

SILICON GRAPHICS INC  
Form S-4  
November 21, 2003

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As filed with the Securities and Exchange Commission on November 21, 2003

Registration No. 333-

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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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### FORM S-4

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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## SILICON GRAPHICS, INC.

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**3571**  
(Primary Standard Industrial  
Classification Code Number)

**94-2789662**  
(I.R.S. Employer  
Identification Number)

**1600 Amphitheatre Parkway  
Mountain View, California 94043  
(650) 960-1980**

(Address, including zip code, and telephone number, including  
area code, of registrant's principal executive offices)

**Sandra M. Escher  
Senior Vice President and General Counsel  
Silicon Graphics, Inc.  
1600 Amphitheatre Parkway  
Mountain View, California 94043  
(650) 960-1980**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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*Copies to:*

**William M. Kelly  
Davis Polk & Wardwell  
1600 El Camino Real  
Menlo Park, California 94043  
Tel: (650) 752-2000  
Fax: (650) 752-2111**

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**Approximate date of commencement of proposed sale to the public:**

As promptly as possible upon effectiveness of this Registration Statement.

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If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

### CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered(1)	Amount To Be Registered(2)	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(3)	Amount Of Registration Fee(3)
Senior Secured Notes Due 2009	\$230,591,000	100%	\$226,411,538	\$18,316.69
Senior Secured Convertible Notes Due 2009	(4)	(4)	(4)	(4)
Common Stock, par value \$0.001 per share(5)	(5)	N/A	N/A	N/A

- (1) This registration statement relates to the exchange by Silicon Graphics, Inc. of an aggregate of up to \$230,591,000 principal amount of its 5.25% Senior Convertible Notes Due 2004 for either (a) \$1,000 in principal amount of its new Senior Secured Notes Due 2009 for each \$1,000 in principal amount of notes tendered, or (b) \$1,000 principal amount of its new Senior Secured Convertible Notes Due 2009 for each \$1,000 in principal amount of notes tendered.
- (2) This amount is the maximum principal amount of 5.25% Senior Convertible Notes Due 2004 that may be received by the registrant from tendering holders.
- (3) The amount of the registration fee paid herewith was calculated, pursuant to Rule 457(f)(1) under the Securities Act of 1933, as amended, based on \$98.1875, the market value as of November 17, 2003 of the maximum amount of 5.25% Senior Convertible Notes Due 2004 that may be received by the registrant from tendering holders. A filing fee of \$14,234.36, paid in connection with the filing by Silicon Graphics, Inc. on April 21, 2003, of a registration statement on Form S-4 (registration no. 333-104651) that was withdrawn on August 4, 2003, is offset pursuant to Rule 457(p) against the currently due filing fee.
- (4) The total of Senior Secured Notes Due 2009 and Senior Secured Convertible Notes Due 2009 to be issued upon completion of this exchange offer will be no more than \$230,591,000. Therefore no additional registration fee is required pursuant to Rule 457 of the Securities Act of 1933, as amended.
- (5) Such indeterminate number of shares of common stock as shall be issuable upon conversion of the Senior Convertible Notes being registered hereunder. No additional consideration will be received for the common stock and therefore no registration fee is required pursuant to Rule 457(i) under the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

**(SUBJECT TO COMPLETION) DATED November 21, 2003**

**The information in this prospectus may change. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.**

PROSPECTUS

## Silicon Graphics, Inc.

### Offer to Exchange

**11.75% Senior Secured Notes Due 2009 or  
6.50% Senior Secured Convertible Notes Due 2009**

**for all our outstanding**

**5.25% Senior Convertible Notes Due 2004 (CUSIP No. 827056AC6)**

We are offering to exchange \$1,000 principal amount of our 11.75% Senior Secured Notes Due 2009, referred to as the New Secured Notes, or \$1,000 principal amount of our 6.50% Senior Secured Convertible Notes Due 2009, referred to as the New Secured Convertible Notes and, together with the New Secured Notes, referred to as the 2009 Secured Notes, for an equal principal amount of our 5.25% Senior Convertible Notes Due 2004, referred to as the Old Notes, that is properly tendered and accepted for exchange on the terms set forth in this prospectus and in the accompanying Letter of Transmittal, which we refer to together as the exchange offer.

