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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended September 30, 2008

OR

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

Commission File Number 001-31400

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**CACI International Inc**

(Exact name of registrant as specified in its charter)

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

**54-1345888**  
(I.R.S. Employer  
Identification No.)

**1100 North Glebe Road, Arlington, VA 22201**  
(Address of principal executive offices)

**(703) 841-7800**  
(Registrant's telephone number, including area code)

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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, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒      Accelerated filer ☐      Non-accelerated filer ☐      Smaller reporting company ☐

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

Indicate the number of shares outstanding of each of the Registrant's classes of Common Stock, as of November 3, 2008: CACI International Inc Common Stock, \$0.10 par value, 29,895,438 shares.

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## Table of Contents

### CACI INTERNATIONAL INC

|  | <u>PAGE</u> |
|--|-------------|
| PART I: FINANCIAL INFORMATION  |             |
| Item 1. Financial Statements   |             |
| Condensed Consolidated Statements of Operations (Unaudited) for the Three Months Ended September 30, 2008 and 2007 | 3           |
| Condensed Consolidated Balance Sheets (Unaudited) as of September 30, 2008 and June 30, 2008                       | 4           |
| Condensed Consolidated Statements of Cash Flows (Unaudited) for the Three Months Ended September 30, 2008 and 2007 | 5           |
| Consolidated Statements of Comprehensive Income (Unaudited) for the Three Months Ended September 30, 2008 and 2007 | 6           |
| Notes to Unaudited Condensed Consolidated Financial Statements   | 7           |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations                      | 19          |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk   | 25          |
| Item 4. Controls and Procedures  | 25          |
| PART II: OTHER INFORMATION   |             |
| Item 1. Legal Proceedings  | 27          |
| Item 1A. Risk Factors  | 28          |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds  | 28          |
| Item 3. Defaults Upon Senior Securities  | 28          |
| Item 4. Submission of Matters to a Vote of Security Holders  | 28          |
| Item 5. Other Information  | 28          |
| Item 6. Exhibits   | 29          |
| Signatures   | 30          |

**PART I**  
**FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**CACI INTERNATIONAL INC**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**  
**(amounts in thousands, except per share data)**

|   | <b>Three Months Ended<br/>September 30,</b> |                  |
|---|---|------------------|
|   | <b>2008</b>                                 | <b>2007</b>      |
| Revenue                                     | <u>\$654,760</u>                            | <u>\$553,580</u> |
| Costs of revenue:                           |   |                  |
| Direct costs                                | 443,545                                     | 372,398          |
| Indirect costs and selling expenses         | 157,871                                     | 135,757          |
| Depreciation and amortization               | <u>12,026</u>                               | <u>10,746</u>    |
| Total costs of revenue                      | <u>613,442</u>                              | <u>518,901</u>   |
| Income from operations                      | 41,318                                      | 34,679           |
| Interest expense and other, net             | <u>5,740</u>                                | <u>5,152</u>     |
| Income before income taxes                  | 35,578                                      | 29,527           |
| Income taxes                                | <u>14,587</u>                               | <u>11,235</u>    |
| Net income                                  | <u>\$ 20,991</u>                            | <u>\$ 18,292</u> |
| Basic earnings per share                    | <u>\$ 0.70</u>                              | <u>\$ 0.61</u>   |
| Diluted earnings per share                  | <u>\$ 0.69</u>                              | <u>\$ 0.60</u>   |
| Weighted-average basic shares outstanding   | <u>30,103</u>                               | <u>29,993</u>    |
| Weighted-average diluted shares outstanding | <u>30,567</u>                               | <u>30,518</u>    |

*See Notes to Unaudited Condensed Consolidated Financial Statements*

## Table of Contents

### CACI INTERNATIONAL INC CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) (amounts in thousands, except per share data)

|  | September 30,<br>2008 | June 30,<br>2008    |
|--|-----------------------|---------------------|
| <b>ASSETS</b>  |                       |                     |
| Current assets:  |                       |                     |
| Cash and cash equivalents  | \$ 111,967            | \$ 120,396          |
| Accounts receivable, net   | 445,806               | 441,732             |
| Prepaid expenses and other current assets  | 41,188                | 40,697              |
| Total current assets   | 598,961               | 602,825             |
| Goodwill   | 1,063,400             | 1,067,472           |
| Intangible assets, net   | 117,553               | 126,028             |
| Property and equipment, net  | 24,051                | 25,361              |
| Accounts receivable, long-term, net  | 8,572                 | 8,782               |
| Other long-term assets   | 70,183                | 72,185              |
| Total assets   | <u>\$ 1,882,720</u>   | <u>\$ 1,902,653</u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                       |                     |
| Current liabilities:   |                       |                     |
| Current portion of long-term debt  | \$ 3,549              | \$ 3,549            |
| Accounts payable   | 76,430                | 74,175              |
| Accrued compensation and benefits  | 110,574               | 126,649             |
| Other accrued expenses and current liabilities   | 83,207                | 85,897              |
| Total current liabilities  | 273,760               | 290,270             |
| Long-term debt, net of current portion   | 637,506               | 639,074             |
| Other long-term liabilities  | 55,781                | 55,424              |
| Total liabilities  | 967,047               | 984,768             |
| <b>Commitments and contingencies</b>   |                       |                     |
| Shareholders' equity:  |                       |                     |
| Preferred stock \$0.10 par value, 10,000 shares authorized, no shares issued   | —                     | —                   |
| Common stock \$0.10 par value, 80,000 shares authorized, 39,018 and 38,948 shares issued and outstanding, respectively | 3,902                 | 3,895               |
| Additional paid-in capital   | 373,349               | 370,127             |
| Retained earnings  | 625,078               | 604,087             |
| Accumulated other comprehensive income   | 76                    | 6,768               |
| Treasury stock, at cost (9,123 and 8,731 shares, respectively)   | (86,732)              | (66,992)            |
| Total shareholders' equity   | 915,673               | 917,885             |
| Total liabilities and shareholders' equity   | <u>\$ 1,882,720</u>   | <u>\$ 1,902,653</u> |

*See Notes to Unaudited Condensed Consolidated Financial Statements*

**CACI INTERNATIONAL INC**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
(amounts in thousands)

|  | <b>Three Months Ended<br/>September 30,</b> |                  |
|--|---|------------------|
|  | <b>2008</b>                                 | <b>2007</b>      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |                  |
| Net income   | \$ 20,991                                   | \$ 18,292        |
| Reconciliation of net income to net cash provided by operating activities:           |   |                  |
| Depreciation and amortization  | 12,026                                      | 10,746           |
| Amortization of deferred financing costs   | 632   | 610              |
| Stock-based compensation expense   | 5,144                                       | 5,707            |
| Deferred income tax expense (benefit)  | 4,093                                       | (1,149)          |
| Changes in operating assets and liabilities, net of effect of business acquisitions: |   |                  |
| Accounts receivable, net   | (9,857)                                     | (26,995)         |
| Prepaid expenses and other current assets  | (1,339)                                     | (4,659)          |
| Accounts payable and other accrued expenses  | 1,163                                       | 9,410            |
| Accrued compensation and benefits  | (21,151)                                    | (2,556)          |
| Income taxes payable and receivable  | 3,782                                       | 9,352            |
| Other liabilities  | 164   | 4,630            |
| Net cash provided by operating activities  | <u>15,648</u>                               | <u>23,388</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |                  |
| Capital expenditures   | (2,347)                                     | (3,890)          |
| Cash paid for business acquisitions, net of cash acquired                            | —   | (51,948)         |
| Other  | (644)                                       | (204)            |
| Net cash used in investing activities  | <u>(2,991)</u>                              | <u>(56,042)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |   |                  |
| Principal payments made under bank credit facilities                                 | (887)                                       | (4,983)          |
| Proceeds from note receivable  | —   | 3,891            |
| Proceeds from employee stock purchase plans  | 2,871                                       | 1,415            |
| Proceeds from exercise of stock options  | 97  | 901              |
| Repurchases of common stock  | (20,936)                                    | (949)            |
| Other  | (1,156)                                     | (141)            |
| Net cash (used in) provided by financing activities                                  | <u>(20,011)</u>                             | <u>134</u>       |
| Effect of exchange rate changes on cash and cash equivalents                         | <u>(1,075)</u>                              | <u>300</u>       |
| Net decrease in cash and cash equivalents  | (8,429)                                     | (32,220)         |
| Cash and cash equivalents, beginning of period                                       | <u>120,396</u>                              | <u>285,682</u>   |
| Cash and cash equivalents, end of period   | <u>\$111,967</u>                            | <u>\$253,462</u> |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>                             |   |                  |
| Cash paid during the period for income taxes   | <u>\$ 6,631</u>                             | <u>\$ 3,594</u>  |
| Cash paid during the period for interest   | <u>\$ 3,862</u>                             | <u>\$ 4,152</u>  |

See Notes to Unaudited Condensed Consolidated Financial Statements

**CACI INTERNATIONAL INC**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**  
**(amounts in thousands)**

|  | <b>Three Months Ended</b> |                 |
|--|---------------------------|-----------------|
|  | <b>September 30,</b>      |                 |
|  | <b>2008</b>               | <b>2007</b>     |
| Net income   | \$20,991                  | \$18,292        |
| Change in foreign currency translation adjustment          | (6,680)                   | 1,161           |
| Change in fair value of interest rate swap agreements, net | (11)                      | (262)           |
| Comprehensive income                                       | <u>\$14,300</u>           | <u>\$19,191</u> |

*See Notes to Unaudited Condensed Consolidated Financial Statements*

**CACI INTERNATIONAL INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of CACI International Inc and subsidiaries (CACI or the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and include the assets, liabilities, results of operations and cash flows for the Company, including its subsidiaries and joint ventures that are more than 50% owned or otherwise controlled by the Company. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all necessary adjustments and reclassifications (all of which are of a normal, recurring nature) that are necessary for fair presentation for the periods presented. It is suggested that these unaudited consolidated financial statements be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's latest annual report to the SEC on Form 10-K for the year ended June 30, 2008. The results of operations for the three months ended September 30, 2008 are not necessarily indicative of the results to be expected for any subsequent interim period or for the full fiscal year.

2. New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 establishes a framework for measuring fair value in generally accepted accounting principles, clarifies the definition of fair value and expands disclosures about fair value measurements. SFAS No. 157 was effective for the Company on July 1, 2008. See note 13. The adoption of SFAS No. 157 did not have a material impact on the Company's results of operations or financial position.

