corporation or the transfer of shares of capital stock from the Corporation’s treasury shall not be considered a transfer for purposes of this Article Fourth.

(g) “*Subsidiary*” means a corporation or other entity of which securities or other interests representing at least fifty percent of the voting power in the election of directors are held by the Corporation or its subsidiaries.

**(C) Preferred Stock.**

The Board of Directors is expressly authorized to provide for the issuance of all or any shares of the Preferred Stock, in one or more series, and to fix for each such series the number of shares thereof and such voting powers, full or limited, or no voting powers, and such distinctive designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such series and as may be permitted by the DGCL, including, without limitation, the authority to provide that any such series may be (a) subject to redemption at such time or times and at such price or prices; (b) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (c) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; or (d) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the Corporation at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or resolutions.

**FIFTH: BALLOT.** Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall otherwise provide.

**SIXTH: BYLAWS.** In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind the Bylaws of the Corporation. No section of the Bylaws shall be adopted, repealed, altered, amended or rescinded by the stockholders of the Corporation except by the vote of the holders of not less than two-thirds of the total voting power of all outstanding shares of voting stock of the Corporation.

**SEVENTH: THE BOARD OF DIRECTORS.**

**(A) Number of Directors.** The number of directors which shall constitute the whole Board of Directors of the Corporation shall be not less than ten (10) and not more than eighteen (18), and the exact number shall be fixed by the Board of Directors.

**(B) Term.** At each annual meeting of stockholders of the Corporation commencing at the annual meeting of stockholders next following the 2007 annual meeting of stockholders, all directors shall be elected for a term expiring at the next succeeding annual meeting of stockholders, by such stockholders having the right to vote on such election. The term of each director serving as and immediately following the date of the 2007 annual meeting of stockholders shall expire at the next annual meeting of stockholders after such date, notwithstanding that such director may have been elected for a term that extended beyond the date of such annual meeting of stockholders. Each director shall serve until the director's term expires in accordance with the foregoing provisions or until the director's prior resignation, death, disqualification or removal from office, provided that each director shall serve notwithstanding the expiration of the director's term until the director's successor shall be duly elected and qualified.

**(C) Removal.** Unless otherwise restricted by applicable law, any director or the entire Board may be removed with or without cause by the holders of two-thirds of the total voting power of all outstanding shares then entitled to vote at an election of directors.

**(D) Cumulative Voting.** At any election of directors of the Corporation, a holder of any class or series of stock then entitled to vote in such election shall be entitled to as many votes as shall equal the number of votes which (except for this Section (D) as to cumulative voting) such holder would be entitled to cast for the election of directors with respect to such holder's shares of stock multiplied by the number of directors to be elected in the election in which such holder's class or series of shares is entitled to vote, and such holder may cast all of such votes for a single director or may distribute them among the number to be voted for, or for any two or more of them as such holder may see fit.

**(E) Vacancies.** Any vacancy in the Board of Directors, whether because of resignation, death, disqualification, removal, an increase in the number of directors, or any other cause, may only be filled by vote of the majority of the remaining directors, although less than a quorum. The term of any director elected in accordance with the preceding sentence shall expire at the next annual meeting of stockholders. Each director shall serve until the director's term expires in accordance with the foregoing provisions or until the director's prior resignation, death, disqualification or removal from office, provided that each director shall serve notwithstanding the expiration of the director's term until the director's successor shall be duly elected and qualified.

**EIGHTH: MEETINGS OF STOCKHOLDERS.**

**(A) No Action by Written Consent.** No action shall be taken by the stockholders except at an annual or special meeting of stockholders, and no action may be effected by any consent in writing in lieu of a meeting of stockholders.

**(B) Special Meetings.** Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time by the Board of Directors, or by a majority of the members of the Board of Directors, or by a committee of the Board of Directors which has been duly designated by the Board of Directors and whose powers and authority, as provided in a resolution of the Board of Directors or in the Bylaws of the Corporation, include the power to call such meetings, but such special meetings may not be called by any other person or persons; provided, however, that, if and to the extent that any special meeting of stockholders may be

called by any other person or persons specified in any provisions of this Restated Certificate of Incorporation or any amendment thereto or any certificate filed under Section 151(g) of the DGCL (or its successor statute as in effect from time to time hereafter), then such special meeting may also be called by the person or persons, in the manner, at the times and for the purposes so specified.

**NINTH: AMENDMENT.** The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation. Notwithstanding the foregoing, the provisions set forth in Articles FIFTH, SIXTH, SEVENTH, EIGHTH and this Article NINTH may not be repealed or amended in any respect unless such repeal or amendment is approved by the affirmative vote of the holders of not less than two-thirds of the total voting power of all outstanding shares of voting stock of the Corporation.

**TENTH: BUSINESS COMBINATIONS**

(A) For the purposes of this Article TENTH:

(1) The term “*person*” shall mean any individual, firm, limited liability company, partnership, limited partnership, corporation or other entity.

(2) The term “*Subsidiary*” shall mean any corporation more than fifty percent (50%) of any class of equity security of which is owned, directly or indirectly, by the Corporation.

(3) The term “*Substantial Part of the Assets*” shall mean assets having a fair market value or book value, whichever is greater, equal to more than ten percent of the fair market value or book value, whichever is greater, of the total assets of a person as of the end of its most recent fiscal year ending prior to the time the determination is made.

(4) A person shall be a “*Beneficial Owner*” of any shares of voting stock of the Corporation (a) which such person or any of its “*affiliates*” or “*associates*” (as defined on the date of the adoption hereof in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”)) beneficially owns, directly or indirectly, (b) which such person or any of its “*affiliates*” or “*associates*” has, directly or indirectly, (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise or (ii) the right to vote or direct the voting of pursuant to any agreement, arrangement or understanding, *provided, however*, that a person shall not be deemed the Beneficial Owner of, or to beneficially own, any security by reason of such agreement, arrangement or understanding if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report), or (c) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its “*affiliates*” or “*associates*” has any such agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of such voting stock.