You may choose to exchange your Old Notes entirely for New Secured Notes, entirely for New Secured Convertible Notes or for any combination thereof.

The exchange offer is subject to important conditions, including that at least 80% in principal amount of the Old Notes are properly tendered by the expiration of the exchange offer. See page 27 for how to tender Old Notes.

The exchange offer will expire at midnight New York City time on December 19, 2003, unless we extend it. We will announce any extensions by press release or other permitted means no later than 9:00 a.m. on the business day after expiration of the exchange offer. You may withdraw any notes tendered until the expiration of the exchange offer.

The Old Notes are traded on the New York Stock Exchange and the reported last sale price for \$1,000 principal amount of Old Notes was \$98.406 on November 19, 2003. We will apply to list the New Secured Notes and the New Secured Convertible Notes on the New York Stock Exchange.

**The exchange offer is described in detail in this prospectus, and we urge you to read it carefully, including the risk factors beginning on page 17.**

**Neither our Board of Directors nor any other person is making any recommendation as to whether you should choose to exchange your Old Notes for New Secured Notes or for New Secured Convertible Notes, or whether you should exchange your Old Notes at all.**

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

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**INFORMATION REGARDING FORWARD-LOOKING STATEMENTS** 56**WHERE YOU CAN FIND MORE INFORMATION** 56

You should rely only on information contained in this prospectus. No one is authorized to provide you with information that is different from that contained in this prospectus. The contents of any websites referred to in this prospectus are not part of this prospectus.

We are offering to sell, and are seeking offers to buy, the New Secured Notes and the New Secured Convertible Notes only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of its date regardless of the time of delivery of this prospectus or of any sale of the New Secured Notes and the New Secured Convertible Notes.

This prospectus incorporates important business and financial information about the Company that is not included in or delivered with this document. This information is available without charge to security holders upon written or oral request to Office of the Corporate Secretary, Silicon Graphics, Inc., 1600 Amphitheatre Parkway, Mountain View, California 94043, (650) 960-1980. **In order to obtain timely delivery, security holders must request the information no later than five business days prior to the expiration date.**

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**SUMMARY**

*This summary highlights selected information from this document and may not contain all of the information that is important to you. To understand the exchange offer better, you should read this entire document carefully, as well as those additional documents to which we refer you. See "Where You Can Find More Information." References in this prospectus to "SGI", "we", "us", "our", "the company" and "our company" refer to Silicon Graphics, Inc. and its consolidated subsidiaries unless otherwise specified.*

**THE EXCHANGE OFFER***The Exchange Offer*

SGI is offering to exchange \$1,000 principal amount of either New Secured Notes or New Secured Convertible Notes for each \$1,000 principal amount of Old Notes accepted for exchange. Upon expiration of the exchange offer, we will also pay accrued and unpaid interest up to the date of acceptance on Old Notes accepted for exchange.

*Purpose of the Exchange Offer*

We do not currently believe that we will be able to generate sufficient cash to repay the Old Notes in full at maturity on September 1, 2004. Our unrestricted cash, cash equivalents and marketable investments were approximately \$116 million at September 26, 2003. The working capital requirements of our business result in substantial fluctuations in our cash balances during fiscal quarters. We would be unable to repurchase or repay at maturity any significant portion of the Old Notes without depleting our cash balance to a level that would be insufficient to support our business. If we are unable to complete the exchange offer there is a substantial risk that uncertainty about our ability to repay or refinance the Old Notes could erode customer confidence which would have a material adverse effect on our business. In addition, the maturity date of our secured credit facility will be accelerated to June 2, 2004 if we fail to complete the exchange offer or otherwise refinance 80% of the Old Notes prior to March 5, 2004. Therefore unless we are able to refinance the Old Notes prior to maturity, there is a substantial risk of default at maturity.

The purpose of the exchange offer is to offer holders of the Old Notes an increase in yield, the benefit of a security interest (and in the case of the New Secured Convertible Notes, a decrease in the conversion price) in return for an extension of the maturity. If the exchange offer is successful, it will provide time to return our business to profitability and positive cash flow. We cannot assure you that, even if the exchange offer is successful, we will achieve these objectives.