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). SFAS No. 159 permits entities to choose to measure certain financial instruments and other items at fair value. The fair value option generally may be applied instrument by instrument, is irrevocable, and is applied only to entire instruments and not to portions of instruments. SFAS No. 159 was effective for the Company on July 1, 2008. The adoption of SFAS No. 159 did not have a material impact on the Company's results of operations or financial position.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141R). SFAS No. 141R establishes principles and requirements for how companies recognize and measure identifiable assets acquired, liabilities assumed, and any noncontrolling interest in connection with a business combination; recognize and measure the goodwill acquired in a business combination or a gain from a bargain purchase; and determine what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company has not yet evaluated what impact, if any, SFAS No. 141R will have on its results of operations or financial position.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51* (SFAS No. 160). SFAS No. 160 applies to all companies that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company has not yet evaluated what impact, if any, SFAS No. 160 will have on its results of operations or financial position.

**CACI INTERNATIONAL INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

In February 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-2, *Effective Date of FASB Statement No. 157* (FSP No. 157-2). The FSP amends SFAS No. 157 to delay the effective date for non-financial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. For items within its scope, the FSP defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008. With this deferral, the Company has not applied the provisions of SFAS No. 157 to goodwill and intangible assets, and is still assessing the impact that SFAS No. 157 for non-financial assets and liabilities will have on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133* (SFAS No. 161), which requires expanded disclosures about derivative and hedging activities. This statement changes the disclosure requirements for derivative instruments and hedging activities by requiring companies to provide enhanced disclosures about how and why they use derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal periods beginning after November 15, 2008, with earlier adoption encouraged. The Company does not expect the new standard to have a significant impact on its disclosures.

In April 2008, the FASB issued FSP No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP 142-3), which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142. FSP 142-3 is effective for the Company's fiscal year beginning July 1, 2009. The Company has not yet evaluated what impact, if any, FSP 142-3 will have on its results of operations or financial position.

In May 2008, the FASB issued FSP No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* (FSP 14-1). This new standard will require the Company to separately account for the liability and equity (conversion option) components of its \$300.0 million of 2.125 percent convertible senior subordinated notes that mature on May 1, 2014 (the Notes) issued May 16, 2007 and to recognize interest expense on the Notes using an interest rate in effect for comparable debt instruments that do not contain conversion features. The interest rate to be used under the new standard will be significantly higher than the rate which is currently used, which is equal to the coupon rate of 2.125 percent. FSP 14-1 is effective for the Company's fiscal year beginning July 1, 2009 and will require retrospective application to the date the Notes were issued. Had this new standard been effective for the three months ended September 30, 2008 and 2007, the Company estimates that its interest expense would have increased by approximately \$2.7 million and \$2.5 million, respectively, and its diluted earnings per share would have decreased by approximately \$0.05 per share for each quarterly period. FSP 14-1 will have no effect on the Company's cash flow.

In June 2008, the FASB issued EITF Bulletin No. 07-5, *Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock* (EITF 07-5). EITF 07-5 provides guidance on how a company should determine if certain financial instruments (or embedded features) are considered indexed to its own stock, including instruments similar to the conversion option of the Notes, convertible note hedges, and warrants to purchase Company stock. This standard requires that a two-step approach be used to evaluate an instrument's contingent exercise provisions and settlement provisions in determining whether the instrument is considered to be indexed to its own stock, and exempt from the application of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133). EITF 07-5 is effective beginning with the Company's fiscal year beginning July 1, 2009. The Company has not yet evaluated what impact, if any, EITF 07-5 will have on its results of operations or financial position.

3. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following (cost approximates fair value) (in thousands):

|                                 | September 30,     | June 30,         |
|---------------------------------|-------------------|------------------|
|                                 | 2008              | 2008             |
| Money market funds              | \$ 101,272        | \$103,248        |
| Cash                            | 10,695            | 17,148           |
| Total cash and cash equivalents | <u>\$ 111,967</u> | <u>\$120,396</u> |



**CACI INTERNATIONAL INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

4. Accounts Receivable

Total accounts receivable, net of allowance for doubtful accounts of approximately \$3.4 million at September 30, 2008 and \$3.9 million at June 30, 2008, consisted of the following (in thousands):

|   | September 30,<br>2008 | June 30,<br>2008 |
|---|-----------------------|------------------|
| Billed receivables  | \$ 332,631            | \$349,167        |
| Billable receivables at end of period   | 83,832                | 59,240           |
| Unbilled receivables pending receipt of contractual documents authorizing billing                     | 29,343                | 33,325           |
| Total accounts receivable, current  | 445,806               | 441,732          |
| Unbilled receivables, retainages and fee withholdings expected to be billed beyond the next 12 months | 8,572                 | 8,782            |
| Total accounts receivable, net  | <u>\$ 454,378</u>     | <u>\$450,514</u> |

5. Intangible Assets

Intangible assets consisted of the following (in thousands):

|   | September 30,<br>2008 | June 30,<br>2008  |
|---|-----------------------|-------------------|
| Customer contracts and related customer relationships | \$ 229,393            | \$ 229,649        |
| Covenants not to compete                              | 2,453                 | 2,505             |
| Other   | 750                   | 753               |
| Intangible assets                                     | 232,596               | 232,907           |
| Less accumulated amortization                         | (115,043)             | (106,879)         |
| Total intangible assets, net                          | <u>\$ 117,553</u>     | <u>\$ 126,028</u> |

Intangible assets are primarily amortized on an accelerated basis over periods ranging from 12 to 120 months. The weighted-average period of amortization for all intangible assets as of September 30, 2008 is 8.1 years, and the weighted-average remaining period of amortization is 5.9 years. Expected amortization expense for the remainder of the fiscal year ending June 30, 2009, and for each of the fiscal years thereafter, is as follows (in thousands):

|                              | Amount           |
|------------------------------|------------------|
| Year ending June 30, 2009    | \$ 23,960        |
| Year ending June 30, 2010    | 29,507           |
| Year ending June 30, 2011    | 24,504           |
| Year ending June 30, 2012    | 15,527           |
| Year ending June 30, 2013    | 10,274           |
| Thereafter                   | 13,781           |
| Total intangible assets, net | <u>\$117,553</u> |

**CACI INTERNATIONAL INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

6. Long-term Debt

Long-term debt consisted of the following (in thousands):

|   | September 30,<br>2008 | June 30,<br>2008 |
|---|-----------------------|------------------|
| Bank credit facility – term loans             | \$ 334,250            | \$335,125        |
| Convertible notes payable                     | 300,000               | 300,000          |
| U.K. notes payable                            | 5,770                 | 6,451            |
| Other   | 1,035                 | 1,047            |
| <b>Total long-term debt</b>                   | <b>641,055</b>        | <b>642,623</b>   |
| Less current portion                          | (3,549)               | (3,549)          |
| <b>Long term debt, net of current portion</b> | <b>\$ 637,506</b>     | <b>\$639,074</b> |

***Bank Credit Facilities***

The Company has a \$590.0 million credit facility (the Credit Facility), consisting of a \$240.0 million revolving credit facility (the Revolving Facility) and a \$350.0 million institutional term loan (the Term Loan). The Credit Facility provides for stand-by letters of credit aggregating up to \$25.0 million that reduce the funds available under the Revolving Facility when issued.

The Revolving Facility is a secured facility that permits continuously renewable borrowings of up to \$240.0 million, with an expiration date of May 3, 2011, and annual sub-limits on amounts borrowed for acquisitions. The Revolving Facility contains an accordion feature under which the facility may be expanded to \$450.0 million with applicable lender approvals. The Revolving Facility permits one, two, three and six month interest rate options. The Company pays a fee on the unused portion of the Revolving Facility, based on its leverage ratio, as defined. Any outstanding balances under the Revolving Facility are due in full May 3, 2011. As of September 30, 2008, the Company had no borrowings outstanding under the Revolving Facility and no outstanding letters of credit. Accordingly, \$240.0 million was available for borrowing under the Revolving Facility as of that date.

The Term Loan is a secured facility under which principal payments are due in quarterly installments of \$0.9 million at the end of each fiscal quarter through March 2011, and the balance of \$325.5 million is due in full on May 3, 2011.

Borrowings under both the Revolving Facility and the Term Loan bear interest at rates based on the London Inter-Bank Offered Rate (LIBOR), or the higher of the prime rate or the federal funds rate plus 0.5 percent, as elected by the Company, plus applicable margins based on the leverage ratio as determined quarterly. Through September 30, 2008, the Company has elected to apply LIBOR to outstanding borrowings. For the three months ended September 30, 2008 and 2007, the effective interest rate, excluding the effect of amortization of debt financing costs, for the outstanding borrowings under the Credit Facility, was 4.49 percent and 6.67 percent, respectively.

The Credit Facility contains financial covenants that stipulate a minimum amount of net worth, a minimum fixed-charge coverage ratio, and a maximum leverage ratio. Substantially all of the Company's assets serve as collateral under the Credit Facility. As of September 30, 2008, the Company was in compliance with all of the financial covenants of the Credit Facility.

The Company capitalized \$8.2 million of debt issuance costs in May 2004 associated with the origination of the Credit Facility and capitalized an additional \$0.5 million of financing costs to amend the Credit Facility in May 2005 by re-pricing downward the margins that are applied to the interest rate options. In addition, in August 2008, the Company capitalized \$1.2 million in additional financing costs to amend the Credit Facility to (1) increase the Revolving Facility to \$240.0 million from \$200.0 million, (2) increase the accordion feature to allow for expansion of the Revolving Facility to \$450.0 million from a total expansion potential of \$300.0 million and (3) extend the expiration date of the Revolving Facility to May 3, 2011 from May 3, 2009. All debt financing costs are being amortized from the date incurred to the expiration date of the Credit Facility. The unamortized balance of \$3.7 million and \$2.8 million at September 30, 2008 and June 30, 2008, respectively, is included in other long-term assets on the accompanying condensed consolidated balance sheets.

In December 2007, the Company entered into two forward interest rate swap agreements (the 2007 Swap) under which it exchanged floating-rate interest payments for fixed-rate interest payments on a notional amount of debt totaling \$100.0 million. The agreements provide for swap payments over a twenty-four month period beginning in December 2007 and are settled on a quarterly basis. The weighted-average fixed interest rate provided by the agreements is 4.04 percent.

