CACI INTERNATIONAL INC /DE/

FORM 10-K
(Annual Report)

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Industry	Computer Services
Sector	Technology
Fiscal Year	06/30

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended June 30, 2003

Commission File Number 0-8401

CACI International Inc

(Exact name of Registrant as specified in its charter)

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered pursuant to Section 12(g) of the Act:

CACI International Inc Class A Common Stock, $0.10 par value
(Title of each class)

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 ☐ .

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of August 31, 2003, was approximately $1,259,656,000.

Indicate the number of shares outstanding of each of the Registrant's classes of Common Stock, as of August 31, 2003: CACI International Inc Common Stock, $.10 par value, 28,782,141 shares.

Documents Incorporated by Reference

(1) The information relating to directors and officers contained in the proxy statement of the Registrant to be filed in connection with its 2003 Annual Meeting of Stockholders is incorporated by reference into Part III, Items 10, 11, 12, and 13 of this Form 10-K.

BUSINESS INFORMATION

Unless the context indicates otherwise, the terms "the Company" and "CACI" as used in Parts I and II, include both CACI International Inc and its subsidiaries. The term "the Registrant", as used in Parts I and II, refers to CACI International Inc only.

PART I

Item 1. Business

Background

CACI International Inc (the "Registrant") was organized as a Delaware corporation under the name of "CACI WORLDWIDE, INC." on October 8, 1985. By a merger effected on June 2, 1986, the Registrant became the parent of CACI, Inc., a Delaware corporation, and CACI N.V., a Netherlands corporation. Effective April 16, 2001, CACI, Inc. was merged into its wholly-owned subsidiary, CACI, INC.-FEDERAL, such that Registrant is now the corporate parent of CACI, INC.-FEDERAL, a Delaware corporation, and CACI N.V., a Netherlands corporation.

The Registrant is a holding company and its operations are conducted through subsidiaries, which are located in the U.S. and Europe.

Overview

CACI founded its business in 1962 in simulation technology, and has strategically diversified within the information technology ("IT") and communications industries. With fiscal year 2003 ("FY2003") revenue of $843.1 million, CACI serves clients in the government and commercial markets, primarily throughout North America and the United Kingdom. The Company delivers IT and communications solutions to clients through four areas of expertise or service offerings: systems integration, managed network services, knowledge management and engineering services. Through these service offerings, the Company provides comprehensive, practical IT and communications solutions by adapting emerging technologies and continually evolving legacy strengths in such areas as information assurance and security, reengineering, logistics and engineering support, automated debt management systems and services, litigation support systems and services, product data management, software development and reuse, voice, data and video communications, simulation and planning, financial and human resource systems and geo-demographic and customer data analysis. As a result of these broad capabilities, many of the Company's client relationships have existed for five years or more.

The Company's high quality service has enabled it to sustain high rates of repeat business and long-term client relationships and also to compete effectively for new clients and new contracts. The Company is organized to seek competitive business opportunities and has designed its operations to support major programs through centralized business development and business alliances. CACI has structured its new business development organization to respond to the competitive marketplace, particularly within the federal government, and supports that activity with full-time marketing, sales, communications, and proposal development specialists.

The Company's primary markets—both domestic and international—are agencies of national governments, and major corporations. The demand for CACI's services in large measure is created by the increasingly complex network, systems and information environment in which governments and businesses operate, and by the need to stay current with emerging technology while increasing productivity and, ultimately, performance.

At June 30, 2003, CACI employed approximately 6,300 people. This total includes approximately 516 part time employees. The Company currently operates from its headquarters at Three Ballston Plaza, 1100 North Glebe Road in Arlington, Virginia. CACI has operating offices and facilities in over 85 other locations throughout the United States and Western Europe.

Domestic Operations

CACI's domestic operations are conducted through a number of subsidiaries, and account for all of the domestic revenue generated by the Company. Some of the contracts performed by our domestic operations segment involve assignment of employees to international locations. The Company provides IT and communications solutions to its Federal, Commercial and State and Local clients through all four of its major service offerings: systems integration, managed network services, knowledge management and engineering services. Generally, the solutions offered by our domestic operations are applied by clients to improve their organizational performance by enhancing system infrastructures.

Systems integration offerings combine current systems with new technologies or integrate hardware and software from multiple sources to enhance operations and save time and money. Systems integration services include planning, designing, implementing and managing solutions that resolve specific technical or business needs; extracting core business logic from existing systems and preserving it for migration to more modern environments; helping clients visualize possible changes in processes and systems before implementation; and web-enabling systems and applications, bringing the power of the Internet to clients and system users.

Managed network services offerings include a complete suite of solutions for total life cycle support of global networks. These offerings include planning and building voice, video and data networks; managing network communications infrastructures; operating network systems, including monitoring codes, traffic, security, and fault isolation and resolution; and assuring that information is secure from unauthorized interception and intrusion during its storage and transmission.

Knowledge management offerings encompass a range of information management tools and enabling technologies, including Internet-based user interfaces, commercial off-the-shelf software, and workflow management systems. These technologies enable users to automate all aspects of document administration, including warehousing, retrieving, and sharing, while improving processes, enhancing support and allowing organizations to achieve higher operational efficiencies and mission effectiveness.

Engineering services offerings enable clients to standardize and improve the way they manage the logistical life cycles of systems, products, and material assets, resulting in cost savings and increased productivity. They also provide acquisition support, prototype development and integration, software design and integration, systems life extension and training in the use of analytical and collaboration tools for the U.S. intelligence community. The solutions provided are often coupled with the Company's simulation and programming services to deliver advanced logistics planning solutions.

In fashioning solutions utilizing the technologies of each of these service offerings, the Company makes extensive use of its wide array of modeling and simulation products and services, thereby enabling clients to visualize the impact of proposed changes or new technologies before implementation. The Company's simulation offerings address client needs in the areas of military training and war-gaming, logistics, manufacturing, wide area networks, including satellites and land lines, local area networks, the study of business processes, and the design of distributed computer systems architecture.

International Operations

CACI's international operations are conducted primarily through the Company's major operating subsidiary in Europe, CACI Limited, and account for all revenue generated from international clients and almost 80 percent of the Company's commercial revenue. CACI Limited is headquartered in London, England, and operates primarily in support of the Company's systems integration line of business.

The Company's international systems integration offerings focus primarily on planning, designing, implementing and managing solutions that resolve specific technical or business needs for commercial clients in

the telecommunications, financial services, healthcare services and transportation industries. The international operations also concentrate on combining data and technology in software products and services that provide strategic information on customers, buying patterns and market trends for clients who are engaged in retail sales of consumer products, direct marketing campaigns, franchise or branch site location projects, and similar endeavors.

Major Markets and Significant Activities

CACI operates in a highly competitive industry that includes many firms, some of which are larger in size and have greater financial resources. The Company obtains much of its business on the basis of proposals submitted in response to requests from potential and current customers, who may also receive proposals from other firms. Additionally, the Company faces indirect competition from certain government agencies that perform services for themselves similar to those marketed by CACI. The Company knows of no single competitor that is dominant in its fields of technology. The Company has a relatively small share of the available worldwide market for its products and services and intends to achieve growth in part through increasing market share.