*Conditions to Exchange Offer*

The exchange offer is subject to various conditions, including that at least 80% of the outstanding principal amount of Old Notes be validly tendered and not withdrawn by the expiration of the exchange offer, that our shareholders approve the issuance of shares of our common stock upon conversion of the New Secured Convertible Notes, and that the registration statement and any post-effective amendment to the registration

statement covering the 2009 Secured Notes be effective under the Securities Act of 1933, as amended.

***Expiration of the Exchange Offer***

**The exchange offer will expire at midnight New York City time on December 19, 2003** unless we decide to extend it. We may extend the expiration date for any reason. If we decide to extend it, we will announce any extensions by press release or other permitted means no later than 9:00 a.m. on the business day after the scheduled expiration of the exchange offer.

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***Tenders and Withdrawals of Notes***

In order to tender Old Notes, you must submit the notes together with a properly completed letter of transmittal and the other agreements and documents described in this document. If you own Old Notes held through a broker or other third party, or in "street name", you will need to follow the instructions in this document on how to instruct them to tender the notes on your behalf, as well as submit a letter of transmittal and the other documents described in this document. We will determine in our reasonable discretion whether any Old Notes have been properly tendered. Please carefully follow the instructions contained in this document on how to tender your notes.

If you decide to tender Old Notes in the exchange offer, you may withdraw them at any time prior to the expiration of the exchange offer.

If we decide for any reason not to accept any Old Notes for exchange, they will be returned without expense promptly after the expiration of the exchange offer.

**Please see pages 27 through 28 for instructions on how to tender or withdraw your Old Notes.**

***Acceptance of Old Notes***

We will accept all Old Notes validly tendered and not withdrawn as of the expiration of the exchange offer and will issue the 2009 Secured Notes promptly after expiration of the exchange offer. We will accept Old Notes for exchange after the Exchange Agent has received a timely book-entry confirmation of transfer of Old Notes into the Exchange Agent's DTC account and a properly completed and executed letter of transmittal. Our oral or written notice of acceptance to the Exchange Agent will be considered our acceptance of the exchange offer.

***Accrued Interest on Existing Notes***

Upon completion of our exchange offer, we will pay exchanging holders accrued and unpaid interest on their Old Notes through the date of acceptance.

***Amendment of the Exchange Offer***

We reserve the right not to accept any of the notes tendered, and to otherwise interpret or modify the terms of this exchange offer, provided that we will comply with applicable laws that require us to extend the period during which notes may be tendered or withdrawn as a result of changes in the terms of or information relating to the exchange offer.

***Use of Proceeds; Fees and Expenses of the Exchange Offer***

We will not receive any cash proceeds from this exchange offer. Old Notes that are properly tendered and exchanged pursuant to the exchange offer will be retired and canceled. Accordingly, our issuance of 2009 Secured Notes will not result in any cash proceeds to us. We estimate that the approximate total cost of the exchange offer will be \$4.3 million.

***Retail Solicitation Fee***

We will pay a retail solicitation fee to soliciting dealers who are acknowledged in writing by their clients as having solicited and obtained the tender from such clients as beneficial holders of the Old Notes. The amount of the fee will be \$2.50 per \$1,000 principal amount of Old Notes solicited from and tendered by beneficial holders of more than \$50,000 and less than \$250,000 principal amount of Old Notes, and \$5.00 per \$1,000 principal amount of Old Notes solicited from and tendered by beneficial holders of \$50,000 or less principal amount of Old Notes. These fees will be paid only for

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tenders by beneficial holders of \$250,000 or less principal amount of Old Notes that are accepted in the exchange offer.

*Collateral Securing 2009 Secured Notes*

The 2009 Secured Notes will be secured by a junior priority lien on those assets in which the lenders under our secured credit facility currently hold a senior priority security interest, including accounts receivable, books, equipment, intellectual property, inventory, negotiable property, cash and other assets, including proceeds from these assets but excluding certain intellectual property. We refer to these assets collectively as the collateral. The lenders under our secured credit facility hold a senior priority interest in this collateral. We will enter into an intercreditor agreement with the agent representing our senior secured lenders and the trustee of the 2009 Secured Notes setting forth the relative priorities of the secured parties. We will have substantial discretion to sell, lease, license and otherwise deal with the collateral without the consent of the holders of the 2009 Secured Notes.