**CACI INTERNATIONAL INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

In June 2008, the Company entered into an interest rate cap agreement under which the floating-rate interest payments on a notional amount of debt of \$68 million are capped at 7 percent (the 2008 Cap). The 2008 Cap became effective June 9, 2008 for a period of two years and provides for quarterly settlements, when applicable.

The Company accounts for its interest rate swap and cap agreements under the provisions of SFAS No. 133 and has determined that its swap and cap agreements qualify as effective hedges. Accordingly, the fair value of the 2007 Swap, which is a liability of \$1.2 million at both September 30, 2008 and June 30, 2008, has been reported in other accrued expenses and current liabilities, with an offset, net of an income tax effect, included in accumulated other comprehensive income in the accompanying condensed consolidated balance sheet. The change in fair value for the three months ended September 30, 2008, which is net of income tax effects, is reported as other comprehensive loss in the accompanying consolidated statements of comprehensive income. The fair value of the 2008 Cap as of September 30, 2008 and June 30, 2008, and the changes during the three month period ended September 30, 2008, are insignificant. The amounts paid and received on the 2007 Swap and the 2008 Cap will be recorded in interest expense as yield adjustments in the period during which the related floating-rate interest is incurred.

***Convertible Notes Payable***

Effective May 16, 2007, the Company issued the Notes in a private placement. The Notes were issued at par value and are subordinate to the Company's senior secured debt. Interest on the Notes is payable on May 1 and November 1 of each year. The Company's registration statement filed with the SEC to register resales of the Notes and the common stock issuable upon conversion of the Notes became effective on October 11, 2007.

Holders may convert their notes at a conversion rate of 18.2989 shares of CACI common stock for each \$1,000 of note principal (an initial conversion price of \$54.65 per share) under the following circumstances: 1) if the last reported sale price of CACI stock is greater than or equal to 130% of the applicable conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter; 2) during the five consecutive business day period immediately after any five consecutive trading day period (the note measurement period) in which the average of the trading price per \$1,000 principal amount of convertible note was equal to or less than 97% of the average product of the closing price of a share of the Company's common stock and the conversion rate of each date during the note measurement period; 3) upon the occurrence of certain corporate events constituting a fundamental change, as defined in the indenture governing the Notes; or 4) during the last three-month period prior to maturity. CACI is required to satisfy 100% of the principal amount of these notes solely in cash, with any amounts above the principal amount to be satisfied in common stock. As of September 30, 2008, none of the conditions permitting conversion of the Notes had been satisfied.

In the event of a fundamental change, as defined in the indenture governing the Notes, holders may require the Company to repurchase the Notes at a price equal to the principal amount plus any accrued interest. Also, if certain fundamental changes occur prior to maturity, the Company will in certain circumstances increase the conversion rate by a number of additional shares of common stock or, in lieu thereof, the Company may in certain circumstances elect to adjust the conversion rate and related conversion obligation so that these notes are convertible into shares of the acquiring or surviving company. The Company is not permitted to redeem the Notes.

The fair value of the Notes as of September 30, 2008 was \$303.5 million based on quoted market values.

The contingently issuable shares are not included in CACI's diluted share count for the three month periods ended September 30, 2008 or 2007, because CACI's average stock price during those periods was below the conversion price. Debt issuance costs of approximately \$7.8 million are being amortized to interest expense over seven years. Upon closing of the sale of the Notes, \$45.5 million of the net proceeds was used to concurrently repurchase one million shares of CACI's common stock.

In connection with the issuance of the Notes, the Company purchased in a private transaction at a cost of \$84.4 million call options (the Call Options) to purchase approximately 5.5 million shares of its common stock at a price equal to the conversion price of \$54.65 per share. The cost of the Call Options was recorded as a reduction of additional paid-in capital. The Call Options allow CACI to receive shares of its common stock from the counterparties equal to the amount of common stock related to the excess conversion value that CACI would pay the holders of the Notes upon conversion.

**CACI INTERNATIONAL INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

For income tax reporting purposes, the Notes and the Call Options are integrated. This created an original issue discount for income tax reporting purposes, and therefore the cost of the Call Options is being accounted for as interest expense over the term of the Notes for income tax reporting purposes. The associated income tax benefit of \$32.8 million to be realized for income tax reporting purposes over the term of the Notes was recorded as an increase in additional paid-in capital and a long-term deferred tax asset.

In addition, the Company sold warrants (the Warrants) to issue approximately 5.5 million shares of CACI common stock at an exercise price of \$68.31 per share. The proceeds from the sale of the Warrants totaled \$56.5 million and were recorded as an increase to additional paid-in capital.

On a combined basis, the Call Options and the Warrants are intended to reduce the potential dilution of CACI's common stock in the event that the Notes are converted by effectively increasing the conversion price of these notes from \$54.65 to \$68.31. The Call Options are anti-dilutive and are therefore excluded from the calculation of diluted shares outstanding. The Warrants will result in additional diluted shares outstanding if CACI's average common stock price exceeds \$68.31. The Call Options and the Warrants are separate and legally distinct instruments that bind CACI and the counterparties and have no binding effect on the holders of the Notes.

***U.K. Notes Payable***

On April 2, 2008, in connection with its May 2006 acquisition of Sophron Partners Limited, CACI Limited issued loan notes totaling 3.2 million pounds sterling for earn-out consideration that is no longer contingent. These notes mature on June 30, 2010 and the note holders can redeem 50 percent from January 1, 2010 to April 5, 2010, or any amount held between April 6, 2010 and June 30, 2010. The notes bear interest at 6.25 percent from July 1, 2009 until redeemed.

***Other***

In connection with its investment in eVenture Technologies, LLC (eVentures), a joint venture between the Company and ActioNet, Inc., eVentures entered into a \$1.5 million revolving credit facility (the JV Facility). The JV Facility is a four-year, guaranteed facility that permits continuously renewable borrowings of up to \$1.5 million with an expiration date of the earliest of September 14, 2011; the date of any restatement, refinancing, or replacement of the Credit Facility without the lender acting as the sole and exclusive administrative agent; or termination of the Credit Facility. Borrowings under the JV Facility bear interest at the lender's prime rate plus 1.0 percent. eVentures pays a fee of 0.25% on the unused portion of the JV Facility. As of September 30, 2008 eVentures had \$0.4 million outstanding under the JV Facility and the effective interest rate was 6.0 percent.

Long-term debt as of September 30, 2008 also includes \$0.6 million due under a mortgage note payable agreement. The Company assumed obligations of the mortgage as part of its acquisition of MTL Systems, Inc. in January 2004. Outstanding balances under the mortgage note payable bear interest at 5.88 percent and are secured by an interest in real property located in Dayton, Ohio.

The aggregate maturities of long-term debt at September 30, 2008 are as follows (in thousands):

|                                    |                  |
|------------------------------------|------------------|
| Twelve months ending September 30, |                  |
| 2009                               | \$ 3,549         |
| 2010                               | 9,323            |
| 2011                               | 327,705          |
| 2012                               | 59               |
| 2013                               | 419              |
| Thereafter                         | 300,000          |
| Total long-term debt               | <u>\$641,055</u> |

7. Commitments and Contingencies

***General Legal Matters***

The Company is involved in various lawsuits, claims, and administrative proceedings arising in the normal course of business. Management is of the opinion that any liability or loss associated with such matters, either individually or in the aggregate, will not have a material adverse effect on the Company's operations and liquidity.

**CACI INTERNATIONAL INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

***Iraq Matters***

On April 26, 2004, the Company received information indicating that one of its employees was identified in a report authored by U.S. Army Major General Antonio M. Taguba as being connected to allegations of abuse of Iraqi detainees at the Abu Ghraib prison facility. To date, despite the Taguba Report and the subsequently-issued Fay Report addressing alleged inappropriate conduct at Abu Ghraib, no present or former employee of the Company has been officially charged with any offense in connection with the Abu Ghraib allegations. The Company does not believe the outcome of this matter will have a material adverse effect on its financial statements.

***Subcontract Purchase Commitment***

The Company has entered into a subcontract agreement with a vendor to purchase a number of directional finding units to be ordered in connection with the performance of one of the Company's contracts. The subject subcontract provides for unit price decreases as the number of units purchased under the subcontract increases. Based on the present status of contract performance, management believes that the Company will either purchase a sufficient number of units over the subcontract term to allow it to realize the lowest unit cost available or negotiate a resolution between the prime contractor and the Company's vendor to avoid any liability for failing to purchase the quantity required for the lowest unit cost. Based upon that expectation, unit costs incurred to date have been recognized as direct costs at such lowest unit cost in the accompanying condensed consolidated statements of operations. Based on the number of units ordered to date and assuming that no other units are ordered under the subcontract, the Company's maximum unit price exposure (the difference between the unit price that would be applicable to the number of units actually purchased as compared to the discount price at which the Company has recognized the purchases to date) is estimated to be \$1.2 million, which has not been recorded in the Company's condensed consolidated financial statements as of September 30, 2008.

***Government Contracting***

Payments to the Company on cost-plus-fee contracts are provisional and are subject to adjustment upon audit by the Defense Contract Audit Agency (DCAA). The DCAA is currently in the process of auditing the Company's incurred cost submissions for the years ended June 30, 2003 through June 30, 2006. In the opinion of management, audit adjustments that may result from audits not yet completed or started are not expected to have a material effect on the Company's financial position, results of operations, or cash flows as the Company has accrued its best estimate of potential disallowances. Additionally, the DCAA continually reviews the cost accounting and other practices of government contractors, including those of the Company. In the course of those reviews, cost accounting and other issues are identified, discussed and settled.

In April 2007, the DCAA conducted a contract review and questioned certain costs on a contract in which the Company is a subcontractor. The Company believes that all costs allocated to this contract were appropriately allocated, but has accrued its best estimate of the potential outcome within its estimated range of zero to \$3.4 million.