(5) The term “*Related Person*” shall mean any person (except any profit-sharing, employee stock ownership or other employee benefit plan of the Corporation or any Subsidiary or any trustee of or fiduciary with respect to any such plan when acting in such capacity) which is the Beneficial Owner (as herein defined) of five percent (5%) or more of the total voting power of all of the outstanding shares of voting stock of the Corporation.

(6) For the purposes of determining whether a person is a Related Person, the number of shares of voting stock of the Corporation deemed to be outstanding shall include all shares deemed owned by such person through application of Section (A)(4), but shall not include any other shares of voting stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(7) The term “*Business Combination*” shall mean (a) any merger or consolidation of the Corporation or a Subsidiary with or into a Related Person, (b) any sale, lease, exchange, transfer, mortgage, pledge or other



disposition (whether in one transaction or in a series of transactions) of all or any Substantial Part of the Assets (as herein defined) of a Related Person to the Corporation or to a Subsidiary, (c) any sale, lease, exchange, transfer, mortgage, pledge or other disposition (whether in one transaction or in a series of transactions) of all or any Substantial Part of the Assets of the Corporation (including without limitation any securities of a Subsidiary) to a Related Person, (d) the issuance of any securities of the Corporation or a Subsidiary to a Related Person, (e) the acquisition by the Corporation or a Subsidiary of any securities of a Related Person, (f) any reclassification of the securities (including any reverse stock split) or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any Subsidiary or any other transaction (whether or not with or into or otherwise involving a Related Person) which has the effect, directly or indirectly, of increasing the proportionate amount of the outstanding shares of any class of equity securities or securities convertible into equity securities of the Corporation or any Subsidiary which is directly or indirectly owned by a Related Person, (g) any loan or other extension of credit by the Corporation or a Subsidiary to a Related Person or any guarantee by the Corporation or a Subsidiary of any loan or other extension of credit by any person to a Related Person, (h) the adoption of any plan or proposal for the dissolution, liquidation or termination of the Corporation or any Subsidiary proposed by or on behalf of a Related Person and (i) any agreement, contract or other arrangement providing for any of the foregoing Business Combination transactions.

(8) The term “*Continuing Director*” shall mean any member of the Board of Directors of the Corporation who is unaffiliated with the Related Person and was a member of the Board prior to the time that the Related Person became a Related Person, and any successor of a Continuing Director who is unaffiliated with the Related Person and is recommended or elected to succeed a Continuing Director by a majority of Continuing Directors, provided that such recommendation or election shall only be effective if made at a meeting at which a Continuing Director Quorum is present.

(9) The term “*Continuing Director Quorum*” shall mean a majority of the Continuing Directors capable of exercising the powers conferred upon them under the provisions of this Restated Certificate of Incorporation or the Bylaws of the Corporation or by law.

(B) The approval or authorization of any Business Combination (as herein defined) of the Corporation with any Related Person (as herein defined) shall require the affirmative vote of the holders of (i) at least 80% of the total voting power of all of the outstanding shares of voting stock of the Corporation and (ii) a majority of the total voting power of all of the outstanding shares of voting stock of the Corporation other than shares of voting stock of which such Related Person is the Beneficial Owner (as herein defined). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that the affirmative vote of a lesser percentage of stockholders may be specified, by law or otherwise.

(C) The provisions of this Article TENTH shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote, if any, as may be required by law or otherwise, if:

(1) The Board of Directors of the Corporation shall by resolution have approved or ratified a memorandum of understanding approving such Business Combination with such Related Person prior to the time such Related Person became the Beneficial Owner, directly or indirectly, of five percent (5%) or more of the voting shares of the Corporation; or

(2) The Business Combination shall have been approved by a majority of the Continuing Directors (as herein defined) at a meeting at which a Continuing Director Quorum (as herein defined) is present; or

(3) The Business Combination involves solely the Corporation and a Subsidiary (as herein defined) in which a Related Person has no direct or indirect interest (other than an interest arising solely because of control of the Corporation); provided, that if the Corporation is not the surviving corporation, (a) each stockholder of the Corporation receives the same type of consideration in such transaction in proportion to such stockholder's stockholdings, (b) the provisions of Articles SIXTH, SEVENTH, EIGHTH, NINTH, TENTH and ELEVENTH of this Restated Certificate of Incorporation are continued in effect or adopted by such surviving corporation as part of its articles of incorporation or certificate of incorporation, as the case may be, and such articles or certificate have no provisions inconsistent with such provisions, and (c) the provisions of the Corporation's Bylaws are continued in effect or adopted by such surviving corporation.

(D) Nothing contained in this Article TENTH shall be construed to relieve any Related Person of any fiduciary obligation imposed upon it by law.

(E) A majority of the Continuing Directors shall have the power and duty to determine, on the basis of information then known to them, whether (a) any person is a Related Person, (b) any Business Combination relates to a Substantial Part of the Assets of any person and (c) any director is a Continuing Director acting at a meeting at which a Continuing Director Quorum is or was present. Any such determination by a majority of the Continuing Directors shall be conclusive and binding for all purposes of this Article TENTH.

(F) The stockholders of the Corporation shall be entitled to statutory appraisal rights to the maximum extent permissible under Section 262 of the General Corporation Law of the State of Delaware, notwithstanding any exception otherwise provided therein, with respect to any Business Combination with a Related Person requiring the affirmative vote of the holders of outstanding stock of the Corporation having at least 80% of the voting power of the Corporation unless such vote is not required pursuant to Section C.