**Please see "Description of the 2009 Secured Notes the Intercreditor Agreement" beginning on page 42.**

*Taxation*

We believe that the exchange of Old Notes for 2009 Secured Notes should be treated as a recapitalization for U.S. federal income tax purposes. Accordingly, holders of Old Notes who participate in the exchange offer should not recognize gain or loss in connection with the exchange.

The 2009 Secured Notes may be treated as issued with original issue discount for U.S. federal income tax purposes. If that is the case, holders will generally be required to include original issue discount on the 2009 Secured Notes in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest, before the receipt of cash payments attributable to this income.

**Please see "Material United States Federal Income Tax Considerations" beginning on page 32.**

**SGI**

SGI, a Delaware corporation incorporated in California in 1981 and reincorporated in Delaware in 1990, is a leader in high-performance computing, visualization and the management of large-scale complex data. We sell highly scalable servers, advanced visualization systems, desktop workstations, storage solutions and a range of software products which enable our customers in the scientific, technical and creative communities to solve their most challenging problems and provide them with strategic and competitive advantages in their marketplace. We also offer a range of technical solutions, including professional services, Reality Center immersive visualization centers, customer support and education. These products and services are targeted primarily towards five market segments: Government and Defense, Science, Manufacturing, Energy, and Media.

We maintain offices worldwide and operate a manufacturing facility in Chippewa Falls, Wisconsin. Our principal executive offices are located at 1600 Amphitheatre Parkway, Mountain View, California 94043. Our U.S. telephone number is (650) 960-1980.

Our common stock is traded on the New York Stock Exchange under the symbol "SGI". For additional information concerning SGI, please see "Where You Can Find More Information" on page 56.

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**SUMMARY COMPARISON OF OLD NOTES TO 2009 SECURED NOTES**

The following comparison of the terms of the Old Notes to the terms of the New Secured Notes and New Secured Convertible Notes is only a summary. For a more detailed description of the terms of the Old Notes and terms common to all of the notes, please see "Description of the

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Old Notes." For a more detailed description of the differences between our New Secured Notes and our New Secured Convertible Notes, and of the differences between those notes and the Old Notes, please see "Description of the 2009 Secured Notes".

	<u>Old Notes</u>	<u>New Secured Notes</u>	<u>New Secured Convertible Notes</u>
Issuer	Silicon Graphics, Inc.	Silicon Graphics, Inc.	Silicon Graphics, Inc.
Notes Offered	\$230,591,000 aggregate principal amount of 5.25% Senior Notes Due 2004, issued under an indenture dated September 7, 1997 between us and U.S. Bank National Association, as trustee.	Up to \$230,591,000 aggregate principal amount of 11.75% Senior Secured Notes Due 2009, issued under an indenture to be entered into between us and U.S. Bank National Association, as trustee.	Up to \$230,591,000 aggregate principal amount of 6.50% Senior Secured Convertible Notes Due 2009, issued under an indenture to be entered into between us and U.S. Bank National Association, as trustee.
Interest Payment Dates	Payable on March 1 and September 1 of each year.	Payable on December 1 and June 1 of each year, commencing June 1, 2004.	Same terms as New Secured Notes.
Interest	5.25% per annum in cash.	11.75% per annum in cash accruing from the first date after the expiration of the exchange offer, subject to increase in certain events.	6.50% per annum in cash accruing from the first date after the expiration of the exchange offer.
Maturity	September 1, 2004	June 1, 2009	June 1, 2009
Conversion	Convertible at the option of the holder into shares of common stock at a conversion price equal to \$18.70 per share, subject to adjustment in certain events.	Not convertible.	Convertible at the option of the holder into shares of common stock at a conversion price equal to \$1.25 per share, subject to adjustment in certain events.
Ranking	The Old Notes are unsubordinated and rank pari passu with all of our other unsubordinated indebtedness.	Same as Old Notes. However, the 2009 Secured Notes will be secured as described under "Collateral".	Same terms as New Secured Notes.
Collateral	None	Secured by a junior priority security interest in those assets that currently secure our senior facility. Excludes certain intellectual property.	Same terms as New Secured Notes.
Redemption at the Option of the Company	The Old Notes are redeemable at our option, in whole or in part, on not less than 30 days' nor more than 60 days' notice, at the following redemption prices in effect during the 12-month period beginning September 1 of each of the following years (expressed as percentages of the principal amount), plus accrued and unpaid interest thereon to, but excluding, the redemption	The New Secured Notes are redeemable at our option, in whole or in part, on not less than 10 days' nor more than 60 days' notice, at the following redemption prices in effect during the 12-month period beginning June 1 of each of the following years (expressed as percentages of the principal amount), plus accrued and unpaid interest thereon to, but	The New Secured Convertible Notes are not redeemable at the option of the Company for the first two years following issuance. In the third year following issuance, the New Secured Convertible Notes may be redeemed at our option, in whole or in part, on not less than 10 days' nor more than 60 days' notice, at 100% of the principal amount thereof, plus accrued