8. Stock Based Compensation

Stock-based compensation expense recognized, together with the income tax benefits recognized, is as follows (in thousands):

|  | <b>Three Months Ended<br/>September 30,</b> |                 |
|--|---|-----------------|
|  | <b>2008</b>                                 | <b>2007</b>     |
| Stock-based compensation included in indirect costs and selling expenses:            |   |                 |
| Non-qualified stock option and stock settled stock appreciation right (SSAR) expense | \$ 2,802                                    | \$ 3,317        |
| Restricted stock and restricted stock unit (RSU) expense                             | 2,342                                       | 2,390           |
| Total stock-based compensation expense   | <u>\$ 5,144</u>                             | <u>\$ 5,707</u> |
| Income tax benefit recognized for stock-based compensation expense                   | <u>\$ 2,109</u>                             | <u>\$ 2,169</u> |

**CACI INTERNATIONAL INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

Under the terms of its 2006 Stock Incentive Plan (the 2006 Plan), the Company may issue, among others, nonqualified stock options, SSARs, restricted stock, RSUs, and performance awards, collectively referred to herein as equity instruments. The 2006 Plan was approved by the Company's stockholders in November 2006 and replaced the 1996 Stock Incentive Plan (the 1996 Plan), which was due to expire at the end of a ten-year period. During all periods presented, the exercise price of all SSAR and non-qualified stock option grants and the value of all restricted stock and RSU grants were set at the closing price of a share of the Company's common stock on the date of grant, as reported by the New York Stock Exchange. Annual grants under the 2006 Plan (and previous grants under the 1996 Plan) are generally made to the Company's key employees during the first quarter of the Company's fiscal year and to members of the Company's Board of Directors during the second quarter of the Company's fiscal year. With the approval of its Chief Executive Officer, the Company also issues equity instruments to strategic new hires and to employees who have demonstrated superior performance.

Prior to June 2007, the Company issued equity instruments to its key employees in the form of non-qualified stock options and RSUs. Effective in June 2007, the Company began issuing SSARs instead of non-qualified stock options and shares of restricted stock instead of RSUs. RSUs and shares of restricted stock granted through this date vested based on the passage of time and continued service as an employee of the Company. Beginning in August 2008, the Company began issuing RSUs for which vesting is based on achievement of a performance metric in addition to grantee service (performance-based RSUs). For the RSUs granted as part of the Company's annual grant made in August 2008, vesting is initially dependent upon the net after-tax profit (NATP) reported by the Company for the fiscal year ending June 30, 2010. The maximum number of RSUs which will vest is based on the achievement of a certain NATP which has been established by the Company's Board of Directors. No RSUs will vest if NATP is less than a pre-defined amount. In addition to achievement of a certain level of NATP, vesting is contingent upon grantee service. Once the NATP for the year ending June 30, 2010 is determined, grantees will then vest in the underlying shares in increments of one-third on an annual basis beginning two years after the grant date. All performance-based RSUs awarded for a given NATP level and for which service requirements are fulfilled will have fully vested four years after the grant date.

Upon the exercise of stock options and SSARs, and the vestings of restricted shares and RSUs, the Company fulfills its obligations under the equity instrument agreements by issuing new shares of authorized common stock. The number of shares authorized by shareholders for grants under the 2006 Plan and the 1996 Plan was 9,450,000 as of September 30, 2008.

Activity related to SSARs/non-qualified stock options and RSUs/restricted shares issued under the 1996 and 2006 Plans during the three months ended September 30, 2008 is as follows:

|   | SSARs/<br>Non-qualified<br>stock options | RSUs/<br>restricted shares |
|---|--|----------------------------|
| Outstanding, June 30, 2008  | 3,307,849                                | 346,160                    |
| Granted   | 291,000                                  | 376,585                    |
| Exercised/Issued  | (6,632)                                  | (94,990)                   |
| Forfeited/Lapsed  | (19,107)                                 | (3,450)                    |
| Outstanding, September 30, 2008                                   | <u>3,573,110</u>                         | <u>624,305</u>             |
| Weighted average exercise price of grants                         | <u>\$ 49.36</u>                          |                            |
| Weighted average grant date fair value for RSUs/restricted shares |  | <u>\$ 49.35</u>            |

Under the terms of the various equity instrument agreements, vesting of awards may accelerate to varying degrees based on the age of the grantee and the type of equity instrument. Depending on the instrument, vesting may accelerate upon retirement at either age 62 or 65 with the amount of acceleration based on the length of service provided and, for performance-based RSUs, the NATP achieved for the applicable fiscal year.

During the three months ended September 30, 2008 and 2007, the Company recognized \$0.9 million and \$1.3 million, respectively, of incremental, accelerated stock compensation expense for awards made to employees who were either nearing or had reached the applicable retirement age at the date of grant.

As of September 30, 2008, there was \$28.9 million of total unrecognized compensation cost related to SSARs and stock options scheduled to be recognized over a weighted average period of 3.2 years, and \$16.7 million of total unrecognized compensation cost related to restricted shares and RSUs scheduled to be recognized over a weighted-average period of 2.9 years.



**CACI INTERNATIONAL INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

9. Stock Purchase Plans

The Company adopted the 2002 Employee Stock Purchase Plan (ESPP), the Management Stock Purchase Plan (MSPP), and the Director Stock Purchase Plan (DSPP) in November 2002, and implemented these plans beginning July 1, 2003. These plans provide employees, management, and directors with an opportunity to acquire or increase ownership interest in the Company through the purchase of shares of the Company's common stock, subject to certain terms and conditions. There are 750,000, 500,000, and 75,000 shares authorized for grants under the ESPP, MSPP and DSPP, respectively.

The ESPP allows eligible full-time employees to purchase shares of common stock at 95 percent of the fair market value of a share of common stock on the last day of each quarter. The maximum number of shares that an eligible employee can purchase during any quarter is equal to two times an amount determined as follows: 20 percent of such employee's compensation over the quarter, divided by 95 percent of the fair market value of a share of common stock on the last day of the quarter. The ESPP is a qualified plan under Section 423 of the Internal Revenue Code and, for financial reporting purposes, was amended effective July 1, 2005 so as to be considered non-compensatory under SFAS No. 123R *Share Based Payment* (SFAS No. 123R). Accordingly, there is no stock-based compensation expense associated with shares acquired under the ESPP for the three month periods ended September 30, 2008 and 2007. As of September 30, 2008, participants have purchased 577,967 shares under the ESPP at a weighted-average price per share of \$45.46. Of these shares, 20,373 were purchased during the three months ended September 30, 2008, at a weighted-average price per share of \$43.48. To satisfy its obligations under the ESPP, the Company will either purchase shares in the open market or issue shares previously acquired and held in treasury. During the three months ended September 30, 2008, the Company purchased 20,373 shares in the open market to fulfill the employees' share purchases.

The MSPP provides those senior executives with stock holding requirements a mechanism to receive RSUs in lieu of up to 100 percent of their annual bonus. For the fiscal year ended June 30, 2008, RSUs awarded in lieu of bonuses earned were granted at 85 percent of the closing price of a share of the Company's common stock on the date of the award, as reported by the New York Stock Exchange. For bonuses earned during the fiscal years ended June 30, 2006 and 2007, RSUs were granted at 95 percent of the closing price of a share of the Company's common stock on the date of grant. RSUs granted under the MSPP vest at the earlier of 1) three years from the grant date, 2) upon a change of control of the Company, 3) upon a participant's retirement at or after age 65, or 4) upon a participant's death or permanent disability. Vested RSUs are settled in shares of common stock. The Company recognizes the value of the discount applied to RSUs granted under the MSPP as stock compensation expense ratably over the three-year vesting period.

Activity related to the MSPP during the three months ended September 30, 2008 is as follows:

|  | <u>MSPP</u>     |
|--|-----------------|
| RSUs outstanding, June 30, 2008  | 32,773          |
| Granted  | 39,755          |
| Issued   | (9,028)         |
| Forfeited  | —               |
| RSUs outstanding, September 30, 2008   | <u>63,500</u>   |
| Weighted average grant date fair value as adjusted for the applicable discount | <u>\$ 43.40</u> |

The DSPP allows directors to elect to receive RSUs at the market price of the Company's common stock on the date of the award in lieu of up to 100 percent of their annual retainer fees. Vested RSUs are settled in shares of common stock. There was no activity or outstanding grants under the DSPP during the three months ended September 30, 2008.

10. Earnings Per Share

SFAS No. 128, *Earnings Per Share* (SFAS No. 128), requires dual presentation of basic and diluted earnings per share on the face of the income statement. Basic earnings per share exclude dilution and are computed by dividing income

**CACI INTERNATIONAL INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Using the treasury stock method, diluted earnings per share include the incremental effect of SSARs, stock options, restricted shares, and those RSUs that are not performance-based. The performance-based RSUs granted in August 2008 are excluded from the calculation of diluted earnings per share as the underlying shares are considered to be contingently issuable shares in accordance with SFAS No. 123R and SFAS No. 128. These shares will be included in the calculation of diluted earnings per share in the reporting period in which the performance metric is achieved. The chart below shows the calculation of basic and diluted earnings per share (in thousands, except per share amounts):

|  | <b>Three Months Ended<br/>September 30,</b> |                 |
|--|---|-----------------|
|  | <b>2008</b>                                 | <b>2007</b>     |
| Net income   | <u>\$20,991</u>                             | <u>\$18,292</u> |
| Weighted average number of basic shares outstanding during the period  | 30,103                                      | 29,993          |
| Dilutive effect of SSARs/stock options and RSUs/restricted shares after application of treasury stock method | 464   | 525             |
| Weighted average number of diluted shares outstanding during the period                                      | <u>30,567</u>                               | <u>30,518</u>   |
| Basic earnings per share   | <u>\$ 0.70</u>                              | <u>\$ 0.61</u>  |
| Diluted earnings per share   | <u>\$ 0.69</u>                              | <u>\$ 0.60</u>  |

Shares outstanding during the three months ended September 30, 2008, reflect the August 2008 repurchase of 0.4 million shares of CACI's common stock pursuant to a share repurchase program approved by the Company's Board of Directors in June 2008.

**11. Income Taxes**

Effective July 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*. The total liability for unrecognized tax benefits as of September 30, 2008 and June 30, 2008 was \$4.4 million and \$4.6 million, respectively. The Company believes that the total amount of unrecognized tax benefits, if recognized, would not have a material effect on its effective tax rate.

The Company is subject to income taxes in the U.S. and various state and foreign jurisdictions. Tax statutes and regulations within each jurisdiction are subject to interpretation and require significant judgment to apply. The Internal Revenue Service (IRS) has examined the Company's consolidated federal income tax returns through the year ended June 30, 2004. The Company is currently under income tax examination by the IRS for the years ended June 30, 2005 through 2007 and earlier years in connection with amended returns and carryback claims filed by the Company. The Company is also under examination by four state jurisdictions for years ended June 30, 2004 through June 30, 2006. The Company does not expect the resolution of these audits to have a material impact on its results of operations, financial condition or cash flows.

During the three month period ended September 30, 2008, the Company's income tax expense was adversely impacted by non-deductible losses on assets invested in corporate-owned life insurance policies.