Although the Company is a supplier of proprietary computer-based simulation technology products and marketing systems products in both domestic and international operations, CACI is not primarily focused on being a software product developer-distributor (see discussion following on Patents, Trademarks, Trade Secrets and Licenses).

CACI offers substantially all of its entire range of information systems, technical and communications services and proprietary products to defense and civilian agencies of the U.S. Government. In order to do so, the Company must maintain expert knowledge of agency policies and operations. The Company's work for U.S. Government agencies may combine a wide range of skills drawn from its major service offerings, including information systems design, development and maintenance, systems engineering, telecommunications, logistics sciences, information assurance and security, military systems engineering, simulation, automated document management, litigation support and debt management. The Company occasionally contracts through both its domestic and international operations to supply services and/or products for governments of other nations.

The Company's commercial client base consists primarily of large corporations in the UK. This market is the primary target of the Company's proprietary software and database products.

Decisions regarding contract awards by the Company's government clients typically are based on assessment of the quality of past performance, responsiveness to proposal requirements, price, and many other factors.

The Company has the capability to combine comprehensive knowledge of client challenges with significant expertise in the design, integration, development and implementation of advanced information technology and communications solutions. This capability provides CACI with opportunities either to compete directly for, or to support other bidders in competition for multi-million dollar and multi-year award contracts from the U.S. Government.

CACI has strategic business relationships with many companies associated with the information technology industry. These strategic partners have business objectives compatible with those of the Company, and offer products and services that complement CACI's. The Company intends to continue development of these kinds of relationships wherever they support its growth objectives.

Marketing and new business development for the Company are conducted by virtually all officers and managers of the Company, including the Chief Executive Officer, executive officers, vice presidents, and division managers. The Company employs marketing professionals who identify and qualify major contract opportunities, primarily in the federal government market. The Company's proprietary software and marketing systems are sold primarily by full time sales people. The Company also has established agreements for the resale of certain third party software and data products.

Much of the Company's business is won through submission of formal competitive bids. Commercial bids are frequently negotiated as to terms and conditions for schedule, specifications, delivery and payment. With respect to bids for government work, however, in most cases the client specifies the terms and conditions and form of contract. In situations where the client-imposed contract type and/or terms appear to expose the Company to inappropriate risk, the Company may seek alternate arrangements or opt not to bid for the work. Essentially all contracts with the United States Government, and many contracts with other government entities, permit the government client to terminate the contract at any time for the convenience of the government or for default by the contractor. Although the Company operates under the risk that such terminations may occur and have a material impact on operations, throughout the Company's 40+ years in business such terminations have been rare and, generally, have not materially affected operations. As with other government contractors, the Company's business is subject to government client funding decisions and actions that are beyond its control. CACI's contracts and subcontracts are composed of a wide range of contract types, including firm fixed-priced, cost reimbursement, time-and-materials, indefinite delivery/indefinite quantity ("IDIQ") and government wide acquisition contracts (known as "GWACS") such as General Services Administration ("GSA") schedule contracts. By Company policy, fixed-price contracts require the approval of at least two senior officers of the Company.

At any one time, the Company may have more than a thousand separate active contracts and/or task orders. In 2003, the ten top revenue-producing contracts accounted for 52.3% of CACI's revenue, or $440.6 million. One contract for technical engineering fabrication and operations support for the United States Army accounted for 10.2% of total 2003 Company revenue.

In 2003, 92.2% of CACI's revenue came from U.S. Government prime or subcontracts. Of CACI's total revenue, 63.6% of the Company's revenue came from U.S. Department of Defense ("DoD") contracts, 11.2% from contracts with Department of Justice ("DoJ"), and 17.4% from other civilian agency government clients. The remaining 7.8% of revenue came from commercial business, both domestic and international, and state and local contracts.

Although the Company is continuously working to diversify its client base, it will continue to aggressively seek additional work from the DoD. In 2003, DoD revenue grew by 23.6%, or $102.3 million. Internal growth accounted for approximately 65% of the increase in DoD revenue. The acquisitions of Digital Systems International Corporation ("DSIC") in November 2001, the Government Solutions Division of Condor Technology Solutions, Inc. ("Condor") in August 2002, Acton Burnell, Inc. in October 2002 and Premier Technology Group, Inc. ("PTG") in May 2003, accounted for approximately the remaining 35% of the DoD revenue growth.

During the past three fiscal years, the Company examined a number of opportunities and completed multiple acquisitions. On August 16, 2002, the Company acquired substantially all of the assets of the Government Solutions Divisions of Condor for $16.2 million. The acquired Condor business complements the Company's systems integration, knowledge management, data mining and purchasing systems solutions for federal clients. On October 16, 2002, the Company acquired all of the outstanding capital stock of Acton Burnell, Inc., for $29.7 million, of which $26.7 million has been paid. The remaining $3.0 million plus interest, will be paid on the first anniversary date of the acquisition. Acton Burnell is an information technology company that provides systems integration, knowledge management, manpower readiness and training, and financial systems solutions for the federal government. On February 28, 2003, the Company purchased all of the outstanding capital stock of Applied Technology Solutions of Northern Virginia, Inc. ("ATS") for $13.1 million. ATS is an information technology company serving clients in the national intelligence community. On May 15, 2003, the Company acquired substantially all of the assets of Premier Technology Group, Inc., ("PTG") for $49.0 million of which $45.6 million has been paid. The balance of $3.4 million will be paid in the form of earn out payments tied to the continuation of existing business. PTG provides professional services to clients in the DoD and the intelligence community. On June 6, 2003, the Company acquired all of the outstanding capital stock of Rochester Information

Systems, Ltd. ("RISys"), an United Kingdom company, for $2.9 million of which $2.0 million has been paid. Under the terms of the agreement, the Company will pay the balance of the consideration provided that certain agreed performance targets are met over the next 24 months. RISys specializes in the development and implementation of enterprise information solutions for the UK Public Sector, especially Health, Education and Local Governments.

On November 1, 2001, the Company purchased all of the outstanding capital stock of DSIC for $47.0 million. The acquisition was financed through the Company's existing credit facility. The acquired business implements enterprise resource planning ("ERP") systems, including large-scale financial and human resource systems, and e-procurement applications; develops client/server and web-enabled applications; operates an enterprise networking and information assurance practice; solves complex business problems with a recognized process modeling and simulation methodology; and provides acquisition/program management consulting services, primarily to the U.S. Government.

On December 2, 2000, the Company purchased the federal services business and related assets of N.E.T. Federal, Inc. ("Federal Services Business") for $25 million in cash plus an additional $2.0 million paid within one year after the purchase. Based on achievement of certain milestones, payments aggregating to $11.5 million of additional consideration were made through June 30, 2003; and an additional payment of up to $1.5 million may be made in FY2004 based upon achievement of other milestones. The acquired business increases the Company's capabilities in managed network services, fits the Company's plan for growth in the federal market and complements current offerings to federal and commercial clients.