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date: 100.75% in 2003 and 100% at September 1, 2004.

excluding, the redemption date:

104% in 2004  
103% in 2005  
102% in 2006  
101% in 2007  
100% thereafter until maturity

and unpaid % interest thereon to, but excluding, the redemption date, provided that the closing price of our common stock has been at least 150% of the then-applicable conversion price for the 20 consecutive trading days ending two trading days prior to the notice of redemption. Thereafter, New Secured Convertible Notes may be redeemed at our option, in whole or in part, at 100% of the principal amount

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Redemption at the Option of the Holder upon a Fundamental Change

If a Fundamental Change occurs at any time prior to September 1, 2004, each holder of Old Notes will have the right, at the holder's option, to require us to redeem any or all of that holder's Old Notes at a price determined by a formula based upon the price paid to common shareholders as a result of such Fundamental Change, or if consideration other than cash is paid, based on the market price of our common stock during the 10 trading days prior to the record date in connection with such Fundamental Change. Based upon an assumed price of \$1.50 per common share, such redemption price would be \$80.21 per \$1000 principal amount.

If a Fundamental Change occurs at any time prior to June 1, 2009, each holder of New Secured Notes will have the right, at the holder's option, to require us to redeem any or all of its New Secured Notes in cash at 100% of the principal amount thereof, plus accrued and unpaid interest thereon to, but excluding, the repurchase date.

thereof, plus accrued and unpaid interest thereon to, but excluding, the redemption date.

Same terms as New Secured Notes.

Events of Default

Default in payment of principal, or default for 30 days in payment of interest,

Failure to cure within 60 days a default on any other agreements in the Old Notes or old indenture, or

Same terms as for Old Notes, except that any event of default under the old indenture, or either of the new indentures that results in the principal amount of and accrued interest on that debt becoming immediately due and payable will also be an

Same terms as New Secured Notes.

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Certain events of bankruptcy or insolvency.

event of default under both new indentures.

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Listing	The Old Notes are listed on the New York Stock Exchange.	We intend to apply to list the New Secured Notes on the New York Stock Exchange.	We intend to apply to list the New Secured Convertible Notes on the New York Stock Exchange.
Covenants	The indenture governing the Old Notes contains a covenant limiting our ability to:  consolidate or merge with, or sell substantially all our assets to, another person.	Same terms as the Old Notes, except that the indenture governing the New Secured Notes will contain covenants limiting our ability to:  incur additional debt,  pay dividends on our capital stock, and  redeem or repurchase capital stock or prepay or repurchase subordinated debt.  See "Description of the 2009 Secured Notes Restriction on Additional Indebtedness" for a description of these covenants.	Same terms as New Secured Notes.