**CACI INTERNATIONAL INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

12. Business Segment Information

The Company reports operating results and financial data in two segments: domestic operations and international operations. Domestic operations provide professional services and information technology solutions to its customers. Its customers are primarily U.S. federal government agencies. The Company does not measure revenue or profit by its major service offerings, either for internal management or external financial reporting purposes, as it would be impractical to do so. In many cases more than one offering is provided under a single contract, to a single customer, or by a single employee or group of employees, and segregating the costs of the service offerings in situations for which it is not required would be difficult and costly. The Company also serves customers in the commercial and state and local government sectors and, from time to time, serves a number of agencies of foreign governments. The Company places employees in locations around the world in support of its clients. International operations offer services to both commercial and non-U.S. government customers primarily through the Company's data information and knowledge management services, business systems solutions and enterprise IT and network services lines of business. The Company evaluates the performance of its operating segments based on net income. Summarized financial information concerning the Company's reportable segments is as follows (in thousands):

|  | <u>Domestic</u> | <u>International</u> | <u>Total</u> |
|--|-----------------|----------------------|--------------|
| <b>Three Months Ended September 30, 2008</b> |                 |                      |              |
| Revenue from external customers              | \$632,315       | \$ 22,445            | \$654,760    |
| Net income                                   | 19,888          | 1,103                | 20,991       |
| <b>Three Months Ended September 30, 2007</b> |                 |                      |              |
| Revenue from external customers              | \$530,679       | \$ 22,901            | \$553,580    |
| Net income                                   | 16,828          | 1,464                | 18,292       |

13. Fair Value of Financial Instruments

SFAS No. 157, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Under SFAS No. 157, fair value should be based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

With the adoption of SFAS No. 157 effective July 1, 2008, the Company's financial assets and liabilities recorded at fair value on a recurring basis were categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels under SFAS No. 157, as follows:

- Level 1 Inputs – unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs – unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.
- Level 3 Inputs – amounts derived from valuation models in which unobservable inputs reflect the reporting entity's own assumptions about the assumptions of market participants that would be used in pricing the asset or liability.

**CACI INTERNATIONAL INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

As of September 30, 2008, the Company's financial instruments measured at fair value included money market investments and mutual funds held in the Company's supplemental retirement plan, and the Company's interest rate swap and cap agreements. The following table summarizes the financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2008, and the level they fall within the fair value hierarchy (in thousands):

| <u>Description of Financial Instrument</u>     | <u>Financial Statement Classification</u> | <u>Fair Value</u> |                   |
|--|---|-------------------|-------------------|
|  |   | <u>Hierarchy</u>  | <u>Fair Value</u> |
| Assets held in Supplemental Retirement Plan    | Long-term asset                           | Level 1           | \$ 41,878         |
| Obligations under Supplemental Retirement Plan | Long-term liability                       | Level 1           | \$ 43,967         |
| Interest rate swaps                            | Current liability                         | Level 2           | \$ 1,185          |
| Interest rate cap                              | —   | Level 2           | —                 |

Changes in the fair value of the assets held in the supplemental retirement plan, as well as changes in the related deferred compensation obligation, are recorded in indirect costs and selling expense.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations****Forward Looking Statements**

There are statements made herein which do not address historical facts and, therefore, could be interpreted to be forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements are subject to factors that could cause actual results to differ materially from anticipated results. The factors that could cause actual results to differ materially from those anticipated include, but are not limited to, the following: regional and national economic conditions in the United States and the United Kingdom, including conditions that result from terrorist activities or war; changes in interest rates; currency fluctuations; significant fluctuations in the equity markets; failure to achieve contract awards in connection with re-compete for present business and/or competition for new business; the risks and uncertainties associated with client interest in and purchases of new products and/or services; continued funding of U.S. government or other public sector projects, based on a change in spending patterns, or in the event of a priority need for funds, such as homeland security, the war on terrorism or rebuilding Iraq; government contract procurement (such as bid protest, small business set asides, loss of work due to organizational conflicts of interest etc.) and termination risks; the results of government investigations into allegations of improper actions related to the provision of services in support of U.S. military operations in Iraq; the results of government audits and reviews conducted by the Defense Contract Audit Agency or other governmental entities with cognizant oversight; individual business decisions of our clients; paradigm shifts in technology; competitive factors such as pricing pressures and/or competition to hire and retain employees (particularly those with security clearances); market speculation regarding our continued independence; material changes in laws or regulations applicable to our businesses, particularly in connection with (i) government contracts for services, (ii) outsourcing of activities that have been performed by the government, (iii) competition for task orders under Government Wide Acquisition Contracts (GWACs) and/or schedule contracts with the General Services Administration; and (iv) accounting for convertible debt instruments; our own ability to achieve the objectives of near term or long range business plans; and other risks described in our Securities and Exchange Commission filings.

**Overview**

The following discussion and analysis of our financial condition and results of operations is provided to enhance the understanding of, and should be read together with, our unaudited condensed consolidated financial statements and the notes to those statements that appear elsewhere in this Quarterly Report on Form 10-Q.

We are a leading provider of professional services and information technology solutions to the U.S. government. We derived 95.4% and 94.5% of our revenue during the three months ended September 30, 2008 and 2007, respectively, from contracts with U.S. government agencies. These were derived through both prime and subcontractor relationships. We also provide services to state and local governments and commercial customers. Our major service offerings are as follows:

- Enterprise IT and network services – We support our clients' critical networked operational missions by providing tailored end-to-end enterprise information technology services for the design, establishment, management, security and operations of client infrastructure. Our operational, analytic, consultancy and transformational services effectively use industry best practices and standards to enable and optimize the full life cycle of the networked environment, improve customer service, improve efficiency, and reduce total cost and complexity of large, geographically dispersed operations.
- Data, information and knowledge management services – We deliver a full spectrum of solutions and services that automate the knowledge management life cycle from data capture through information analysis and understanding. We provide commercially-based products, custom solutions development, and operations and maintenance services that facilitate information sharing. Our information technology solutions are complemented by a suite of analytical expertise support offerings for our U.S. government intelligence community, Department of Defense (DoD), Department of Justice (DoJ), and Homeland Security customers.
- Business system solutions – We provide solutions that address the full spectrum of requirements in the financial, procurement, human resources, supply chain and other business domains. Our solutions employ an integrated cross-functional approach to maximize investments in existing systems, while leveraging the potential of advanced technologies to implement new, high payback solutions. Our offerings include services, consulting and software development/integration that support the full life cycle of commercial technology implementation from blueprint through application sustainment.
- Logistics and material readiness services – We offer a full suite of solutions and service offerings that plan for, implement and control the efficient and effective flow and storage of goods, services and information in support of U.S. government agencies. We develop and manage logistics information systems, specialized simulation and modeling toolsets, and provide logistics engineering services. Our operational capabilities span the supply chain, including

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## Table of Contents

advance logistics planning; demand forecasting, total asset visibility (including the use of Radio Frequency Identification technology) and life cycle support for weapons systems. Our logistics services are a critical enabler in support of defense readiness and combat sustainability objectives.

- C4ISR integration services – We provide rapid response services in support of military missions in a coordinated and controlled operational setting. We support the military efforts to ensure delivery and sustainment of integrated, enterprise wide, Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) programs. We integrate sensors, mission applications and systems that connect with DoD data networks.
- Cyber security, information assurance, and information operations services – Our solutions and services support the full life cycle of preparing for, protecting against, detecting, reacting to and actively responding to the full range of cyber threats. We achieve this through comprehensive and consistently managed risk-based, cost-effective controls and measures to protect information operated by the U.S. government. We proactively support the operational use and availability/reliability of information.
- Integrated security and intelligence solutions – The United States, its partners and its allies around the world face state, non-state and transnational adversaries that do not recognize political boundaries; do not recognize international law; and will seek, through asymmetric and irregular means, ways to strike at seams in our national security. We assist clients in developing integrated solutions that close gaps between security, intelligence, and law enforcement in order to address complex threats to our national security.
- Program management and system engineering and technical assistance (SETA) services – We support U.S. government Program Executive Offices and Program Management Offices via subject matter experts and comprehensive technical management processes that optimize program resources. This includes translating operational requirements into configured systems, integrating technical inputs, characterizing and managing risk, transitioning technology into program efforts, and verifying that designs meet operational needs, through the application of internationally recognized and accepted standards. Additionally, we provide SETA and advisory and assistance services that include contract and acquisition management, operations support, architecture and system engineering services, project and portfolio management, strategy and policy support, and complex trade analyses.

In the near term, we face some uncertainties due to the current business environment. We continue to experience a number of protests of major contract awards. In addition, many of our federal government contracts require us to have security clearances and employ personnel with specific levels of education, work experience and security clearances. Depending on the level of clearance, security clearances can be difficult and time-consuming to obtain and competition for skilled personnel in the information technology services industry is intense. In addition, a shift of expenditures away from programs that we support could cause federal government agencies to reduce their purchases under contracts, to exercise their right to terminate contracts at any time without penalty, or to decide not to exercise options to renew contracts. Among the factors that could affect our federal government contracting business are the continued demand and priority of funding for combat operations in Iraq and Afghanistan, an increase in set-asides for small businesses, and budgetary priorities limiting or delaying federal government spending in general.

Our operations may also be affected by local, national and worldwide economic conditions. The consequences of a prolonged recession may include a lower level of government spending. Instability in the financial markets, as a result of recession or otherwise, also may affect the cost of capital and our ability to raise capital. We are already experiencing the impact of current economic conditions on our operations in the United Kingdom (UK). Our UK business is centered on providing marketing solutions to commercial customers who have been particularly impacted by the global economic slow down. In addition, our income tax expense for the three months ended September 30, 2008 was adversely impacted by non-deductible losses on assets invested in corporate-owned life insurance policies and may be impacted to a greater extent if the losses exceed our estimates.