On October 6, 2000, the Company acquired the contracts and selected assets of the Special Projects Division ("Special Projects Business") of Radian International, LLC ("Radian"), a subsidiary of URS Corporation, for $1.3 million. The Special Projects Business provides services to the intelligence community, which complements the Company's growing base of business for that market.

Seasonal Nature of Business

The Company's business in general is not seasonal, although the summer and winter holiday seasons affect Company revenue because of the impact of holidays and vacations on the Company's labor sales and on product and service sales by the Company's international operations. Variations in the Company's business also may occur at the expiration of major contracts until such contracts are renewed or new business obtained.

The U.S. Government's fiscal year ends on September 30 of each year. It is not uncommon for government agencies to award extra tasks or complete other contract actions in the weeks before the end of the fiscal year in order to avoid the loss of unexpended fiscal year funds. Moreover, in years when the U.S. Government does not complete its budget process before the end of its fiscal year, government operations typically are funded pursuant to a "continuing resolution" that authorizes agencies of the government to continue to operate but traditionally does not authorize new spending initiatives. When the government operates pursuant to a continuing resolution, delays can occur in procurement of products and services, and such delays can affect the Company's revenue and profit during the period of delay.

CACI Employment and Benefits

The Company's employees are its most valuable resource. It is in continuing competition for highly skilled professionals in virtually all of its high technology areas. The success and growth of CACI's business are significantly correlated with its ability to recruit, train, promote and retain high quality people at all levels of the organization.

For these reasons, the Company endeavors to maintain competitive salary structures, incentive compensation programs, fringe benefits, opportunities for growth, and individual recognition and award

programs. Fringe benefits are generally consistent across the Company's subsidiaries, and include paid vacations and holidays, medical, dental and life insurance, tuition reimbursement for job-related education and training, and other benefits under various retirement savings and stock purchase plans.

The Company has published policies that set high standards for the conduct of its business. It requires all of its employees, consultants, officers, and directors annually to execute and affirm a code of ethics applicable to their activities.

Patents, Trademarks, Trade Secrets and Licenses

The Company owns one patent in the United States and one patent in Canada. While the Company believes its patents are valid, it does not consider that its business is dependent on patent protection in any material way. CACI claims copyright, trademark and other proprietary rights in a variety of intellectual property, including each of its proprietary computer software and data products and the related documentation. The Company presently owns approximately 23 registered trademarks and service marks in the U.S. and 53 registered trademarks and service marks in other countries, primarily the U.K. All of the Company's registered trademarks and service marks may be renewed indefinitely. In addition, the Company asserts copyrights in essentially all of its electronic and hard copy publications, its proprietary software and data products and in software produced at the expense of the U.S. Government, which rights can be maintained for up to 75 years. Because most of the Company's business involves providing services to government entities, the Company's operations generally are not substantially dependent upon obtaining and/or maintaining copyright or trademark protections, although its operations make use of such protections and benefit from them as discriminators in competition. CACI is also a party to agreements that give it the right to distribute computer software, data and other products owned by other companies, and to receive income from such distribution. As a systems integrator, it is important that the Company maintain access to software, data and products supplied by such third parties, but the Company generally has experienced little difficulty in doing so. The durations of such agreements vary according to the terms of the agreements themselves.

The Company maintains a number of trade secrets that contribute to its success and competitive distinction and endeavors to accord such trade secrets protection adequate to ensure their continuing availability to the Company. While retaining protection of its trade secrets and vital confidential information is important, the Company is not materially dependent on maintenance of any specific trade secret or group of trade secrets.

Backlog

The Company's backlog as of June 30, 2003 was $2.5 billion, of which $469 million was funded for orders believed to be firm. Total backlog as of June 30, 2002 was $1.9 billion, of which $385 million was for funded orders. The source of backlog is primarily contracts with the U.S. Government. It is presently anticipated, based on current revenue projections, the majority of the funded backlog will be filled during the fiscal year ending June 30, 2004.

Business Segments, Foreign Operations, and Major Customer

The business segment, foreign operations and major customer information is provided in the Company's Consolidated Financial Statements contained in this Report. In particular, see Note 12, Business Segment Information, in the Notes to Consolidated Financial Statements.

Item 1. Business (continued)

Revenue By Contract Type

The following information is provided on the amounts of revenue attributable to firm fixed-price contracts (including proprietary software product sales), time-and-materials contracts, and cost reimbursable contracts of the Company during each of the last three fiscal years:

	(dollars in thousands)						
Fiscal Year Ended June 30,	Firm Fixed-Price	%	Time-and-Materials	%	Cost Reimbursable	%	Total
2003	$157,759	18.7%	$543,857	64.5%	$ 141,522	16.8%	$843,138
2002	$132,697	19.5%	$418,438	61.3%	$ 130,807	19.2%	$681,942
2001	$107,634	19.3%	$332,955	59.7%	$ 117,301	21.0%	$557,890

Item 2. Properties

As of June 30, 2003, CACI leased office space at 81 U.S. locations containing an aggregate of approximately 1,173,255 square feet located in 24 states and the District of Columbia. In two countries outside the U.S., CACI leased five offices containing an aggregate of about 23,000 square feet. CACI's leases expire primarily within the next four years, with the exception of four leases in Northern Virginia, which will expire within the next 6 to 9 years. CACI anticipates that most of these leases will be renewed or replaced by other leases.

All of CACI's offices are in reasonably modern and well-maintained buildings. The facilities are substantially utilized and adequate for present operations.

As of June 30, 2003, CACI International Inc maintained its corporate headquarters in approximately 89,000 square feet of space at 1100 North Glebe Road, Arlington, Virginia. See Note 10, Commitments and Contingencies, in the Notes to Consolidated Financial Statements, for additional information regarding the Company's lease commitments.

Item 3. Legal Proceedings

Appeal of CACI International Inc, ASBCA No.5305

Reference is made to Part II, Item 3, Legal Proceedings, in the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, for the most recently filed information concerning the appeal filed on September 27, 2000, with the Armed Services Board of Contract Appeals ("ASBCA") challenging the Defense Information Systems Agency's ("DISA") denial of its claim for breach of contract damages. The appeal seeks damages arising from DISA's breach of a license agreement pursuant to which the DoD agreed to conduct all electronic data interchanges (which can be broadly understood to mean e-commerce) exclusively through certified value-added networks, such as the network maintained by Registrant's wholly-owned subsidiary, CACI, INC.-FEDERAL, for the period from September 2, 1994 through April 22, 1998. By decision of March 22, 2001, in the companion case of GAP Instrument Corporation, ASBCA No.51658 (2001), the ASBCA held that the Government's failure to conduct all electronic data interchanges exclusively through certified value-added networks constituted a breach of contract.

Since the filing of Registrant's last Quarterly Report on Form 10-Q, the parties have been engaged in discovery efforts. The ASBCA has set the end of September as the discovery period cutoff and scheduled the hearing of the matter for November 10, 2003.