(G) No Business Combination subject to the provisions of Section B of this Article TENTH shall, unless such Business Combination shall be the subject of one of the exceptions provided for in Sections C(1), (2) or (3), be consummated, and the Corporation shall not enter into any such Business Combination, unless the agreement relating to such Business Combination shall provide that each stockholder of the Corporation who has voted against the Business Combination shall receive, at the time of the consummation of such Business Combination and in exchange for such stockholder's shares of the capital stock of the Corporation, at the option of such stockholder, either (i) the consideration offered by the Related Persons as part of the Business Combination, or (ii) consideration per share of capital stock of the Corporation held by such stockholder (either in cash or in the same form and of the same kind as the consideration paid by the Related Person in acquiring shares of capital stock of the Corporation, at the option of such stockholder) in an amount not less than the greater of the following:

(1) The highest per share price (including brokerage commissions, transfer taxes and soliciting dealers' fees) paid by such Related Person in acquiring any of the capital stock of the Corporation, or

(2) A price bearing the same percentage relationship to the market price of the capital stock of the Corporation immediately prior to the announcement of the Business Combination as the highest price per share (including brokerage commissions, transfer taxes and soliciting dealers' fees) of the capital stock of the Corporation previously paid by such Related Person for shares of capital stock of the Corporation bears to the market price of the capital stock of the Corporation immediately prior to the time such Related Person initially acquired any shares of capital stock of the Corporation notwithstanding that such person was not a Related Person at the time of such initial acquisition.

(H) Notice of any proposed alteration, amendment, rescission or repeal of this Article TENTH shall be included in the notice of any annual or special meeting of stockholders at which such proposal is to be considered.

(I) The provisions set forth in this Article TENTH may not be amended, altered, changed or repealed nor may any provision inconsistent with such provisions be added to the Restated Certificate of Incorporation of the Corporation except upon the affirmative vote of the holders of (i) at least eighty percent (80%) of the total voting power of all outstanding shares of voting stock of the Corporation and (ii) a majority of the total voting power of all of the outstanding shares of voting stock of the Corporation other than shares of voting stock which are Beneficially Owned by a Related Person which has directly or indirectly proposed such amendment, alteration, change or repeal; *provided, however*, that any or all of such provisions may be amended, altered, changed or repealed, and any such new provisions may be added, upon the affirmative vote of the holders of not less than a majority of the total voting power of all outstanding voting securities of the Corporation, if such amendment, change, alteration or repeal or additional provision shall first have been approved and recommended by a resolution adopted by a majority vote of the Continuing Directors at a meeting at which a Continuing Director Quorum was present.

**ELEVENTH: INDEMNIFICATION AND LIMITATION OF LIABILITY**

**(A) Indemnification.**

**(1) Indemnification of Directors and Officers.** The Corporation shall indemnify its directors and elected and appointed officers to the fullest extent authorized or permitted by the DGCL, as the same exists or may hereafter be amended, and such right to indemnification shall continue as to a person who has ceased to be a director or officer of the Corporation and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except for proceedings to enforce rights to indemnification, the Corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or administrators) in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

**(2) Advancement of Expenses.** The Corporation shall to the fullest extent not prohibited by applicable law pay the expenses (including attorneys' fees) incurred by past or present directors and officers of the Corporation in defending any proceeding in advance of its final disposition; *provided, however,* that, to the extent required by law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by such persons to repay all amounts advanced if it should be ultimately determined that such person is not entitled to be indemnified under this Article ELEVENTH or otherwise.

**(3) Indemnification of Employees and Agents.** The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation who are not directors or officers similar to those conferred in this Section (A) to directors and officers of the Corporation.

The rights to indemnification and to the advancement of expenses conferred in this Section (A) shall not be exclusive of any other right which any person may have or hereafter acquire under this Restated Certificate of Incorporation, the Bylaws, any statute, agreement, insurance policy, vote of stockholders or disinterested directors, or otherwise.

**(B) Limitation on Liability.** No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) pursuant to Section 174 of the DGCL or (4) for any transaction from which the director derived an improper personal benefit.

**(C) Repeal or Modification of Rights.** Any repeal or modification of Section (A) shall not adversely affect any rights to indemnification and advancement of expenses of a director or officer of the Corporation existing pursuant to Section (A) with respect to any acts or omissions occurring prior to such repeal or modification. Any repeal or modification of Sections (A) or (B) shall not have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such repeal or modification.

IN WITNESS WHEREOF, SAIC, Inc. has caused this Restated Certificate of Incorporation to be executed in its corporate name by its Executive Vice President, General Counsel and Secretary as of this 10th day of December, 2007.

SAIC, Inc.

By: /s/ DOUGLAS E. SCOTT  
Name: Douglas E. Scott  
Title: Executive Vice President, General Counsel and Secretary

**RESTATED BYLAWS**  
**OF**  
**SAIC, INC.**  
**(a Delaware corporation)**

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**ARTICLE I.  
OFFICES**

Section 1.01 **Registered Office.** The registered office of SAIC, Inc. (the "Corporation") in the State of Delaware shall be at 1209 Orange Street, City of Wilmington, County of New Castle, and the name of the registered agent in charge thereof shall be The Corporation Trust Company.

Section 1.02 **Principal Office.** The principal office for the transaction of the business of the Corporation shall be at 10260 Campus Point Drive, San Diego, California 92121. The Board of Directors (the "Board") is hereby granted full power and authority to change said principal office from one location to another.

Section 1.03 **Other Offices.** The Corporation may also have an office or offices at such other place or places, either within or without the State of Delaware, as the Board may from time to time determine or as the business of the Corporation may require.

**ARTICLE II.  
MEETINGS OF STOCKHOLDERS**

Section 2.01 **Annual Meetings.** An annual meeting of stockholders shall be held for the election of directors and to transact such other business as may properly be brought before the meeting.

Section 2.02 **Special Meetings.** Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time by the Board, or by a committee of the Board which has been duly designated by the Board and whose powers and authority, as provided in a resolution of the Board or in the Bylaws, include the power to call such meetings, but such special meetings may not be called by any other person or persons; provided, however, that if and to the extent that any special meeting of stockholders may be called by any other person or persons specified in any provisions of the Certificate of Incorporation or any amendment thereto or any certificate filed under Section 151(g) of the General Corporation Law of the State of Delaware ("Delaware Law") (or its successor statute as in effect from time to time hereafter), then such special meeting may also be called by the person or persons, in the manner, at the times and for the purposes so specified.