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### THE INFORMATION AGENT

The information agent for the exchange offer will be MacKenzie Partners, Inc. The address and telephone number of the information agent are as follows:

105 Madison Avenue  
New York, New York 10016  
(212) 929-5500 (Call Collect)  
or  
**Call Toll-Free (800) 322-2885**  
Email: proxy@mackenziepartners.com

### THE EXCHANGE AGENT

U.S. Bank National Association will act as exchange agent for purposes of processing tenders and withdrawals of Old Notes in the exchange offer. The address and telephone number of the exchange agent are as follows:

**U.S. Bank National Association**  
**West Side Flats Operations Center**  
**60 Livingston Avenue**  
**St. Paul, MN 55107**  
**Telephone (651) 495-3511**  
**Facsimile (651) 495-8158**  
**Attn: Specialized Finance**

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We will pay the exchange agent and information agent reasonable and customary fees for their services and will reimburse them for all their reasonable out-of-pocket expenses.

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### SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF SGI

The selected historical financial data as of and for each of the five years ended June 27, 2003, June 28, 2002, June 30, 2001, June 30, 2000 and June 30, 1999 have been derived from our audited consolidated financial statements. These selected historical data are not necessarily indicative of future operations. Several factors affect comparability of the information presented below. For example, we sold our Cray product line and distributed our remaining interest in MIPS Technologies, Inc. to our stockholders in the third and fourth quarters, respectively, of fiscal 2000 and sold a majority interest in our SGI Japan subsidiary to NEC in the second quarter of fiscal 2002.

The selected financial data as of and for the three-month periods ended September 26, 2003 and September 27, 2002 are derived from unaudited consolidated financial statements incorporated by reference in this prospectus. The interim results for the three month period ended September 26, 2003 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 25, 2004 or for future interim periods.

These selected historical financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and accompanying notes included in our 2003 Annual Report on Form 10-K and Quarterly Report on Form 10-Q for the quarter ended September 26, 2003, incorporated into this prospectus by reference.

	Fiscal Years Ended					Three Months Ended	
	June 27, 2003 (fiscal 2003)	June 28, 2002 (fiscal 2002)	June 30, 2001 (fiscal 2001)	June 30, 2000(1) (fiscal 2000)	June 30, 1999 (fiscal 1999)	September 26, 2003	September 27, 2002
	(in thousands, except per share amounts)						
<b>Operating Data:</b>							
Total revenue	\$ 961,748	\$ 1,341,385	\$ 1,854,461	\$ 2,331,134	\$ 2,748,957	\$ 218,027	\$ 241,718
Costs and expenses:							
Cost of revenue	572,814	770,412	1,247,713	1,503,525	1,603,250	123,441	144,279
Research and development	170,937	176,893	236,240	301,248	380,346	35,349	42,643
Selling, general and administrative	319,360	450,365	716,591	785,196	907,612	78,599	86,777
Other operating expense (recovery)(2)	30,046	44,476	102,052	102,861	(15,107)	24,236	8,444
Operating loss	(131,409)	(100,761)	(448,135)	(361,696)	(127,144)	(43,598)	(40,425)
Interest and other income (expense), net(3)	(24,558)	18,502	(18,020)	(20,188)	252,865	(6,912)	(560)
(Loss) income before income taxes	(155,967)	(82,259)	(466,155)	(381,884)	125,721	(50,510)	(40,985)
Net (loss) income	\$ (129,704)	\$ (46,323)	\$ (493,043)	\$ (829,544)	\$ 53,829	\$ (47,929)	\$ (41,072)
Net Loss per share basic	\$ (0.64)	\$ (0.24)	\$ (2.59)	\$ (4.52)	\$ 0.29	\$ (0.23)	\$ (0.21)
Net Loss per share diluted	\$ (0.64)	\$ (0.24)	\$ (2.59)	\$ (4.52)	\$ 0.28	\$ (0.23)	\$ (0.21)

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	Fiscal Years Ended				Three Months Ended		
Shares used in the calculation of net income per share basic:	201,424	194,974	190,338	183,528	186,374	209,570	199,676
Shares used in the calculation of net income per share diluted:	201,424	194,974	190,338	183,528	189,427	209,570	199,676