Item 3. Legal Proceedings (continued)

CACI Dynamics Systems, Inc. v. Delphinus Engineering, Inc., et al

Reference is made to Part II, Item 3, Legal Proceedings in the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 for the most recently filed information concerning the suit filed on October 1, 2002 in the United States District Court for the Eastern District of Virginia against Delphinus Engineering, Inc., V. Allen Spicer and James R. Everett seeking damages and attorney's fees arising from defendant's efforts to move business from CACI to Delphinus.

Since the filing of Registrant's report described above, the claims against defendants Delphinus and Everett were tried to a jury, which returned verdicts of $450,000 against Delphinus and $115,000 against Everett. Both parties have filed post-trial motions seeking adjustments to the jury verdict and are awaiting the Court's decision. The arbitration of claims against V. Allen Spicer will be litigated in South Carolina after receipt of the Court's decision on the post trial motions.

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

No matter was submitted to a vote of security holders during the fourth quarter of the Registrant's fiscal year ended June 30, 2003, through the solicitation of proxies or otherwise. The Registrant intends to present a slate of director candidates and the ratification of the appointment of outside auditors for a vote of security holders in connection with its 2003 Annual Meeting of Stockholders on November 20, 2003.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

The Registrant's Common Stock became publicly traded on June 2, 1986, replacing paired units of common stock of CACI, Inc., and beneficial interests in common shares of CACI N.V. which had been traded in the over-the-counter market before that date.

From July 1, 2001 to August 15, 2002, the ranges of high and low sales prices of the common shares of the Registrant quoted on the NASDAQ National Market System under the ticker symbol "CACI, and from August 16, 2002 through June 30, 2003 on the New York Stock Exchange under the ticker symbol of "CAI", for each quarter during this period were as follows:

	2003		2002	
Quarter	High	Low	High	Low
1 st	$39.840	$27.450	$28.425	$16.600
2 nd	$43.100	$32.550	$43.500	$25.510
3 rd	$38.200	$29.810	$42.990	$30.800
4 th	$35.500	$30.000	$40.630	$27.430

The Registrant has never paid a cash dividend. The present policy of the Registrant is to retain earnings to provide funds for the operation and expansion of its business. The Registrant does not intend to pay any cash dividends at this time.

At August 31, 2003, the number of stockholders of record of the Registrant's Common Stock was approximately 521. The number of stockholders of record is not representative of the number of beneficial stockholders due to the fact that many shares are held by depositories, brokers, or nominees.

Item 6. Selected Financial Data

The selected financial data set forth below is derived from the audited financial statements of the Company for the years ended June 30, 2003, 2002, 2001, 2000 and 1999. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements of the Company and the notes thereto included as Item 8 in this Form 10-K. On December 15, 1999, the Company sold its COMNET products business to Compuware and on January 6, 2002, the Company sold its domestic Marketing Systems Group to Environmental Research Systems Institute, Inc's subsidiary, ESRI Business Information Solutions. Operating results from the Company's discontinued operations are shown in Note 13, Discontinued Operations, in the Notes to Consolidated Financial Statements.

Item 6. Selected Financial Data (continued)

Income Statement Data

(amounts in thousands, except per share)	Year Ended June 30, 2003	2002	2001	2000	1999
Revenue	$ 843,138	$ 681,942	$ 557,890	$ 484,545	$ 427,422
Operating Expenses	772,732	628,838	520,535	451,929	400,290
Income from continuing operations	44,711	31,924	20,765	17,891	14,317
Net Income	$ 44,711	$ 30,465	$ 22,301	$ 38,412	$ 14,170
Earnings per common and common share equivalent:					
Average shares outstanding	28,647	24,992	22,634	22,620	21,792
Basic:					
Income from continuing operations	$ 1.56	$ 1.28	$ 0.92	$ 0.79	$ 0.66
Net Income	$ 1.56	$ 1.22	$ 0.99	$ 1.70	$ 0.65
Average shares and equivalent shares outstanding	29,425	25,814	$ 23,056	23,154	22,440
Diluted:					
Income from continuing operations	$ 1.52	$ 1.24	0.90	$ 0.77	$ 0.64
Net Income [1]	$ 1.52	$ 1.18	$ 0.97	$ 1.66	$ 0.63

(1) Computed on the basis described in Note 1, Earnings Per Share, in the Notes to Consolidated Financial Statements.

Balance Sheet Data

(dollars in thousands)	June 30, 2003	2002	2001	2000	1999
Total assets	$562,050	$480,664	$284,731	$235,997	$221,712
Long-term obligations	25,190	36,140	55,230	31,913	67,027
Working capital	182,585	228,764	81,961	62,492	66,726
Shareholders' equity	421,535	367,159	160,204	141,968	98,937

Item 7. Management's Discussion and Analysis of Financial Condition & Results of Operations

The following discussion and analysis is provided to enhance the understanding of, and should be read in conjunction with, the Financial Statements and the related Notes. All years refer to the Company's fiscal year which ends on June 30 and have been restated for consistent presentation of discontinued operations.

Critical Accounting Policies

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. Application of these policies is particularly important to the portrayal of our financial condition and results of operations. We consider the following accounting policies to be our critical accounting policies:

Revenue Recognition/Contract Accounting

The Company generates its revenue from three different types of contractual arrangements: cost-plus-fee contracts; time and materials contracts; and fixed price contracts. Revenue on cost-plus-fee contracts is recognized to the extent of allowable costs incurred plus an estimate of the applicable fees earned. The Company considers fixed fees under cost-plus-fee contracts to be earned in proportion of the allowable costs incurred in performance of the contract. For cost-plus-fee contracts that include performance based fee incentives, the Company recognizes the relevant portion of the expected fee to be awarded by the customer at the time such fee can be reasonably estimated, based on factors such as the Company's prior award experience and communications with the customer regarding performance. Revenue on time-and-material contracts is recognized to the extent of billable rates times hours delivered plus allowable expenses incurred.

The Company has four basic categories of fixed price contracts; fixed unit price; fixed price-level of effort; fixed price-completion; and fixed price-license. Revenue on fixed unit price contracts, where specified units of output under service arrangements are delivered, is recognized as units are delivered based on the specified price per unit. Revenue on fixed unit price maintenance contracts is recognized ratably over the length of the service period. Revenue for fixed price level of effort contracts is recognized based upon the number of units of labor actually delivered multiplied by the agreed rate for each unit of labor.

A significant portion of the Company's fixed price-completion contracts involve the design and development of complex, client systems. For these contracts that are within the scope of Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* (SOP 81-1), revenue is recognized on the percentage of completion method using costs incurred in relation to total estimated costs. For fixed price-completion contracts that are not within the scope of SOP 81-1, revenue is generally recognized ratably over the service period. The Company's fixed price license agreements and related services contracts are primarily executed in its international operations. As the agreements to deliver software require significant production, modification or customization of software, revenue is recognized using the contract accounting guidance of SOP 81-1. For agreements to deliver data under license and related services, revenue is recognized as the data is delivered and services are performed. Provisions for estimated losses on uncompleted contracts are recorded in the period such losses are determined.