Section 2.03 **Time and Place of Meetings.** All meetings of the stockholders shall be held at such places, within or without the State of Delaware, on such date and at such time as may from time to time be designated by the person or persons calling the respective meeting and specified in the respective notices or waivers of notice thereof.

Section 2.04 **Notice of Meetings and Adjourned Meetings; Waivers of Notice.**

(a) Whenever stockholders are required or permitted to take any action at a meeting, a notice of the meeting shall be given to stockholders of the Corporation, as required by applicable law, which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Notice may be given by such delivery means (mail, telecopy, electronic or other) as the Secretary deems appropriate and in compliance with applicable law and shall be delivered to the stockholder's address as it appears on the stock transfer records of the Corporation. Unless otherwise required by Delaware Law, such notice shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder of record entitled to vote at such meeting. Unless otherwise expressly required by Delaware Law, when a meeting is adjourned to another time or place (whether or not a quorum is present), notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

(b) Any waiver of any such notice given by the person entitled thereto, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting, and such person objects at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

**Section 2.05 Quorum.** Except as provided by Delaware Law, the holders of record of a majority in voting interest of the shares of stock of the Corporation entitled to be voted thereat, present in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of the stockholders of the Corporation or any adjournment thereof. In the absence of a quorum at any meeting or any adjournment thereof, a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat or, in the absence thereof of all the stockholders, any officer entitled to preside at, or to act as a secretary of, such meeting may adjourn such meeting from time to time. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

**Section 2.06 Voting.**

(a) At each meeting of the stockholders, each stockholder shall be entitled to vote, in person or by proxy, each share or fractional share of the stock of the Corporation having voting rights on the matter in question and which shall have been held by such stockholder and registered in such stockholder's name on the books of the Corporation:

(i) on the date fixed pursuant to Section 6.05 of these Bylaws as the record date for the determination of stockholders entitled to notice of and to vote at such meeting, or

(ii) if no such record date shall have been so fixed, then (a) at the close of business on the day before the day on which notice of the meeting shall be given or (b) if notice of the meeting shall be waived, at the close of business on the day before the day on which the meeting shall be held.

(b) Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors in such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes.

(c) Any such voting rights may be exercised by the stockholder entitled thereto in person or by his or her proxy delivered to the secretary of the meeting; *provided, however*, that no proxy shall be voted or acted upon after three (3) years from its date unless said proxy shall provide for a longer period. At any meeting of the stockholders all matters, except as otherwise provided in the Certificate of Incorporation, these Bylaws, Delaware Law, the rules or regulations of any stock exchange applicable to the Corporation, or any regulation applicable to the Corporation or its securities, shall be decided by the vote of a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereon, a quorum being present. The vote at any meeting of the stockholders on any question need not be by ballot, except as otherwise provided in the Certificate of Incorporation or unless so directed by the chairman of the meeting. On a vote by ballot, each ballot shall be signed by the stockholder voting, or by his or her proxy, if there be such proxy, and it shall state the number of shares voted.

**Section 2.07 Business at Annual Meeting (other than the Election of Directors).** To be properly brought before the meeting, business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board, (b) otherwise properly brought before the meeting by or at the direction of the Board, or (c) otherwise properly brought before the meeting by a stockholder who was a stockholder of record at the time of the giving of notice provided for in this Section 2.07, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.07. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal offices of the Corporation not later than the close of business on the 90th day, nor earlier than the close of business on the 120th day, prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. A stockholder's notice to the Secretary of the Corporation shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting and the text of the business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these Bylaws, the language of the proposed amendment), (b) the name and record address of the stockholder proposing such business and any other stockholders of the Corporation known to such stockholder to be in favor of such business, (c) the class and number of shares of capital stock of the Corporation which are beneficially owned by such stockholder on the date of such notice, (d) any material interest of such stockholder in such business, (e) whether the proponent intends or is part of a group which intends to solicit proxies from other stockholders in support of such business, and (f) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business.



The foregoing notice requirements of this Section 2.07 shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his or her intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting.

Notwithstanding the foregoing provisions of this Section 2.07, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting of stockholders of the Corporation to present the proposed business, such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this section 2.07, to be considered a qualified representative of the stockholder, a person must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

No business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 2.07; provided, however, that nothing in this Section 2.07 shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting.

The chairman of the annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with this Section 2.07 and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

**Section 2.08 List of Stockholders.** The Secretary of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, as required by applicable law. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

**Section 2.09 Inspectors.** Prior to each meeting of the stockholders, one or more inspectors shall be appointed by the Board, or, if no such appointment shall have been made, such inspectors shall be appointed by the chairman of the meeting, to act thereat. Each inspector so appointed shall first subscribe an oath or affirmation faithfully to execute the duties of an inspector at such meeting with strict impartiality and according to the best of his or her ability. Such inspector(s) shall take charge of the ballots at such meeting, count the ballots cast on any question and deliver a written report of the results thereof to the secretary of such meeting. The inspector(s) need not be stockholders of the Corporation. Any officer of the Corporation may be an inspector on any question other than a vote for or against his or her election to any position with the Corporation or on any other question in which he or she may be directly interested other than as a stockholder.

**Section 2.10 Regulations for Conduct of Stockholders Meeting.** The Board may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations adopted by the Board, the chairman of any meeting of stockholders shall have the right and authority to convene and adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the chairman of the meeting, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting; (b) rules and procedures for maintaining order at the meeting and the safety of those present; and (c) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

**ARTICLE III.  
BOARD OF DIRECTORS**

Section 3.01 **General Powers.** The property, business and affairs of the Corporation shall be managed by or under the direction of the Board, who may exercise all such powers of the Corporation and do all such lawful acts and things as are not by Delaware Law, the Certificate of Incorporation or these Bylaws directed or required to be exercised or done by the stockholders of the Corporation.