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	As of				As of	
	June 27, 2003 (fiscal 2003)	June 28, 2002 (fiscal 2002)	June 30, 2001 (fiscal 2001)	June 30, 2000 (fiscal 2000)	June 30, 1999 (fiscal 1999)	September 26, 2003
<b>Balance Sheet Data:</b>						
Cash, cash equivalents and unrestricted investments	\$ 141,276	\$ 218,180	\$ 126,107	\$ 258,081	\$ 688,143	\$ 115,503
Current assets	432,893	631,613	853,708	920,309	1,847,033	377,064
Noncurrent assets	216,961	278,506	429,321	918,902	941,224	188,519
Working capital (deficiency)	1,489	93,938	(41,884)	58,781	869,980	(257,782)
Total assets	649,854	910,119	1,283,029	1,839,211	2,788,257	565,583
Current liabilities	431,404	537,675	895,592	861,528	977,053	634,846
Long-term debt and other	383,341	427,085	412,720	385,133	387,005	142,297
Stockholders' (deficit) equity	(164,891)	(54,641)	(25,283)	592,550	1,424,199	(211,560)
Book value per diluted share	\$ (0.82)	\$ (0.28)	\$ (0.13)	\$ 3.23	\$ 7.52	\$ (1.01)

**Statistical Data:**

Number of employees	3,714	4,443	5,956	6,726	9,191	3,210
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- (1) Amounts reflect the March 31, 2000 sale of our Cray product line.
- (2) Fiscal 2003 amounts include net restructuring charges (\$27 million) and asset impairment charges (\$3 million). Fiscal 2002 amounts include net restructuring charges (\$33 million) and impairment charges (\$12 million). Fiscal 2001 amounts include net restructuring charges (\$82 million) and impairment charges (\$20 million). Fiscal 2000 amounts include net restructuring charges (\$65 million) and impairment charges (\$38 million). Fiscal 1999 amounts include a reduction in previously estimated restructuring charges (\$14 million). Amounts for the three-month period ended September 26, 2003 include net restructuring charges (\$24 million). Amounts for the three-month period ended September 27, 2002 represent net restructuring charges (\$8 million).
- (3) Fiscal 2003 amounts include net interest expense of \$23 million and a \$3 million other than temporary decline in the value of an investment. Fiscal 2002 amounts include a \$64 million gain on sale of 60% interest in SGI Japan and \$24 million in class action lawsuit settlement expense. Fiscal 2001 amounts include an \$83 million write-off of our investment in a private company and \$50 million in gains from the sale of marketable investments. Fiscal 2000 amounts include a loss on the sale of the Cray product line (\$8 million). Fiscal 1999 amounts include a \$273 million gain on the sale of a portion of SGI's interest in MIPS Technologies, Inc.

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**RATIO OF EARNINGS TO FIXED CHARGES**

Our ratio of earnings to fixed charges for the fiscal year ended June 30, 1999 was 4.3. For the fiscal years ended June 27, 2003, June 28, 2002, June 30, 2001 and June 30, 2000 and for the three months ended September 26, 2003, earnings were insufficient to cover fixed charges by \$156.0 million, \$82.3 million, \$466.2 million, \$381.9 million, and \$50.5 million, respectively, and for this reason no ratios are provided for these periods.

**UNAUDITED PRO FORMA INFORMATION**

The unaudited information below is presented pro forma to reflect the effects of the exchange offer under two scenarios, assuming in each case that 100% of holders of the Old Notes participate in the exchange offer. Under alternative (1) below, we have assumed that the holders of Old Notes exchanged for \$230 million in principal amount of New Secured Notes, and under alternative (2) that the holders of Old Notes exchanged for \$230 million in principal amount of New Secured Convertible Notes.

**Pro Forma Ratio of Earnings to Fixed Charges**

For the fiscal year ended June 27, 2003 and for the three months ended September 26, 2003, earnings would have been insufficient to cover fixed charges by:

under alternative (1) \$170.9 million and \$54.2 million, respectively, and

under alternative (2) \$158.8 million and \$51.2 million, respectively.

**Pro Forma Interest Expense**

For the fiscal year ended June 27, 2003 and for the three months ended September 26, 2003, the Company's interest expense related to the 2009 Secured Notes would have been:

under alternative (1), \$27.0 million and \$6.8 million, respectively, and

under alternative (2), \$15.0 million and \$3.7 million, respectively.