Contract accounting requires judgment relative to assessing risks, estimating contract revenues and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of total revenues and cost at completion is complicated and subject to many variables. Contract costs include material, labor and subcontracting costs, as well as an allocation of allowable indirect costs. Assumptions have to be made regarding the length of time to complete the contract because costs also include expected increases in wages and prices for materials. For contract change orders, claims or similar items, we apply judgment in estimating the amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is considered probable. Incentives

or penalties related to performance on contracts are considered in estimating sales and profit rates, and are recorded when there is sufficient information for us to assess anticipated performance. Estimates of award fees for certain contracts are also a significant factor in estimating revenue and profit rates based on actual and anticipated awards.

Products and services provided under long-term development and production contracts make up a large portion of our business, and therefore the amounts we record in our financial statements using contract accounting methods and cost accounting standards are material. For our federal contracts, we follow U.S. Government procurement and accounting standards in assessing the allowability and the allocability of costs to contracts. Because of the significance of the judgments and estimation processes, it is likely that materially different amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. We closely monitor compliance with and the consistent application of our critical accounting policies related to contract accounting. Business operations personnel conduct thorough periodic contract status and performance reviews. When adjustments in estimated contract revenues or costs are required, any changes from prior estimates are generally included in earnings in the current period. Also, regular and recurring evaluations of contract cost, scheduling and technical matters are performed by management personnel who are independent from the business operations personnel performing work under the contract. Costs incurred and allocated to contracts with the U.S. Government are scrutinized for compliance with regulatory standards by our personnel, and are subject to audit by the Defense Contract Audit Agency ("DCAA").

Stock Compensation

We currently account for stock options using the intrinsic value method in accordance with Accounting Principle Board ("APB"), Opinion No. 25, *Accounting for Stock Issued to Employees* , as interpreted by FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation* . Accordingly, no compensation cost has been recognized for the granting of stock options to our employees and directors for the years ended June 30, 2003, 2002 and 2001 respectively. Alternative guidance exists under Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation* which requires companies to determine the fair value of options at the time of grant and to recognize compensation expense over the service period. If stock options granted during these years had been accounted for based on their fair value as determined under SFAS No. 123, the pro forma earnings would have been as follows:

(dollars in thousands, except per share amounts)	**Twelve Months Ended June 30,**		
	2003	**2002**	**2001**
Reported net income	$44,711	$30,465	$22,301
Stock-based compensation costs that would have been included in the determination of reported net income, if the fair value method was applied to all awards, (net of tax)	(4,726)	(4,178)	(1,908)
Pro forma net income	$39,985	$26,287	$20,393
Basic earnings per share:			
Reported earnings per share	$ 1.56	$ 1.22	$ 0.99
Compensation costs (net of tax)	(0.16)	(0.17)	(0.08)
Pro forma earnings per share	$ 1.40	$ 1.05	$ 0.91
Diluted earnings per share:			
Reported earnings per share	$ 1.52	$ 1.18	$ 0.97
Compensation costs (net of tax)	(0.16)	(0.16)	(0.08)
Pro forma earnings per share	$ 1.36	$ 1.02	$ 0.89

The fair value of each option granted is estimated on the grant date using a fair-value option pricing model. These pro forma results may not be indicative of future results due to the potential grants vesting and other factors.

Investments in Marketable Securities

The Company invests in marketable securities, which are currently classified as available-for-sale or trading using the accounting guidance in SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* . As a result of this classification, unrealized gains and losses as a result of changes in fair value of the available-for-sale investments are recorded as a separate component within the Stockholders' Equity section of the balance sheet. If these securities were instead determined to be trading securities, any unrealized gains or losses would be reported in the Statement of Operations and therefore, would impact the net earnings currently being reported. To date, we do not believe that a different classification would have had a significant impact on our financial results.

Allowance For Doubtful Accounts

Management establishes bad debt reserves against certain billed receivables based upon the latest information available to determine whether invoices are ultimately collectable. Whenever judgment is involved in determining the estimates, there is the potential for bad debt expense and the fair value of accounts receivable to be misstated. Given that we primarily serve the U.S. government and that, in our opinion, we have sufficient controls in place to properly recognize revenue, we believe the risk to be relatively low that a misstatement of accounts receivable would have a material impact on our financial results.

Results of Operations

The following table sets forth the relative percentages that certain items of expense and earnings bear to revenue.

Consolidated Statement of Operations
Twelve Months Ended June 30, 2003, 2002, 2001

	Year to Date						Year to Date Change			
							FY03 to FY02		FY02 to FY01	
	FY03	FY02	FY01	FY03	FY02	FY01	$	%	$	%
Revenue	$843,138	$681,942	$557,890	100.0%	100.0%	100.0%	$161,196	23.6%	$124,052	22.2%
Cost & Expenses										
Direct costs	517,975	421,540	342,235	61.4%	61.8%	61.4%	96,435	22.9%	79,305	23.2%
Indirect costs & selling expenses	242,153	195,167	164,620	28.8%	28.6%	29.5%	46,986	24.1%	30,547	18.6%
Depreciation & amortization	12,604	12,131	8,523	1.5%	1.8%	1.5%	473	3.9%	3,608	42.3%
Goodwill amortization	—	—	5,157	0.0%	0.0%	0.9%	—	0.0%	(5,157)	(100.0)%
Total operating expenses	772,732	628,838	520,535	91.7%	92.2%	93.3%	143,894	22.9%	108,303	20.8%
Income from operations	70,406	53,104	37,355	8.3%	7.8%	6.7%	17,302	32.6%	15,749	42.2%
Interest (income) expense	(1,374)	1,622	3,315	(0.2)%	0.2%	0.6%	(2,996)	(184.7)%	(1,693)	(51.1)%
Income from continuing operations before income taxes	71,780	51,482	34,040	8.5%	7.6%	6.1%	20,298	39.4%	17,442	51.2%
Income taxes	27,069	19,558	13,275	3.2%	2.9%	2.4%	7,511	38.4%	6,283	47.3%
Income from continuing operations	$ 44,711	$ 31,924	$ 20,765	5.3%	4.7%	3.7%	$ 12,787	40.1%	$ 11,159	53.7%

Revenue. The table below sets forth, for the periods indicated, the customer mix in revenue with related percentages of total revenue.

(dollars in thousands)	2003		2002		2001	
Department of Defense	$536,269	63.6%	$433,927	63.7%	$325,118	58.3%
Federal Civilian Agencies	241,490	28.6	184,392	27.0	149,205	26.7
Commercial	51,414	6.1	49,369	7.2	61,029	11.0
State & Local Government	13,965	1.7	14,254	2.1	22,538	4.0
Total	$843,138	100.0%	$681,942	100.0%	$557,890	100.0%

For the year ended June 30, 2003, the Company's total revenue increased by $161.2 million, or 23.6%. The revenue growth was driven primarily by increased demand from federal government customers along with the revenue related to the Condor, Acton Burnell, Inc., ATS and PTG acquisitions described in Item 1 above. During fiscal year 2002 ("FY2002") total revenue increased $124.1 million, or 22.2%. This increase was primarily from higher levels of managed network and systems integration business from federal government customers along with the acquisition of DSIC.