Section 3.02 **Number.** The exact number of directors shall be fixed from time to time, within the limits specified in the Certificate of Incorporation, by resolution of the Board.

Section 3.03 **Election of Directors.**

(a) **Voting.** The directors shall be elected annually by the stockholders of the Corporation and the persons receiving the greatest number of votes, up to the number of directors to be elected, shall be the persons then elected. The election of directors is subject to any provisions contained in the Certificate of Incorporation relating thereto, including any provisions for a classified board and for cumulative voting.

(b) **Nomination of Directors.** Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the Board may be made at a meeting of stockholders by or at the direction of the Board, by any Nominating Committee or person appointed by the Board, or by any stockholder of the Corporation who was a stockholder of record at the time of the giving of notice provided for in this Section 3.03(b), who is entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this Section 3.03(b). Such nominations, other than those made by or at the direction of the Board, shall be made pursuant to timely notice in writing to the Secretary of the Corporation not later than the close of business on the 90th day, nor earlier than the close of business on the 120th day, prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Such stockholder's notice to the Secretary shall set forth (i) as to each person whom the stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of the person, (B) the principal occupation or employment of the person, (C) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person, (D) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Rule 14A under the Exchange Act, and (E) such person's written consent to being named in the proxy statement as a nominee and to serve as a director if elected, and (ii) as to the stockholder giving the notice: (A) the name and record address of such stockholder, (B) the class and number of shares of capital stock of the Corporation which are beneficially owned by such stockholder, (C) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination, and (D) a representation whether such stockholder intends or is part of a group which intends to solicit proxies from other stockholders in support of such nomination. The foregoing notice requirements of this Section 3.03(b) shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his or her intention to present a nomination at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's nomination has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein.

Notwithstanding anything above to the contrary, in the event that the number of directors to be elected to the Board at an annual meeting is increased and there is no public announcement by the Corporation naming the nominees for the additional directorships at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 3.03(b) shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure and, if the chairman should so determine, the chairman shall so declare to the meeting, and the defective nomination shall be disregarded.

Notwithstanding the foregoing provisions of this Section 3.03(b), unless otherwise required by applicable law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 3.03(b), to be considered a qualified representative of the stockholder, a person must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

**Section 3.04 Resignations.** Any director of the Corporation may resign at any time by giving written notice or notice by electronic transmission to the Board or to the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or, if the time be not specified, it shall take effect immediately upon its receipt; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

**Section 3.05 Removal.** Unless otherwise restricted by statute, the Certificate of Incorporation or these Bylaws, any director or the entire Board may be removed with or without cause by the holders of two-thirds of the total voting power of all outstanding shares then entitled to vote at an election of directors.

**Section 3.06 Vacancies.** Except as otherwise provided in the Certificate of Incorporation, any vacancy in the Board, whether because of death, resignation, disqualification, an increase in the number of directors, or any other cause, may only be filled by vote of the majority of the remaining directors, although less than a quorum. Each director so chosen to fill a vacancy shall hold office until his or her successor shall have been elected and shall qualify or until such director shall resign or shall have been removed.

**Section 3.07 First Meeting.** The Board shall meet as soon as practicable after each annual election of directors and notice of such first meeting shall not be required.

**Section 3.08 Regular Meetings.** Regular meetings of the Board may be held at such times as the Board shall from time to time by resolution determine. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting shall be held at the same hour and place on the next succeeding business day not a legal holiday. Except as provided by applicable law, notice of regular meetings need not be given.

**Section 3.09 Special Meetings.** Special meetings of the Board may be called at any time by the Chairman of the Board, by the Chief Executive Officer or by the Secretary upon the written request of any two (2) directors. Such meetings shall be held at the principal office of the Corporation, or at such other place or places, within or without the State of Delaware, as the person or persons calling the meeting may designate.

**Section 3.10 Committees.** The Board may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (a) approving or adopting, or recommending to the stockholders, any action or matter (other than the election or removal of directors) expressly required by Delaware Law to be submitted to stockholders for approval or (b) adopting, amending or repealing any of these Bylaws. Any such committee shall keep written minutes of its meetings and report the same to the Board at the next regular meeting of the Board. Any Board committee may create one or more subcommittees, each subcommittee to consist of one or more members of such committee, and delegate to the subcommittee any or all of the powers of the committee.

**Section 3.11 Notice of Meetings.** Notice of all special meetings of the Board or a committee shall be mailed to each director, addressed to his or her residence or usual place of business, at least five (5) days before the day on which the meeting is to be held, or shall be personally delivered or otherwise given by such delivery means (telecopy, electronic or other) as the Secretary deems appropriate and in compliance with applicable law, at least two (2) days before the day on which the meeting is to be held. Such notice may be waived by any director and any meeting shall be a legal meeting without notice having been given if all the directors shall be present thereat or if those not present shall, either before or after the meeting, waive notice of or consent to (in writing or by electronic transmission) such meeting or shall after the meeting sign the approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or be made a part of the minutes of the meeting.

**Section 3.12 Place of Meeting, Etc.** The Board (or committee of the Board) may hold any of its meetings at such place or places within or without the State of Delaware as the Board (or the committee) may from time to time by resolution designate or as shall be designated by the person or persons calling the meeting or in the notice or a waiver of notice of any such meeting. Directors may participate in any regular or special meeting of the Board or a committee by means of conference telephone or other communications equipment pursuant to which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

**Section 3.13 Quorum and Manner of Acting.** Except as otherwise provided in these Bylaws or by Delaware Law, the presence of a majority of the total number of directors shall be required to constitute a quorum for the transaction of business at any meeting of the Board and the presence of a majority of the total number of directors then serving on a committee of the Board shall be required to constitute a quorum for the transaction of business at any meeting of such committee, and all matters shall be decided at any such meeting, a quorum being present, by the affirmative votes of a majority of the directors present. In the absence of a quorum at any meeting or any adjournment thereof, a majority of directors present may adjourn such meeting from time to time. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. Notice of any adjourned meeting need not be given. The directors shall act only as a Board, and the individual directors shall have no power as such.