## Table of Contents

### Results of Operations for the Three Months Ended September 30, 2008 and 2007

**Revenue.** The table below sets forth revenue by customer type with related percentages of total revenue for the three months ended September 30, 2008 and 2007, respectively:

| (dollars in thousands)      | Three Months Ended September 30, |               |                  |               | Change           |              |
|-----------------------------|----------------------------------|---------------|------------------|---------------|------------------|--------------|
|                             | 2008                             |               | 2007             |               | \$               | %            |
| Department of Defense (DoD) | \$492,961                        | 75.3%         | \$405,797        | 73.3%         | \$ 87,164        | 21.5%        |
| Federal civilian agencies   | 131,831                          | 20.1          | 117,299          | 21.2          | 14,532           | 12.4         |
| Commercial and other        | 24,684                           | 3.8           | 25,903           | 4.7           | (1,219)          | (4.7)        |
| State and local governments | 5,284                            | 0.8           | 4,581            | 0.8           | 703              | 15.3         |
| <b>Total</b>                | <b>\$654,760</b>                 | <b>100.0%</b> | <b>\$553,580</b> | <b>100.0%</b> | <b>\$101,180</b> | <b>18.3%</b> |

For the three months ended September 30, 2008, total revenue increased by 18.3%, or \$101.2 million, over the same period a year ago. This growth in revenue resulted primarily from the higher volume of work from DoD and federal civilian agency customers and was generated both from organic growth and from acquisitions completed since September 30, 2007. Revenue generated from the date a business is acquired through the first anniversary of that date is considered acquired revenue. Our acquired revenue in the three months ended September 30, 2008 is as follows (in thousands):

|   |               |
|---|---------------|
| Athena Innovative Solutions, Inc. (AIS) | \$28.0        |
| Dragon Development Corporation (DDC)    | 8.3           |
| Other                                   | 5.1           |
| <b>Total</b>                            | <b>\$41.4</b> |

Revenue from existing operations increased by 10.8%, or \$59.8 million, for the three months ended September 30, 2008. This organic growth was driven by both an increase in our direct labor and an increase in other direct costs (ODCs). ODCs include work which we subcontract to third parties to meet customer needs.

DoD revenue increased 21.5%, or \$87.2 million, for the three months ended September 30, 2008, as compared to the same period a year ago. The acquisitions we completed during our fiscal year ended June 30, 2008, generated \$20.7 million of DoD revenue, while revenue from existing operations increased by \$66.5 million. DoD revenue includes services provided to the U.S. Army, our largest customer, where our services focus on supporting readiness, tactical military intelligence, and communications of the commands in Iraq and Afghanistan. DoD revenue also includes work with the U.S. Navy and other DoD agencies across all of our major service offerings.

Revenue from federal civilian agencies increased 12.4%, or \$14.5 million, for the three months ended September 30, 2008, as compared to the same period a year ago. Of this increase, \$19.0 million was attributable to our acquisitions while revenue from existing operations decreased \$4.5 million. The main reason for this decrease was the completion in the fiscal year ended June 30, 2008 of a single program for which we lost the recompetes in the prior fiscal year. Approximately 14.0% of the federal civilian agency revenue for the quarter was derived from DoJ, for whom we provide litigation support services. Revenue from DoJ was \$18.4 million and \$18.2 million for the three months ended September 30, 2008 and 2007, respectively.

Commercial revenue decreased 4.7%, or \$1.2 million, during the three months ended September 30, 2008, as compared to the same period a year ago. Commercial revenue is derived from both international and domestic operations. International operations accounted for 90.9%, or \$22.4 million, of total commercial revenue, while domestic operations accounted for 9.1%, or \$2.2 million. The decline in commercial revenue came in part from operations within the UK. The decrease in revenue in the UK was primarily caused by the strengthening dollar versus the pound sterling and the impact of the global economic situation on the UK economy. The UK retail sector, which is one of the key sectors of our UK operations, has been particularly affected.

Revenue from state and local governments increased by 15.3%, or \$0.7 million, for the three months ended September 30, 2008, as compared to the same period a year ago. Revenue from state and local governments represented 0.8% of our total revenue for both the three months ended September 30, 2008 and 2007. Our continued focus on DoD and federal civilian agency opportunities has resulted in a relatively reduced emphasis on state and local government business.

## Table of Contents

**Income from Operations**. The following table sets forth the relative percentage that certain items of expense and earnings bore to revenue for the three months ended September 30, 2008 and 2007, respectively.

| (dollars in thousands)              | Dollar Amount                       |           | Percentage of Revenue               |        | Increase  |       |
|-------------------------------------|-------------------------------------|-----------|-------------------------------------|--------|-----------|-------|
|                                     | Three Months Ended<br>September 30, |           | Three Months Ended<br>September 30, |        |           |       |
|                                     | 2008                                | 2007      | 2008                                | 2007   | \$        | %     |
| Revenue                             | \$654,760                           | \$553,580 | 100.0%                              | 100.0% | \$101,180 | 18.3% |
| Costs of revenue                    |                                     |           |                                     |        |           |       |
| Direct costs                        | 443,545                             | 372,398   | 67.8                                | 67.3   | 71,147    | 19.1  |
| Indirect costs and selling expenses | 157,871                             | 135,757   | 24.1                                | 24.5   | 22,114    | 16.3  |
| Depreciation and amortization       | 12,026                              | 10,746    | 1.8                                 | 1.9    | 1,280     | 11.9  |
| Total costs of revenue              | 613,442                             | 518,901   | 93.7                                | 93.7   | 94,541    | 18.2  |
| Income from operations              | 41,318                              | 34,679    | 6.3                                 | 6.3    | 6,639     | 19.1  |
| Interest expense and other, net     | 5,740                               | 5,152     | 0.9                                 | 0.9    | 588       | 11.4  |
| Income before income taxes          | 35,578                              | 29,527    | 5.4                                 | 5.4    | 6,051     | 20.5  |
| Income taxes                        | 14,587                              | 11,235    | 2.2                                 | 2.1    | 3,352     | 29.8  |
| Net income                          | \$ 20,991                           | \$ 18,292 | 3.2%                                | 3.3%   | \$ 2,699  | 14.8% |

Income from operations for the three months ended September 30, 2008 was \$41.3 million. This was an increase of \$6.6 million, or 19.1%, from income from operations of \$34.7 million for the three months ended September 30, 2007. Our operating margin was 6.3% equal to that during the same period a year ago.

As a percentage of revenue, direct costs were 67.8% and 67.3% for the three months ended September 30, 2008 and 2007, respectively. Direct costs include direct labor and ODCs, which include, among other costs, subcontractor labor and materials along with equipment purchases and travel expenses. ODCs, which are common in our industry, typically are incurred in response to specific client tasks and may vary from period to period. The single largest component of direct costs, direct labor, was \$181.7 million and \$148.1 million for the three months ended September 30, 2008 and 2007, respectively. This increase in direct labor was attributable to both organic growth and acquisitions completed since September 30, 2007. ODCs were \$261.8 million and \$224.3 million during the three months ended September 30, 2008 and 2007, respectively. This increase was primarily driven by an increased volume of tasking across C4ISR integration services within our Strategic Services Sourcing contract along with the aforementioned acquisitions.

Indirect costs and selling expenses include fringe benefits, marketing and bid and proposal costs, indirect labor, and other discretionary expenses. As a percentage of revenue, indirect costs and selling expenses were 24.1% and 24.5% for the three months ended September 30, 2008 and 2007, respectively. The decrease in indirect costs and selling expenses as a percentage of revenue was primarily a result of integrating acquired businesses, controlling our various indirect and general and administrative expenses and the aforementioned higher ODC content which require less indirect costs and selling expenses. Total stock compensation expense, a component of indirect costs, was \$5.1 million and \$5.7 million for the three months ended September 30, 2008 and 2007, respectively, and decreased as a result of the current year's grants being issued later within the quarter than occurred in the prior year. In addition, current year expense related to RSUs issued in the quarter ended September 30, 2008 is reduced as a result of having a longer period of amortization associated with a longer vesting period than those issued in the prior year.

Depreciation and amortization expense was \$12.0 million and \$10.7 million for the three months ended September 30, 2008 and 2007, respectively. The increase of \$1.3 million, or 11.9%, was primarily the result of amortization expense attributable to intangibles acquired in the aforementioned acquisitions.

Interest expense and other, net increased \$0.6 million, or 11.4%, during the three months ended September 30, 2008 as compared to the same period a year ago. The increase was primarily due to less interest income generated from the lower average of cash balances maintained during the period along with a lower rate earned on invested funds. The lower average cash balance is attributable to the use of cash to fund the AIS and DDC acquisitions. This was partially offset by a decrease in interest on the Credit Facility due to a lower effective interest rate.

The effective tax rate was 41.0% and 38.0% during the three months ended September 30, 2008 and 2007, respectively. The higher tax rate reported in the first quarter of FY2009 was primarily attributable to non-deductible losses on assets invested in corporate-owned life insurance policies to date and estimated to be incurred throughout the rest of the year. If losses on these investments exceed our estimates, our effective tax rate may be higher in future quarters of the year ending June 30, 2009.



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## Table of Contents

### Liquidity and Capital Resources

Historically, our positive cash flow from operations and our available credit facilities have provided adequate liquidity and working capital to fund our operational needs. Cash flows from operations totaled \$15.6 million and \$23.4 million for the three months ended September 30, 2008 and 2007, respectively.

We maintain a \$590.0 million credit facility (the Credit Facility), which includes a \$240.0 million revolving credit facility (the Revolving Facility) and a \$350.0 million institutional term loan (the Term Loan). The initial borrowings under the Credit Facility were \$422.6 million, of which \$334.3 million was outstanding under the Term Loan at September 30, 2008. On May 10, 2007, in connection with the issuance of the Notes, the Credit Facility was amended in order to, among other things, permit the issuance of the Notes and address certain related matters. On August 28, 2008, the Credit Facility was amended to reflect the exercise of the accordion feature under the Revolving Facility. The amendment increased the credit available to CACI under the Revolving Facility from \$200.0 million to \$240.0 million.

The August 2008 amendment also 1) provided CACI with additional flexibility with respect to certain of its covenants under the Credit Facility, 2) extended the expiration date of the Revolving Facility from May 3, 2009 to May 3, 2011, on which date repayment of any outstanding balance under the Revolving Facility, together with accrued interest thereon, will be due, and 3) increased the total amount to which the Revolving Facility may be increased pursuant to the accordion feature to \$450.0 million (from \$300.0 million). The Revolving Facility continues to have annual sublimits on amounts borrowed for acquisitions and a \$25.0 million sublimit for the issuance of letters of credit.

As of September 30, 2008, we had no borrowings under the Revolving Facility.

The Term Loan portion of the Credit Facility is a seven-year secured facility under which principal payments are due in quarterly installments of \$0.9 million at the end of each fiscal quarter through March 2011, and the balance of \$325.5 million is due in full on May 3, 2011.