Actual interest expense related to the Old Notes for the corresponding periods was \$12.1 million and \$3.0 million, respectively.

**Pro Forma Book Value Per Share**

As of September 26, 2003, the book value per common share would have been \$(1.01), assuming holders of Old Notes exchanged for \$230 million in principal amount of New Secured Convertible Notes and assuming conversion to common stock of all such New Secured Convertible Notes.

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**EQUITY CAPITALIZATION**

The following table presents information regarding our equity capitalization as of September 26, 2003 on an actual basis and on a pro forma basis to reflect the consummation of the exchange offer and a proposed increase in the number of shares issuable under our Employee Stock Purchase Plan to be voted on by stockholders at our annual meeting.

Common Stock	As of September 26, 2003			
	Actual		Pro Forma(1)	
	Shares	Percent of Outstanding (fully Diluted Basis)	Shares	Percent of Outstanding (Fully Diluted Basis)
Shares authorized	500,000,000		500,000,000	
Shares outstanding	210,760,780	73.87%	210,760,780	44.85%
	12,331,070	4.32%		

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As of September 26, 2003

Shares reserved for issuance under Old Notes				
Shares reserved for issuance under New Convertible Notes		185,000,000		39.36%
Shares reserved for issuance under convertible subordinated debentures due February 2011	1,242,762		0.44%	1,242,762
				0.26%
Shares reserved for issuance under employee stock plans	60,968,933		21.37%	72,968,933
				15.53%
<b>Total outstanding and reserved</b>	<b>285,303,545</b>			<b>469,972,475</b>

(1) Assumes exchange of 100% of the currently outstanding 5.25% Senior Convertible Notes due 2004 for New Secured Convertible Notes and stockholder approval of the increase in the number of shares available for issuance under our Employee Stock Purchase Plan.

## CALCULATION OF GAIN/LOSS TO BE RECORDED IN CONNECTION WITH THE OFFER

Following the completion of the offer, we will account for the transaction by comparing the fair value of the 2009 Secured Notes to the book value of the Old Notes and record a gain (loss) on the transaction as appropriate. The fair value of the 2009 Secured Notes will be accreted to par value over their term. We do not believe that this gain (loss) will be material to us, although the ultimate amount recorded will be based upon the results of an independent third party valuation.

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## MARKET AND MARKET PRICES

Our common stock and the Old Notes currently trade on the NYSE under the symbols "SGI" and "SGI 04", respectively. The last reported sale price of our common stock on the NYSE on November 20, 2003 was \$1.02. The reported last sale price per Old Note on the NYSE on November 19, 2003 was \$98.406. As of November 20, 2003 there were 211,108,892 shares of common stock outstanding.

### Our Common Stock

The following table sets forth the high and low sale prices per share of our common stock on the New York Stock Exchange for the periods indicated. For current price information, you should consult publicly available sources.

	<u>High</u>		<u>Low</u>	
<b><i>Fiscal 2002</i></b>				
First Quarter	\$ 1.28	\$	0.32	
Second Quarter	\$ 2.40	\$	0.44	
Third Quarter	\$ 4.61	\$	2.10	
Fourth Quarter	\$ 4.16	\$	2.50	
<b><i>Fiscal 2003</i></b>				
First Quarter	\$ 2.82	\$	0.82	
Second Quarter	\$ 1.72	\$	0.57	
Third Quarter	\$ 1.65	\$	1.12	
Fourth Quarter	\$ 1.54	\$	41.06	

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	<u>High</u>	<u>Low</u>
<b><i>Fiscal 2004</i></b>		
First Quarter	\$ 1.75	\$ 0.85
Second Quarter (through November 19, 2003)	\$ 1.29	\$ 0.91

**Our Old Notes**

The following table sets forth the high and low sale prices paid for the Old Notes for the periods indicated. For current price information, you should consult publicly available sources.

	<u>High</u>	<u>Low</u>
<b><i>Fiscal 2002</i></b>		
First Quarter	\$ 22.50	\$ 15.00
Second Quarter	\$ 57.88	\$ 20.50
Third Quarter	\$ 77.25	\$ 57.75
Fourth Quarter		