**Section 3.14 Action by Consent.** Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all members of the Board or such committee consent thereto in writing or by electronic transmission, as the case may be, and such written consent or electronic transmission is filed with the minutes of proceedings of the Board or committee.

**Section 3.15 Compensation.** The directors shall receive such compensation for their services as directors, and such additional compensation for their services as members of any committees of the Board, as may be authorized by the Board.

**Section 3.16 Officers of the Board.** The Board may elect or appoint, from among its members, a Chairman of the Board and one or more Vice Chairs of the Board, who shall not be considered by virtue of holding such position officers of the Corporation. The Chairman of the Board, when present, shall preside at all meetings of the stockholders of the Corporation and of the Board. The Chairman of the Board shall perform, under the direction and subject to the control of the Board, all duties incident to the office of Chairman of the Board and such other duties as the Board may assign to the Chairman of the Board from time to time.

**ARTICLE IV.  
OFFICERS**

Section 4.01 **Principal Officers.** The principal officers of the Corporation shall be a Chief Executive Officer, Chief Financial Officer, one or more Presidents of various ranks, one or more Executive Vice Presidents, a Secretary, a Controller and a Treasurer, all of whom shall serve under the direction and subject to the control of the Board.

Section 4.02 **Election.** Except such officers as may be appointed in accordance with Section 4.03 or 4.06, the officers of the Corporation, shall be elected annually (or at such other intervals as the Board may determine) by the Board. Each such officer shall hold office until his or her successor shall have been duly chosen and qualified or until his or her earlier resignation, removal or other disqualification for service.

Section 4.03 **Additional Officers and Agents.** In addition to the principal officers designated in Section 4.01, the Board, the Chairman of the Board or the Chief Executive Officer may from time to time appoint such other officers and agents as each of them may deem necessary or advisable, including one or more Vice Presidents of various rank, one or more Assistant Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and an Assistant Controller, each of which officers and agents shall be subject to the control of the Board and have such authority and perform such duties as are provided in these Bylaws or as the Board, Chairman of the Board or Chief Executive Officer may from time to time determine. Each such officer shall hold office until his or her successor shall have been duly chosen and qualified or until his or her earlier resignation, removal or other disqualification for service. The Board may also delegate to any other principal officer or committee established by the Board the power to appoint any such additional officers and agents.

Section 4.04 **Removal.** All officers and agents of the Corporation, elected or appointed by the Board, may be removed, either with or without cause, at any time, by (a) resolution adopted by the Board or (b) if the officer or agent shall have been appointed by a committee of the Board or another officer duly authorized by the Board or these Bylaws, by such appointing committee or officer.

Section 4.05 **Resignations.** Any officer may resign at any time by giving written notice to the Board, the Chairman of the Board, the Chief Executive Officer or the Secretary of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.06 **Vacancies.** A vacancy in any office because of death, resignation, removal, disqualification, or other cause, may be filled in the manner prescribed in these Bylaws for regular appointments to such office.

Section 4.07 **Chief Executive Officer.** Subject to such supervisory powers, if any, as may be given by the Board to the Chairman of the Board, if any, the Chief Executive Officer, if such officer is appointed, shall, subject to the control of the Board, have general supervision, direction and control of the business and officers of the Corporation. In the event of the death, disability or other absence of the Chairman of the Board, the duties of the Chairman of the Board may be performed by the Chief Executive Officer, including presiding at any meeting of the Board or the stockholders of the Corporation. The Chief Executive Officer may execute (in facsimile or otherwise) and deliver certificates for shares of the Corporation, any deeds, mortgages, bonds, contracts or other instruments that the Board has authorized to be executed and delivered, except in cases where the execution and delivery thereof shall be expressly and exclusively delegated to one or more other officers or agents of the Corporation by the Board or these Bylaws, or where the execution and delivery thereof shall be required by applicable law to be executed and delivered by another person. The Chief Executive Officer shall have the power and authority to appoint one or more Vice Presidents of various rank or other officers of the Corporation, which power shall not be exclusive of any right of the Board to elect or appoint such officers.

Section 4.08 **President(s).** Individuals appointed to the office of President shall perform, under the direction and subject to the control of the Board and the Chief Executive Officer, all duties incident to the office of President and such other duties as the Board or Chief Executive Officer may assign to such President from time to time. The President may execute (in facsimile or otherwise) and deliver certificates for shares of the Corporation, any deeds, mortgages, bonds, contracts or other instruments that the Board or the Chief Executive Officer has authorized to be executed and delivered, except in cases where the execution and delivery thereof shall be expressly and exclusively delegated to one or more other officers or agents of the Corporation by the Board or these Bylaws, or where the execution and delivery thereof shall be required by applicable law to be executed and delivered by another person. Individuals appointed to the office of President Federal Business, President of another organizational unit of the Corporation or Group President shall perform, under the direction and subject to the control of the Board, the Chief Executive Officer and the President of the Corporation and shall have such other duties as the Board, Chief Executive Officer or President of the Corporation may assign to such officers from time to time.

**Section 4.09 Vice Presidents.** Each Vice President of the Corporation shall perform, under the direction and subject to the control of the Board, the Chief Executive Officer or President, such duties as the Board, the Chief Executive Officer, any President or such other office or officers may assign to such Vice President from time to time. Vice Presidents of the Corporation may be further designated as Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Assistant Vice Presidents or such other similar title as the Board, the Chairman of the Board, the Chief Executive Officer, any President or such other officer or officers may designate.