All of the Company's acquisitions have been accounted for using the purchase method of accounting and the results of their operations have been included in the Company's financial statements since the date of acquisition. Acquisitions accounted for $72.7 million of the Company's FY2003 revenue, with the acquisition revenue being defined as revenue generated by the acquired company during the first 12 months subsequent to the acquisition. As previously noted in Item 1, on November 1, 2001, the Company purchased all of the outstanding capital stock of DSIC. In FY2003, DSIC contributed approximately $22.5 million towards the incremental growth in revenue for the year. On August 15, 2002, the Company closed the Condor acquisition, which contributed $15.2 million of revenue in FY2003. On October 16, 2002, the Company acquired Acton Burnell, which contributed $26.4 million in revenue. On February 28, 2003, the Company acquired ATS, which contributed $2.7 million in revenue. On May 15, 2003, the Company completed the PTG acquisition, which contributed $5.2 million of revenue. Other acquisitions accounted for $0.7 million of revenues for FY2003.

Revenue from DoD increased 23.6%, or $102.3 million, for FY2003 as compared to FY2002. DoD revenue growth was driven primarily by higher demand from customers, such as the Defense Information Systems Agency ("DISA"), the U.S. Army's Communications Electronics Command ("CECOM"), and the defense intelligence community, as well as the aforementioned DSIC, Condor, Acton Burnell and PTG acquisitions. DoD revenue growth in FY2002 of 33.5%, or $108.8 million, was primarily due to internal growth in the managed network and engineering services business as well as the DSIC and Federal Services Business acquisitions.

Revenue from Federal Civilian Agencies increased 31.0%, or $57.1 million, for FY2003 as compared to FY2002. Approximately 39.1% of Federal Civilian Agency revenue was derived from DoJ, for which the Company provides litigation support services and maintains an automated debt management system. Revenue from DoJ was $94.4 million, $89.8 million and $72.7 million in FY2003, FY2002 and FY2001, respectively. In FY2003, the Company also experienced increased revenue growth of 55.5%, or $52.5 million, from Federal Civilian Agencies other than DoJ as compared to FY2002. The increase was primarily due to the higher volumes of work from customers such as the Department of Veterans Affairs ("VA"), the U.S. Customs Services, and the national intelligence community, along with the aforementioned acquisitions. In FY2002, as compared to FY2001, the Company showed revenue growth of 23.7%, or $18.1 million, from Federal Civilian Agencies other than DoJ. The increase was primarily due to our acquisition of DSIC and increased task orders from the Company's GWAC contracts.

Commercial revenue is derived from both international and domestic operations. The international operations accounted for 78.5%, or $40.4 million, of the total Commercial revenue while the domestic operations

accounted for 21.5%, or $11.0 million. Commercial revenue increased by 4.1%, or $2.0 million, in FY2003 as compared to the same period a year ago. The entire growth of Commercial revenue came from the domestic operations of the Company and was due primarily to the Condor acquisition. Revenue produced by international operations has remained relatively flat due to the continued weakness in the telecom and commercial IT services industries in the United Kingdom. In FY2002, as compared to FY2001, commercial revenue decreased by 19.1%, or $11.7 million. This decrease came from the Company's exposure to the weak international telecommunications market in the United Kingdom.

Revenue from State and Local Governments decreased slightly by 2.0%, or $0.3 million, to $14.0 million for the year ended June 30, 2003 as compared to the same period a year ago. In FY2002 as compared to FY2001, revenue from State and Local Governments decreased by 36.8%, or $8.3 million, to $14.3 million. Revenue from State and Local Governments represented 1.7% and 2.1% of the Company's total revenue in FY2003 and FY2002, respectively. The Company's continued and expanded focus on DoD and federal civilian agency opportunities has resulted in a reduced emphasis on State and Local Governments business.

Income from Operations . Operating income increased 32.6%, or $17.3 million, in FY2003 as compared to the same period a year ago. The Company's growth in operating margin was driven primarily by contract mix, with more profitable fixed price and time and material work during FY2003 as compared to FY2002. Internal growth was complemented by the four acquisitions described in Item 1 that were all immediately accretive to operating income. In FY2002 as compared to FY2001 operating income increased 42.2%, or $15.7 million. The adoption of SFAS No. 142, *Goodwill and Other Intangible Assets* , (see Note 1 to the Consolidated Financial Statements), which discontinued the amortization of goodwill, accounted for operating income growth of 32.7% in that period. The balance of the FY2002 increase in operating income was due to an increased volume of business, higher gross margins across all service offerings and the acquisition of DSIC.

During the last three years, as a percentage of revenue, total direct costs were 61.4%, 61.8% and 61.4%, respectively. Direct costs include direct labor and "other direct costs" such as equipment purchases, subcontract costs and travel expenses. Other direct costs are common in our industry, typically are incurred in response to specific client tasks and vary from period to period. The largest component of direct costs, direct labor, was $251.6 million, $210.2 million and $171.4 million in FY2003, FY2002 and FY2001, respectively. The increase in direct labor during the last two fiscal years is attributable to the internal growth in our Federal Government business both in the DoD and Federal Civilian Agencies as well as from the Condor, Acton Burnell, ATS, PTG, DSIC and Federal Services Business acquisitions. Other direct costs were $266.3 million, $211.3 million and $170.8 million in FY2003, FY2002, and FY2001, respectively. The increase in other direct costs over the past two years was primarily the result of increased volume of tasking across all service offerings and the aforementioned acquisitions.

Indirect costs and selling expenses include fringe benefits, marketing and bid and proposal costs, indirect labor and other discretionary costs. Most of these expenses are highly variable and have grown in dollar volume generally in proportion to the growth in revenue. As a percentage of revenue, indirect costs and selling expenses were 28.8%, 28.6% and 29.5% for FY2003, FY2002 and FY2001, respectively.

Depreciation and amortization increased by 3.9%, or $0.5 million, in FY2003 as compared to FY2002. The increase was attributable to both assets acquired in acquisitions, and new capital expenditures to support on-going business offset partially by lower capitalized software amortization in FY2003. In FY2002 as compared to FY2001, depreciation and amortization expense increased 42.3%, or $3.6 million. This increase was partly due to the amortization of intangible assets purchased in recent acquisitions (which was reported as a component of "goodwill amortization" in prior periods). The remainder of the increase was primarily due to the completion of amortizing certain software developed for internal use and new capital expenditures to support on-going business.

Interest income increased by 184.7%, or $3.0 million, in FY2003 as compared to FY2002. This increase was attributable to the Company having cash and equivalents and short-term marketable securities averaging in excess of $100 million during FY2003. The cash was generated primarily from both the Company's secondary stock offering in March 2003 and from operations. Prior to this offering, the Company funded its operations and acquisitions with borrowings from its line of credit. The cash and equivalents and short-term marketable securities generated over $2.0 million of interest income in FY2003.