Interest rates for both Revolving Facility and Term Loan borrowings are based on LIBOR, or the higher of the prime rate or the federal funds rate plus 0.5 percent, plus applicable margins. Margin and unused fee rates are determined quarterly based on our leverage ratios. We are expected to operate within certain limits on leverage, net worth and fixed-charge coverage ratios throughout the term of the Credit Facility. The total costs incurred related to the Credit Facility, as amended, were approximately \$9.9 million, including \$1.2 million incurred in connection with the August 2008 amendment described previously, and are being amortized over the life of the Credit Facility.

Effective May 16, 2007, we issued the Notes which mature on May 1, 2014, in a private placement pursuant to Rule 144A of the Securities Act of 1933. The Notes are subordinate to our senior secured debt, and interest on the Notes is payable on May 1 and November 1 of each year.

Holders may convert their notes at a conversion rate of 18.2989 shares of CACI common stock for each \$1,000 of note principal (an initial conversion price of \$54.65 per share) under the following circumstances: 1) if the last reported sale price of CACI stock is greater than or equal to 130% of the conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter; 2) during the five consecutive business day period immediately after any five consecutive trading day period (the note measurement period) in which the average of the trading price per \$1,000 principal amount of convertible note was equal to or less than 97% of the average product of the closing price of a share of our common stock and the conversion rate of each date during the note measurement period; 3) upon the occurrence of certain corporate events constituting a fundamental change, as defined in the indenture governing the Notes; or 4) during the last three-month period prior to maturity. We are required to satisfy 100% of the principal amount of these notes solely in cash, with any amounts above the principal amount to be satisfied in common stock. As of September 30, 2008, none of the conditions permitting conversion of the Notes had been satisfied.

In the event of a fundamental change, as defined in the indenture governing the Notes, holders may require us to repurchase the Notes at a price equal to the principal amount plus any accrued interest. Also, if certain fundamental changes occur prior to maturity, we will in certain circumstances increase the conversion rate by a number of additional shares of common stock or, in lieu thereof, we may in certain circumstances elect to adjust the conversion rate and related conversion obligation so that these notes are convertible into shares of the acquiring or surviving company. We are not permitted to redeem the Notes.

The contingently issuable shares are not included in our diluted share count for the three month periods ended September 30, 2008 or 2007, because our average stock price during those periods was below the conversion price. Debt issuance costs of approximately \$7.8 million are being amortized to interest expense over seven years. Upon closing of the sale of the Notes, approximately \$45 million of the net proceeds was used to concurrently repurchase one million shares of our common stock.

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## Table of Contents

In connection with the issuance of the Notes, we purchased in a private transaction at a cost of \$84.4 million call options (the Call Options) to purchase approximately 5.5 million shares of our common stock at a price equal to the conversion price of \$54.65 per share. The Call Options allow us to receive shares of our common stock from the counterparties equal to the amount of common stock related to the excess conversion value that we would pay the holders of the Notes upon conversion.

For income tax reporting purposes, the Notes and the Call Options are integrated. This created an original issue discount for income tax reporting purposes, and therefore the cost of the Call Options is being accounted for as interest expense over the term of the Notes for income tax reporting purposes. The associated income tax benefit of \$32.8 million to be realized for income tax reporting purposes over the term of the Notes was recorded as an increase in additional paid-in capital and a long-term deferred tax asset.

In addition, we sold warrants (the Warrants) to issue approximately 5.5 million shares of CACI common stock at an exercise price of \$68.31 per share. The proceeds from the sale of the Warrants totaled \$56.5 million.

On a combined basis, the Call Options and the Warrants are intended to reduce the potential dilution of CACI's common stock in the event that the Notes are converted by effectively increasing the conversion price of these notes from \$54.65 to \$68.31. The Call Options are anti-dilutive and are therefore excluded from the calculation of diluted shares outstanding. The Warrants will result in additional diluted shares outstanding if our average common stock price exceeds \$68.31. The Call Options and the Warrants are separate and legally distinct instruments that bind us and the counterparties and have no binding effect on the holders of the Notes.

In May 2008, the FASB issued FSP 14-1. This new standard will require us to separately account for the liability and equity (conversion option) components of the Notes, and to recognize interest expense on the Notes using an interest rate in effect for comparable debt instruments that do not contain conversion features. The interest rate to be used under the new standard will be significantly higher than the rate which is currently used, which is equal to the coupon rate of 2.125 percent. FSP 14-1 is effective for our fiscal year beginning July 1, 2009, and will require retrospective application to the date the Notes were issued. Had this new standard been effective for the three month periods ended September 30, 2008 and 2007, we estimate that our interest expense would have increased by approximately \$2.7 million and \$2.5 million, respectively, and our diluted earnings per share would have decreased by approximately \$0.05 per share for each quarterly period. FSP 14-1 will have no effect on our cash flow.

We also have amounts due under a mortgage note payable that was assumed in January 2004, and promissory notes payable issued in connection with the May 2006 acquisition of Sophron Partners Limited. Principal amounts due under the mortgage note payable and the promissory notes payable were \$0.6 million and \$5.8 million, respectively, as of September 30, 2008. The promissory notes payable mature on June 30, 2010, but portions of these notes may be put back to the Company beginning January 1, 2010. The holders have the right to request payment of up to 50 percent of outstanding note principal beginning January 1, 2010, and up to 100 percent at any time between April 6, 2010 and the stated due date of June 30, 2010.

We also maintain two lines of credit in addition to the Revolving Facility, one in the U.K., and one under a joint venture. The total amount available under the line-of-credit facility in the U.K., which is scheduled to expire in December 2008, is approximately \$1.0 million. The amount available under the joint venture's line of credit is \$1.5 million, and is scheduled to expire in September 2011. As of September 30, 2008, the Company had \$0.4 million outstanding under the joint venture's line, and no borrowings under the U.K.'s line.

In June 2008, our Board of Directors approved a share repurchase program for up to \$20 million of our common stock. Repurchases under this program were completed in August 2008 for the full amount authorized by the Board.

Cash and cash equivalents were \$112.0 million and \$120.4 million at September 30, 2008 and June 30, 2008, respectively. Our operating cash flow was \$15.6 million for the three months ended September 30, 2008 as compared to \$23.4 million in the same period a year ago. This decrease in operating cash flows during the three months ended September 30, 2008 as compared to the year earlier quarter is due primarily to the increased payments of accrued compensation costs related to the prior fiscal year. Days-sales-outstanding were 62 at September 30, 2008, and were 68 at September 30, 2007.

We used cash in investing activities of \$3.0 million and \$56.0 million for the three months ended September 30, 2008 and 2007, respectively. This decrease of \$53.0 million was primarily the result of our acquisition of the Wexford Group International, Inc (WGI) in June 2007. Approximately \$49.0 million of the purchase consideration for WGI was paid during the three months ended September 30, 2007. The remaining cash used in both periods was primarily for the purchase of office and computer related equipment in support of normal business requirements.



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## **Table of Contents**

Cash used in financing activities was \$20.0 million in the three months ended September 30, 2008 as compared to cash provided by financing activities of \$0.1 million in the three months ended September 30, 2007. This \$20.1 million change was primarily attributable to the \$20.0 million used during the three months ended September 30, 2008 to repurchase shares of our common stock pursuant to a plan approved by our Board of Directors in June 2008.

Cash flows from financing activities include proceeds received from the exercise of stock options and purchases of stock under our Employee Stock Purchase Plan totaling \$3.0 million and \$2.3 million during the three months ended September 30, 2008 and 2007, respectively. These amounts were offset by cash used to purchase stock to fulfill obligations under our Employee Stock Purchase Plan. Cash used to acquire stock was \$0.9 million during each of the three month periods ended September 30, 2008 and 2007.

We believe that the combination of internally generated funds, available bank borrowings and cash and cash equivalents on hand will provide the required liquidity and capital resources necessary to fund on-going operations, customary capital expenditures, debt service obligations, and other working capital requirements over the next twelve months. We are continuously analyzing our capital structure to ensure we have sufficient capital to fund any future acquisitions. Over the longer term, our ability to generate sufficient cash flows from operations necessary to fulfill the obligations under our Credit Facility and the Notes will depend on our future financial performance which will be affected by many factors outside of our control.

### **Off-Balance Sheet Arrangements and Contractual Obligations**

We use off-balance sheet arrangements to finance the lease of operating facilities. With the exception of a building acquired in connection with an acquisition completed during the year ended June 30, 2004, we have financed the use of all of our office and warehouse facilities through operating leases. Operating leases are also used to finance the use of computers, servers, phone systems, and to a lesser extent, other fixed assets, such as furnishings, that are obtained in connection with business acquisitions. We generally assume the lease rights and obligations of companies acquired in business combinations and continue financing equipment under operating leases until the end of the lease term following the acquisition date. We generally do not finance capital expenditures with operating leases, but instead finance such purchases with available cash balances. For additional information regarding our operating lease commitments, see note 14 to our consolidated financial statements for the year ended June 30, 2008 included in our Annual Report on Form 10-K for such period. The Credit Facility provides for stand-by letters of credit aggregating up to \$25.0 million that reduce the funds available under the Revolving Facility when issued. As of September 30, 2008, we had no outstanding letters of credit. We have no other material off-balance sheet financing arrangements.

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

The interest rates on both the Term Loan and the Revolving Facility are affected by changes in market interest rates. We have the ability to manage these fluctuations in part through interest rate hedging alternatives in the form of interest rate swaps and caps. Our hedging relationships are with two different financial institutions that have been impacted by recent market activities. If one or both of these financial institutions default on their obligations under our swap or cap agreements, we would have to find alternative methods to manage interest rate fluctuations or review and modify our hedging strategy. We have no reason to expect either institution to default on their obligations. A one percent change in interest rates on variable rate debt would have resulted in our interest expense fluctuating by approximately \$0.6 million for the three months ended September 30, 2008.

Approximately 3.4% and 4.1% of our total revenue in the three months ended September 30, 2008 and 2007, respectively, was derived from our international operations in the U.K. Our practice in our international operations is to negotiate contracts in the same currency in which the predominant expenses will be incurred, thereby mitigating the exposure to foreign currency exchange fluctuations. It is not possible to accomplish this in all cases; thus, there is some risk that profits will be affected by foreign currency exchange fluctuations. As of September 30, 2008, we held pounds sterling in the United Kingdom equivalent to approximately \$7.8 million. This allows us to better utilize our cash resources on behalf of our foreign subsidiaries, thereby mitigating foreign currency conversion risks.

