

USD – APRIL 30, 2007

I. THE USUAL PATH FOR SMALL COMPANIES

WELL WORN PATH TAUGHT IN MOST BUSINESS SCHOOLS

1) HAVE THE IDEA

2) ASSEMBLE THE TEAM (SUBJECT MATTER) *Experts*

3) IDENTIFY THE FINANCING

4) DECIDED ON CORPORATION STRUCTURE

A) "C" CORPORATION

B) "S" CORPORATION

C) LLC

D) PARTNERSHIP

5) INCORPORATE

6) WHEN THE COMPANY (DEPENDING ON THE BUSINESS) NEEDS FURTHER FINANCIING SECOND AND THIRD ROUNDS OF FINANCING ARE ARRANGED

7) WHEN THE COMPANY IS READY IT MAY BE TAKEN PUBLIC

*sold on*

II. THAT APPROACH WAS NOT FOR ME

1) I FOUNDED SAIC IN 1969 BECAUSE I WANTED A GOOD PLACE TO WORK

2) I USED MY OWN MONEY AT THE BEGINNING

3) LET'S START BY TELLING A LITTLE OF MY HISTORY.

4) SAIC WAS FOUNDED BY JUST TWO PEOPLE MYSELF AND A PROGRAMER

5) SAIC GREW BEYOND MY WILDESS EXPECTATION

6) THE REASON WAS I SHARED THE OWNERSHIP

7) WE BY-PASSED TOTALLY THE CONVENTIONAL ROUTE

- 8) OWNERSHIP WAS SHARED ON THE BASIS OF PERFORMANCE
  
- 9) WE INTRODUCED SEVERAL INNOVATIVE APPROACHES TO GETTING THE COMPANY IN THE HANDS OF THE EMPLOYEES SUCH THE USUAL STOCK OPTION PROGRAM, STOCK BONUS AND, OF COURSE, OPTIONS. WE HAD AN ESOP THAT HAD 25% OF THE STOCK AND A 401K WITH AROUND 24% OF THE STOCK, 51% WAS EMPLOYEE OWNED DIRECTLY.
  
- 10) IN ADDITION, THE EMPLOYEES WERE GIVEN THE OPPORTUNITY TO SET THEIR OWN GOALS, BID ON PROJECTS OF THEIR OWN CHOOSING WITHIN REASON AND DO THEIR OWN MARKETING
  
- 11) THE COMPANY GREW UNEXPECTEDLY FAST AND SOON WE HAD THE RESOURCES FOR ACQUISITIONS. AMONG OUR FIRST MAJOR ACQUISITIONS WAS NETWORK SOLUTIONS THAT RAN THE DOMAIN NAME REGISTRATION FOR THE INTERNET AT THE TIME WHEN THERE WERE ONLY 150 USERS OF THE INTERNET. WITH THE RESOURCES GRANTED BY NSI WE WERE ABLE TO MAKE LARGER ACQUISITIONS.

AT THAT TIME, THE RBOCS WISHED TO DISPOSE OF BELLCORE. THEIR ANSWER TO BELL LABS ON A LOCAL SERVICE BASIS, NOT LONG DISTANCE. WE WERE FORTUNATE TO WIN THE BID FOR THE ACQUISITION INCLUDING ALL CONTRACTS, BUILDINGS AND INTELLECTUAL PROPERTY. FROM THAT POINT ON SAIC HAD NO NEED FOR FURTHER FINANCIING.

12) BOTH WERE SOLD EVENTUALLY.

13) WITH THE INFUSION OF CAPITAL FOR BUILDING THE COMPANY, WE DECIDED TO MAKE OUR COMPANY MORE OF A MERITOCRACY WITH:

A) WIDE SPREAD EMPLOYEE OWNERSHIP

B) EMPLOYEE PARTICIPATION THROUGH COMMITTEES

C) FREEDOM TO TALK TO ANYONE IN THE COMPANY

D) AND WITH OWNERSHIP BASED ON PERFORMANCE

14) I RETIRED FROM THE COMPANY IN 2004 AND HAVE SINCE  
THEN DEVOTED MY ATTENTION TO WRITING A BOOK ON SAIC  
WITH MUCH HELP FROM OTHERS

15) THE BOOK WAS PUBLISHED ABOUT TWO MONTHS AGO BY  
JOHN WILEY AND HAS SOLD CLOSE TO 6,000 COPIES. YOU  
CAN GET IT THROUGH AMAZON.COM

16) MY PLANS FOR THE FUTURE ARE TO CORRECT AND IMPROVE  
THE SUBSEQUENT EDITIONS OF THE BOOK AND TO HELP  
OTHERS THROUGH THE FED TO UNDERSTAND EMPLOYEE  
OWNERSHIP

17) THERE ARE TREMENDOUS BENEFITS TO A COMPANY IF YOU  
CAN KEEP A COMPANY PRIVATE AND EMPLOYEE OWNED  
SUCH AS:

A) THE BENEFITS OF THE STOCK APPRECIATION GOES  
ONLY TO THE EMPLOYEES

B) EMPLOYEES MAKE THE DECISIONS

C) RESOURCES ARE SPENT WITH THE APPROVAL OF THE  
EMPLOYEES

D) THE MAJOR COMMITTEES AND THE BOARD HAVE A  
MAJORITY OF EMPLOYEE OWNERS

18) I HAVE ENJOYED BEING HERE AND WOULD BE HAPPY TO  
ANSWER ANY QUESTIONS.