Interest expense decreased 51.1%, or $1.7 million, in FY2002 as compared to FY2001 due to the offering proceeds used to pay down the line of credit. The Company generated $0.6 million of interest income in FY2002, which was offset against interest expense.

The effective income tax rates in FY2003, FY2002 and FY2001, were 37.7%, 38.0% and 39.0%, respectively, which differed from the federal statutory rate of 35.0% primarily due to state and local income taxes and certain non-deductible expenses.

Quarterly Financial Information

Quarterly financial data for the two most recent fiscal years is provided in the Company's Consolidated Financial Statements contained in this report. See Note 16, Quarterly Financial Data (unaudited) in the Notes to Consolidated Financial Statements.

Effects of Inflation

Approximately 17% of the Company's business is conducted under cost-reimbursable contracts which automatically adjust revenue to cover costs increased by inflation. Approximately 65% of the business is under time-and-materials contracts where labor rates are often fixed for several years. The Company generally has been able to price these contracts in a manner that accommodates the rates of inflation experienced in recent years. The remaining portion of the Company's business is fixed-price and may span multiple years. However, these contracts are priced to account for likely inflation from period to period to mitigate the risk of our business being adversely affected by inflation.

Liquidity and Capital Resources

Historically, the Company's positive cash flow from operations and its available credit facilities have provided adequate liquidity and working capital to fully fund the Company's operational needs. Since March 2002, the proceeds from the Company's offering of approximately 4.9 million shares of stock have been the Company's principal source of liquidity and capital. As a result of such proceeds combined with positive cash flow from operations, working capital was $182.6 million and $228.8 million as of June 30, 2003 and 2002, respectively. The proceeds of the secondary offering were used to pay off debt and fund additional acquisitions and will continue to be used in the Company's on-going acquisition activities. Operating activities provided cash of $75.9 million and $41.0 million for FY2003 and FY2002, respectively. The increase in cash provided by operating activities is attributed primarily to the growth in earnings and the timing of cash disbursements.

The Company used $113.2 million in investing activities in FY2003 and $71.0 million for the same period last year. This increase was primarily attributable to the Company's on-going acquisition activities offset slightly by the sale of certain marketable securities.

During FY2003, the Company used cash from its financing activities of $21.5 million primarily to repay $25 million of borrowings under its line of credit, offset partially by $3.6 million in cash proceeds from the exercise of stock options. In FY2002, the Company generated $145.2 million primarily from the secondary stock

offering in March 2002 and proceeds generated from the exercise of stock options. This was offset by net payments of approximately $23.9 million under the Company's line of credit.

In anticipation of continuing its strategy of acquisitions and in order to secure lower interest rates, on February 4, 2002, the Company executed a five year unsecured revolving line of credit. The agreement permits borrowings of up to $185 million with a sublimit of $75 million per year on amounts borrowed for acquisitions. The applicable interest rate is based on LIBOR plus a margin. In addition, the Company pays a fee on the unused portion of the facility. The margin rate and unused portion fee are determined quarterly based on leverage, net worth and fixed charge average ratios. In addition, the agreement has covenants that obligate the Company to operate within certain limits on those same ratios. The Company is currently in compliance with those covenants. The Company also maintains a 500,000 pounds sterling unsecured line of credit in London, England which expires in December 2003. As of June 30, 2003, the Company had no borrowings under either of these lines of credit.

The Company believes 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 for the foreseeable future.

Quantitative and Qualitative Disclosure About Market Risk

As of June 30, 2003, we had investments in marketable securities valued at $15.3 million. All of these securities consisted of highly liquid investments that had remaining maturities of less than 365 days at June 30, 2003. These investments are subject to interest rate risk and will decrease in value if market interest rates increase. Hypothetically, a 10% increase or decrease in market interest rates from the June 30, 2003 rates would not cause a material change in the value of these short-term investments. We have the ability to hold these investments until maturity, and therefore we do not expect the value of these investments to be affected to any significant degree by the effect of a sudden change in market interest rates. Declines in interest rates over time will, however, reduce our interest income. As of June 30, 2003, we did not own any equity investments. Therefore, we did not have any material equity price risk.

On January 8, 2001, the Company entered into a two year interest rate swap agreement with a notional amount of $25 million under which the Company paid a fixed interest rate of 5.15% plus the applicable spread and received the prevailing LIBOR interest rate, plus applicable spread over the two year term of the swap agreement without the exchange of the underlying notional amounts. On January 8, 2003 the two year term matured and the entire $25 million was paid in full. The Company elected not to renew or enter into any new swap agreement.

Approximately 4.8% and 6.0% of the Company's total revenues in FY2003 and FY2002, respectively, were derived from customers of our international operations, primarily in the United Kingdom. The Company's practice in its international operations is to negotiate contracts in the same currency in which the predominant expenses are 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 June 30, 2003 the Company had approximately $16.4 million in cash held in pounds sterling in the United Kingdom. This allows the Company to better utilize its cash resources on behalf of its foreign subsidiaries, thereby mitigating foreign currency conversion risks.

Forward Looking Statements

There are statements made herein which may 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:

We depend on contracts with the federal government for a substantial majority of our revenue, and our business could be seriously harmed if the government ceased doing business with us.

We derived 92.2% of our total revenue in FY2003 and 90.7% of our total revenue in FY2002 from federal government contracts, either as a prime contractor or a subcontractor. We derived 63.6% of our total revenue in FY2003 and 63.7% of our total revenue in FY2002 from contracts with agencies of the DoD. We expect that federal government contracts will continue to be the primary source of our revenue for the foreseeable future. If we were suspended or debarred from contracting with the federal government generally, or with any significant agency in the intelligence community or the DoD, or if our reputation or relationship with government agencies were impaired, or if the government otherwise ceased doing business with us or significantly decreased the amount of business it does with us, our business, prospects, financial condition and operating results could differ materially from those anticipated.

Our business could be adversely affected by changes in budgetary priorities of the federal government.

Because we derive a substantial majority of our revenue from contracts with the federal government, we believe that the success and development of our business will continue to depend on our successful participation in federal government contract programs. Changes in federal government budgetary priorities could directly affect our financial performance. A significant decline in government expenditures, or a shift of expenditures away from programs that we support or a change in federal government contracting policies, could cause federal government agencies to reduce their purchases under contracts, to exercise their right to terminate contracts at any time without penalty or not to exercise options to renew contracts. Any such actions could cause our actual results to differ materially from those anticipated. Among the factors that could seriously affect our federal government contracting business are:

- changes in federal government programs or requirements;
- budgetary priorities limiting or delaying federal government spending generally, or specific departments or agencies in particular, and changes in fiscal policies or available funding, including potential governmental shutdowns (such as that which occurred during the government's 1996 fiscal year);
- an increase in set-asides for small businesses that could result in our inability to compete directly for prime contracts; and
- curtailment of the federal government's use of technology solutions firms.

Our federal government contracts may be terminated by the government at any time and may contain other unenforceable provisions, and if not replaced, our operating results may differ materially from those anticipated.