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

As of the end of the three month period covered by this report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer.

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## Table of Contents

The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. The effectiveness of a system of disclosure controls and procedures is subject to various inherent limitations, including cost limitation, judgments used in decision making, assumptions about the likelihood of future events, the soundness of internal controls, and fraud. Due to such inherent limitations, there can be no assurance that any system of disclosure controls and procedures will be successful in preventing all errors or fraud, or in making all material information known in a timely manner to appropriate levels of management.

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

The Company reports that no changes in its internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended September 30, 2008.

**PART II**  
**OTHER INFORMATION**

**Item 1. Legal Proceedings**

*Saleh, et al. v. Titan Corp., et al.*

Reference is made to Part I, Item 3, Legal Proceedings, in the Registrant's Annual Report on Form 10-K for the year ended June 30, 2008 for the most recently filed information concerning the suit filed in the United States District Court for the Southern District of California against CACI International Inc, CACI, INC.–FEDERAL, CACI N.V., and former CACI employee Stephen A. Stefanowicz, among other defendants, seeking a permanent injunction, declaratory relief, compensatory and punitive damages, treble damages and attorney's fees arising out of defendants' alleged acts against plaintiffs, who were detainees at Abu Ghraib prison and elsewhere in Iraq.

Since the filing of Registrant's report described above, on October 17, 2008, CACI filed its brief intervening in the plaintiffs' appeal of the decision by the United States District Court for the District of Columbia granting Titan's summary judgment.

*Ibrahim, et al. v. Titan Corp., et al.*

Reference is made to Part I, Item 3, Legal Proceedings, in the Registrant's Annual Report on Form 10-K for the year ended June 30, 2008 for the most recently filed information concerning the suit filed in the United States District Court for the District of Columbia against CACI International Inc, CACI, INC.–FEDERAL, CACI N.V. and Titan Corporation, seeking compensatory and punitive damages for physical injury, emotional distress, and/or wrongful death allegedly suffered as a result of defendants' wrongful acts against plaintiffs, who were detainees at Abu Ghraib prison and elsewhere in Iraq.

Since the filing of Registrant's report described above, on October 17, 2008, CACI filed its brief intervening in the plaintiffs' appeal of the decision by the United States District Court for the District of Columbia granting Titan's summary judgment.

*Al-Janabi v. L-3 Communications et al.*

Reference is made to Part I, Item 3, Legal Proceeding in the Registrant's Annual Report on Form 10-K for the year ended June 30, 2008 for the most recently filed information concerning the suit filed in the United States District Court for the Central District of California. The lawsuit names CACI International Inc, CACI Premier Technology, Inc., and former CACI employee Stephen A. Stefanowicz as Defendants, along with L-3 Communications. Plaintiff seeks, inter alia, compensatory damages, punitive damages, and attorney's fees.

Since the filing of the Registrant's report described above, the United States District Court for the Central District of California ordered the transfer of the lawsuit to the United States District Court for the Eastern District of Virginia. In August 2008, the plaintiff dismissed the case without prejudice.

*Al-Quraishi v. L-3 Services, Inc. et al.*

Reference is made to Part I, Item 3, Legal Proceeding in the Registrant's Annual Report on Form 10-K for the year ended June 30, 2008 for the most recently filed information concerning the suit filed in the United States District Court for the District of Maryland. The lawsuit names CACI International Inc and CACI Premier Technology, Inc. as Defendants, along with L-3 Communications and Adel Nakhila, a former employee of L-3 Services. Plaintiff seeks, inter alia, compensatory damages, punitive damages, and attorney's fees.

Since the filing of the Registrant's report described above, in August 2008, the plaintiff dismissed all CACI defendants from the case without prejudice.

*Al Shimari v. L-3 Services, Inc. et al.*

Reference is made to Part I, Item 3, Legal Proceeding in the Registrant's Annual Report on Form 10-K for the year ended June 30, 2008 for the most recently filed information concerning the suit filed in the United States District Court for the Southern District of Ohio. The lawsuit names CACI International Inc, CACI Premier Technology, Inc. and former CACI employee Timothy Dugan as Defendants, along with L-3 Services, Inc. Plaintiff seeks, inter alia, compensatory damages, punitive damages, and attorney's fees.

## Table of Contents

Since the filing of the Registrant's report described above, on September 12, 2008, Mr. Dugan was dismissed from the case without prejudice. On October 2, 2008, CACI filed a motion to dismiss the case. On October 24, 2008, the court heard oral argument on CACI's motion to dismiss and motion to stay discovery. The court granted CACI's motion to stay discovery and has not yet issued a ruling on CACI's motion to dismiss.

*Al-Ogaidi v. L-3 Services, Inc. et al.*

Reference is made to Part I, Item 3, Legal Proceeding in the Registrant's Annual Report on Form 10-K for the year ended June 30, 2008 for the most recently filed information concerning the suit filed in the United States District Court for the Western District of Washington. The lawsuit names CACI International Inc, CACI Premier Technology, Inc. and former CACI employee Daniel E. Johnson as Defendants, along with L-3 Services, Inc. Plaintiff seeks, inter alia, compensatory damages, punitive damages, and attorney's fees.

Since the filing of the Registrant's report described above, in August 2008, the plaintiff dismissed the case without prejudice.

We are vigorously defending the above-described legal proceedings, and, based on our present knowledge of the facts, believe the lawsuits are completely without merit.

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

Reference is made to Part I, Item 1A, Risk Factors, in the Registrant's Annual Report on Form 10-K for the year ended June 30, 2008. There have been no material changes from the risk factors described in that report.

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

Set forth below are equity securities purchased during the three months ended September 30, 2008 in order to satisfy our obligations under the Employee Stock Purchase Plan:

| Period         | Total Number<br>of Shares<br>Purchased | Average Price<br>Paid Per Share | Total Number of Shares<br>Purchased As Part of<br>Publicly Announced<br>Programs | Maximum Number of<br>Shares that May Yet Be<br>Purchased Under the<br>Plans or Programs |
|----------------|--|---------------------------------|--|---|
| July 2008      | 20,373                                 | \$ 45.95                        | 577,967  | 172,033   |
| August 2008    | —                                      | —                               | —  | —   |
| September 2008 | —                                      | —                               | —  | —   |
| Total          | <u>20,373</u>                          | <u>\$ 45.95</u>                 | <u>577,967</u>   | <u>172,033</u>  |

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

None

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

None

### **Item 5. Other Information**

None

## Table of Contents

### Item 6. Exhibits

| Exhibit No. | Description   | Filed with<br>this Form<br>10-Q | Incorporated by Reference |                    |                |
|-------------|---|---------------------------------|---------------------------|--------------------|----------------|
|             |   |                                 | Form                      | Filing Date        | Exhibit<br>No. |
| 3.1         | Certificate of Incorporation of CACI International Inc, as amended to date  |                                 | 10-K                      | September 13, 2006 | 3.1            |
| 3.2         | Amended and Restated By-laws of CACI International Inc, amended as of March 5, 2008   |                                 | 8-K                       | March 7, 2008      | 3.1            |
| 4.1         | Clause FOURTH of CACI International Inc's Certificate of Incorporation incorporated above as Exhibit 3.1  |                                 | 10-K                      | September 13, 2006 | 4.1            |
| 4.2         | The Rights Agreement dated July 11, 2003 between CACI International Inc and American Stock Transfer & Trust Agreement.  |                                 | 8-K                       | July 11, 2003      | 4.1            |
| 10.1        | Commitment Agreement dated August 28, 2008 between CACI International Inc, Bank of America, N.A. and a consortium of participating banks                                      |                                 | 8-K                       | September 4, 2008  | 10.4           |
| 10.2        | Third Amendment dated August 28, 2008 to the Credit Agreement dated May 3, 2004 between CACI International Inc, Bank of America, N.A. and a consortium of participating banks |                                 | 8-K                       | September 4, 2008  | 10.5           |
| 31.1        | Section 302 Certification Paul M. Cofoni  | X                               |                           |                    |                |
| 31.2        | Section 302 Certification Thomas A. Mutryn  | X                               |                           |                    |                |
| 32.1        | Section 906 Certification Paul M. Cofoni  | X                               |                           |                    |                |
| 32.2        | Section 906 Certification Thomas A. Mutryn  | X                               |                           |                    |                |

SIGNATURES

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 hereunto duly authorized.

CACI International Inc  
Registrant

Date: November 7, 2008

By: /s/ Paul M. Cofoni  
Paul M. Cofoni  
President,  
Chief Executive Officer and Director  
(Principal Executive Officer)

Date: November 7, 2008

By: /s/ Thomas A. Mutryn  
Thomas A. Mutryn  
Executive Vice President,  
Chief Financial Officer and Treasurer  
(Principal Financial Officer)

Date: November 7, 2008

By: /s/ Carol P. Hanna  
Carol P. Hanna  
Senior Vice President, Corporate Controller  
and Chief Accounting Officer  
(Principal Accounting Officer)

## Section 302 Certification

I, Paul M. Cofoni, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CACI International Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to 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: November 7, 2008

\_\_\_\_\_  
 /s/ Paul M. Cofoni  
 Paul M. Cofoni  
 President,  
 Chief Executive Officer and Director  
 (Principal Executive Officer)

## Section 302 Certification

I, Thomas A. Mutryn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CACI International Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to 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 controls over financial reporting.

Date: November 7, 2008

\_\_\_\_\_  
 /s/ Thomas A. Mutryn  
 Thomas A. Mutryn  
 Executive Vice President,  
 Chief Financial Officer and Treasurer  
 (Principal Financial Officer)



**Section 906 Certification**

In connection with the quarterly report on Form 10-Q of CACI International Inc (the Company) for the three months ended September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned President and Chief Executive Officer of the Company certifies, to the best of his knowledge and belief pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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: November 7, 2008

\_\_\_\_\_  
/s/ Paul M. Cofoni  
Paul M. Cofoni  
President,  
Chief Executive Officer and Director  
(Principal Executive Officer)

**Section 906 Certification**

In connection with the quarterly report on Form 10-Q of CACI International Inc (the Company) for the three months ended September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned Executive Vice President and Chief Financial Officer and Treasurer of the Company certifies, to the best of his knowledge and belief pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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: November 7, 2008

\_\_\_\_\_  
/s/ Thomas A. Mutryn  
Thomas A. Mutryn  
Executive Vice President,  
Chief Financial Officer and Treasurer  
(Principal Financial Officer)