**Section 4.10 Secretary.** The Secretary of the Corporation or his or her designee shall attend all meetings of the stockholders of the Corporation, the Board and committees established by the Board and shall record correctly the proceedings of such meetings in a book suitable for such purposes. The Secretary shall attest with a signature and the seal of the Corporation (in facsimile or otherwise) all stock certificates issued by the Corporation and shall keep or cause to be kept a stock ledger in which all transactions pertaining to shares of all classes and series of capital stock of the Corporation shall be correctly recorded. The Secretary shall also attest with a signature and the seal of the Corporation (in facsimile or otherwise) all deeds, conveyances or other instruments requiring the seal of the Corporation. The Chairman of the Board, the Chief Executive Officer or the Secretary shall give, or cause to be given, notice of all meetings of the stockholders of the Corporation and special meetings of the Board or committees established by the Board. The Secretary is authorized to issue certificates, to which the corporate seal may be affixed, attesting to the incumbency of officers of the Corporation or to actions duly taken by the stockholders of the Corporation, the Board or any committee established by the Board. The Secretary shall perform, under the direction and subject to the control of the Board and the Chief Executive Officer, all duties incident to the office of Secretary and such other duties as the Board or the Chief Executive Officer may assign to the Secretary from time to time. The duties of the Secretary may also be performed by any Assistant Secretary of the Corporation. The Secretary shall have the power and authority to appoint one or more Assistant Secretaries of the Corporation, which power shall not be exclusive of any right of the Board to elect or appoint such officer.

**Section 4.11 Chief Financial Officer.** The Chief Financial Officer of the Corporation in general shall supervise all of the financial affairs of the Corporation, under the direction and subject to the control of the Board and the Chief Executive Officer. The Chief Financial Officer shall perform, under the direction and subject to the control of the Board and the Chief Executive Officer, all duties incident to the office of Chief Financial Officer and such other duties as the Board or the Chief Executive Officer may assign to the Chief Financial Officer from time to time.

**Section 4.12 Treasurer.** The Treasurer of the Corporation shall have the care and custody of all the funds, notes, bonds, debentures, stock and other securities of the Corporation that may come into the hands of the Treasurer, acting in such capacity. The Treasurer shall be responsible for the investment and reinvestment of funds of the Corporation in accordance with general investment policies determined from time to time by the Corporation and shall ensure that the Corporation is adequately funded at all times by arranging, under the direction and subject to the control of the Board, the Chief Executive Officer, and the Chief Financial Officer, for the issuance of debt, equity and other forms of securities that may be necessary or appropriate. The Treasurer may endorse (in facsimile or otherwise) checks, drafts, notes, bonds, debentures and other instruments for the payment of money for deposit or collection when necessary or appropriate and may deposit the same to the credit of the Corporation in such banks or depositories as the Board may designate from time to time, and the Treasurer may endorse (in facsimile or otherwise) all commercial documents requiring endorsements for or on behalf of the Corporation. The Treasurer may deliver instructions to financial institutions by facsimile or otherwise. The Treasurer may execute (in facsimile or otherwise) all receipts and vouchers for payments made to the Corporation. The Treasurer shall render an account of the Treasurer's transactions to the Board or its Audit Committee as often as the Board or its Audit Committee shall require from time to time. The Treasurer shall enter regularly in the books to be kept by the Treasurer for that purpose, a full and adequate account of all monies received and paid by the Treasurer on account of the Corporation. If requested by the Board, the Treasurer shall give a bond to the Corporation for the faithful performance of the Treasurer's duties, the expenses of which bond shall be borne by the Corporation. The Treasurer shall perform, under the direction and subject to the control of the Board, the Chief Executive Officer and the Chief Financial Officer, all duties incident to the office of Treasurer and such other duties as the Board, the Chief Executive Officer or the Chief Financial Officer may assign to the Treasurer from time to time. The duties of the Treasurer may be performed by any Assistant Treasurer of the Corporation. The Treasurer shall have the power and authority to appoint one or more Assistant Treasurers of the Corporation, which power shall not be exclusive of any right of the Board to elect or appoint such officer.

Section 4.13 **Controller.** The Controller of the Corporation shall be the chief accounting officer of the Corporation, shall maintain adequate records of all assets, liabilities and transactions of the Corporation and shall be responsible for the design, installation and maintenance of accounting and cost control systems and procedures throughout the Corporation. The Controller also shall keep in books belonging to the Corporation full and accurate accounts of receipts of, and disbursements made by, the Corporation. The Controller shall render an account of the Controller's transactions to the Board or its Audit Committee as often as the Board or its Audit Committee shall require from time to time. The Controller shall perform, under the direction and subject to the control of the Board, the Chief Executive Officer and the Chief Financial Officer, all duties incident to the office of Controller and such other duties as the Board, the Chief Executive Officer and the Chief Financial Officer, may assign to the Controller from time to time. The duties of the Controller may also be performed by any Assistant Controller of the Corporation. The Controller shall have the power and authority to appoint one or more Assistant Controllers of the Corporation, which power shall not be exclusive of any right of the Board to elect or appoint such officer.

**ARTICLE V.  
DELEGATIONS OF AUTHORITY**

Section 5.01 **Execution of Contracts.** Except as otherwise provided in these Bylaws, the Board may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board or by these Bylaws, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 5.02 **Checks, Drafts, Etc.** All checks, drafts or other orders for payment of money, notes or other evidence of indebtedness, issued in the name of or payable to the Corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board. Each such officer, assistant, agent or attorney shall give such bond, if any, as the Board may require.

Section 5.03 **Deposits.** All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board may select, or as may be selected by any officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation to whom such power shall have been delegated by the Board. For the purpose of deposit and for the purpose of collection for the account of the Corporation, the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, any President, the Treasurer or any Vice President who has been authorized by the Chief Executive Officer, Chief Financial Officer or Treasurer to do so (or any other officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation who shall from time to time be determined by the Board) may endorse, assign and deliver checks, drafts and other orders for the payment of money which are payable to the order of the Corporation.

Section 5.04 **General Special Bank Accounts.** The Board (or a committee of the Board to which such power is delegated) may from time to time authorize the opening and keeping of general and special bank accounts with such banks, trust companies or other depositories as the Board (or committee) may select or as may be selected by any officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation to whom such power shall have been delegated by the Board. The Board may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of these Bylaws, as it may deem expedient.

**ARTICLE VI.**  
**SHARES AND SHARE TRANSFER**

**Section 6.01 Certificates Representing Stock.**

(a) **Form and Execution of Certificates.** Certificates (if any) representing shares of stock or any bond, debenture or other corporate securities of the Corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law, and shall be numbered in the order in which they shall be issued and shall be signed in the name of the Corporation by the President or a Vice President, and by the Secretary or an Assistant Secretary or by the Treasurer or an Assistant Treasurer. Any of or all of the signatures on the certificates may be a facsimile. In case any officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon, any such certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may be issued by the Corporation with the same effect as though the person who signed such certificate, or whose facsimile signature shall have been placed thereupon, were such officer, transfer agent or registrar at the date of issue.

(b) **Special Designation on Certificates.** If the Corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of Delaware Law, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

(c) **Lost Certificates.** Except as provided in this Section 6.01(c), no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Corporation and canceled at the same time. The Corporation may issue a new certificate of stock in the place of any certificate previously issued by it, alleged to have been lost, stolen, mutilated or destroyed, and the Corporation may require the owner of the lost, stolen, mutilated or destroyed certificate, or the owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft, mutilation or destruction of any such certificate or the issuance of such new certificate; provided, however, that a new certificate or uncertificated share may be issued without requiring any bond when, in the judgment of the Board, or the Secretary of the Corporation, it is proper so to do.

**Section 6.02 Uncertificated Shares.** Subject to any conditions imposed by Delaware Law, the Board may provide by resolution or resolutions that some or all of any or all classes or series of the stock of the Corporation shall be uncertificated shares. Within a reasonable time after the issuance or transfer of any uncertificated shares, the Corporation shall send to the registered owner thereof any written notice prescribed by Delaware Law.

**Section 6.03 Transfers of Stock.** Upon compliance with provisions restricting the transfer or registration of transfer of shares of stock, if any, transfers or registrations of transfers of shares of stock of the Corporation shall be made only on the books of the Corporation by the registered holder thereof, or by the attorney of the registered holder thereunto authorized by power of attorney duly executed and filed with the Secretary, or with a transfer clerk or a transfer agent, if any, and with respect to shares represented by certificates, upon surrender of the certificate or certificates for such shares properly endorsed, and with respect to uncertificated shares, upon the execution by the transferor and transferee of all transfer documents in such form as the Corporation shall reasonably require, and, with respect to all shares, upon the payment of all taxes thereon. The person in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation. Whenever any shares are pledged for collateral security such fact shall be reflected on the books of the Corporation.

**Section 6.04 Regulations.** The Board may make such rules and regulations as it may deem expedient, not inconsistent with these Bylaws, concerning the issue, transfer and registration of certificates for shares of the stock of the Corporation. It may appoint, or authorize any officer or officers to appoint, one or more transfer clerks or one or more transfer agents and one or more registrars, and may require all certificates for stock to bear the signature or signatures of any of them.



Section 6.05 **Fixing Date for Determination of Stockholders of Record.** In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any other change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. If in any case involving the determination of stockholders for any purpose other than notice of or voting at a meeting of stockholders, the Board shall not fix such a record date, the record date for determining stockholders for such purpose shall be the close of business on the day on which the Board shall adopt the resolution relating thereto. A determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of such meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

**ARTICLE VII.  
MISCELLANEOUS**

Section 7.01 **Seal.** The Board shall provide a corporate seal, which shall be in the form of a circle and shall bear the name of the Corporation and words and figures showing that the Corporation was incorporated in the State of Delaware and the year of incorporation.

Section 7.02 **Waiver of Notices.** Whenever notice is required to be given by these Bylaws, the Certificate of Incorporation or Delaware Law, the person entitled to said notice may waive such notice (in writing or by electronic transmission), either before or after the time stated therein, and such waiver shall be deemed equivalent to notice.

Section 7.03 **Fiscal Year.** The fiscal year of the Corporation shall begin on the first day of February in each year.

Section 7.04 **Amendments.** These Bylaws, or any of them, may be altered, amended or repealed, and new Bylaws may be made by the Board, by vote of a majority of the number of directors then in office as directors, acting at any meeting of the Board. No section of the Bylaws shall be adopted, repealed, altered, amended or rescinded by the stockholders of the Corporation except by the vote of the holders of not less than two-thirds of the total voting power of all outstanding shares of voting stock of the Corporation.

Section 7.05 **Designation of Engineer.** The Corporation engages in the practice of engineering in various jurisdictions which regulate such practice, including the State of Washington. In order to comply with the laws of such jurisdictions, including the State of Washington, all engineering decisions pertaining to any project or engineering activities in any such jurisdiction shall be made by a designated engineer licensed to practice in such jurisdiction who shall be appointed by the Board from time to time as vacancies occur.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Kenneth C. Dahlberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended October 31, 2007 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 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 10, 2007

/s/ KENNETH C. DAHLBERG

**Kenneth C. Dahlberg**  
Chief Executive Officer

**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 ended October 31, 2007 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 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 10, 2007

/s/ MARK W. SOPP

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**Mark W. Sopp  
Chief Financial Officer**

**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 ended October 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Kenneth C. Dahlberg, 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 10, 2007

/s/ KENNETH C. DAHLBERG

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**Kenneth C. Dahlberg**  
Chief Executive Officer

**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 ended October 31, 2007 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 10, 2007

/s/ MARK W. SOPP

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**Mark W. Sopp**  
Chief Financial Officer