We derive substantially all of our revenue from federal government contracts that typically span one or more base years and one or more option years. The option periods typically cover more than half of the contract's potential duration. Federal government agencies generally have the right not to exercise these option periods. In addition, our contracts typically also contain provisions permitting a government client to terminate the contract for its convenience. A decision not to exercise option periods or to terminate contracts could result in significant revenue shortfalls from those anticipated.

Federal government contracts contain numerous provisions that are unfavorable to us.

Federal government contracts contain provisions and are subject to laws and regulations that give the government rights and remedies, some of which are not typically found in commercial contracts, including allowing the government to:

- cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;
- claim rights in systems and software developed by us;
- suspend or debar us from doing business with the federal government or with a governmental agency, impose fines and penalties and subject us to criminal prosecution; and
- control or prohibit the export of our data and technology.

If the government terminates a contract for convenience, we may recover only our incurred or committed costs, settlement expenses and profit on work completed prior to the termination. If the government terminates a contract for default, we may be unable to recover even those amounts, and instead may be liable for excess costs incurred by the government in procuring undelivered items and services from another source. Depending on the value of a contract, such termination could cause our actual results to differ materially from those anticipated. As is common with government contractors, we have experienced and continue to experience occasional performance issues under certain of our contracts. Certain contracts also contain organizational conflict of interest clauses that limit our ability to compete for certain related follow-on contracts. For example, when we work on the design of a particular system, we may be precluded from competing for the contract to install that system. Depending upon the value of the matters affected, a performance problem or organizational conflict of interest issue that precludes our participation in a program or contract could cause our actual results to differ materially from those anticipated.

If we fail to establish and maintain important relationships with government entities and agencies, our ability to successfully bid for new business may be adversely affected.

To facilitate our ability to prepare bids for new business, we rely in part on establishing and maintaining relationships with officials of various government entities and agencies. These relationships enable us to provide informal input and advice to government entities and agencies prior to the development of a formal bid. We may be unable to successfully maintain our relationships with government entities and agencies, and any failure to do so may adversely affect our ability to bid successfully for new business and could cause our actual results to differ materially from those anticipated.

We derive significant revenue from contracts and task orders awarded through a competitive bidding process. If we are unable to consistently win new awards over any extended period, our business and prospects will be adversely affected.

Substantially all of our contracts and task orders with the federal government are awarded through a competitive bidding process. We expect that much of the business that we will seek in the foreseeable future will continue to be awarded through competitive bidding. Recently, members of Congress and administration officials have proposed changes to the procurement process intended to increase competition among suppliers to the federal government. Budgetary pressures and reforms in the procurement process have caused many federal government clients to increasingly purchase goods and services through ID/IQ, contracts, or GSA contracts, and other GWAC contracts. These contracts, some of which are awarded to multiple contractors, have increased competition and pricing pressure, requiring that we make sustained post-award efforts to realize revenue under each such contract. Moreover, even if we are highly qualified to work on a particular new contract, we might not be awarded business because of the federal government's policy and practice of maintaining a diverse contracting base.

This competitive bidding process presents a number of risks, including the following:

- we bid on programs before the completion of their design, which may result in unforeseen technological difficulties and cost overruns;
- we expend substantial cost and managerial time and effort to prepare bids and proposals for contracts that we may not win;
- we may be unable to estimate accurately the resources and cost structure that will be required to service any contract we win; and
- we may encounter expense and delay if our competitors protest or challenge awards of contracts to us in competitive bidding, and any such protest or challenge could result in the resubmission of bids on modified specifications, or in the termination, reduction or modification of the awarded contract.

If we are unable to win particular contracts, we may be foreclosed from providing to clients services that are purchased under those contracts for a number of years. If we are unable to consistently win new contract awards over any extended period, our business and prospects will be adversely affected and that could cause our actual results to differ materially from those anticipated. In addition, upon the expiration of a contract, if the client requires further services of the type provided by the contract, there is frequently a competitive rebidding process. There can be no assurance that we will win any particular bid, or that we will be able to replace business lost upon expiration or completion of a contract, and the termination or non-renewal of any of our significant contracts could cause our actual results to differ materially from those anticipated.

Our business may suffer if we or our employees are unable to obtain the security clearances or other qualifications we and they need to perform services for our clients.

Many of our federal government contracts require us to have security clearances and employ personnel with specified levels of education, work experience and security clearances. Depending on the level of clearance, security clearances can be difficult and time-consuming to obtain. If we or our employees lose or are unable to obtain necessary security clearances, we may not be able to win new business and our existing clients could terminate their contracts with us or decide not to renew them. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not derive the revenue anticipated from the contract, which could cause our results to differ materially from those anticipated.

We must comply with a variety of laws and regulations, and our failure to comply could cause our actual results to differ materially from those anticipated.

We must observe laws and regulations relating to the formation, administration and performance of federal government contracts which affect how we do business with our clients and may impose added costs on our business. For example, the Federal Acquisition Regulation and the industrial security regulations of the DoD and related laws include provisions that:

- allow our federal government clients to terminate or not renew our contracts if we come under foreign ownership, control or influence;
- require us to disclose and certify cost and pricing data in connection with contract negotiations; and
- require us to prevent unauthorized access to classified information.

Our failure to comply with these or other laws and regulations could result in contract termination, loss of security clearances, suspension or debarment from contracting with the federal government, civil fines and damages and criminal prosecution and penalties, any of which could cause our actual results to differ materially from those anticipated.

The federal government may reform its procurement or other practices in a manner adverse to us.

The federal government may reform its procurement practices or adopt new contracting rules and regulations, such as cost accounting standards. It could also adopt new contracting methods relating to GSA contracts or other government-wide contracts, or adopt new socio-economic requirements. These changes could impair our ability to obtain new contracts or win re-competed contracts. Any new contracting methods could be costly or administratively difficult for us to satisfy, and, as a result could cause actual results to differ materially from those anticipated.

Restrictions on or other changes to the federal government's use of service contracts may harm our operating results.

We derive a significant amount of revenue from service contracts with the federal government. The government may face restrictions from new legislation, regulations or government union pressures, on the nature and amount of services the government may obtain from private contractors. Any reduction in the government's use of private contractors to provide federal services could cause our actual results to differ materially from those anticipated.

Our contracts and administrative processes and systems are subject to audits and cost adjustments by the federal government, which could reduce our revenue, disrupt our business or otherwise adversely affect our results of operations.

Federal government agencies, including the DCAA, routinely audit and investigate government contracts and government contractors' administrative processes and systems. These agencies review our performance on contracts, pricing practices, cost structure and compliance with applicable laws, regulations and standards. They also review our compliance with government regulations and policies and the adequacy of our internal control systems and policies, including our purchasing, property, estimating, compensation and management information systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed, and any such costs already reimbursed must be refunded. Moreover, if any of the administrative processes and systems is found not to comply with requirements, we may be subjected to increased government scrutiny and approval that could delay or otherwise adversely affect our ability to compete for or perform contracts. Therefore, an unfavorable outcome to an audit by DCAA or another government agency could cause actual results to differ materially from those anticipated. If a government investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or debarment from doing business with the federal government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us. Each of these results could cause actual results to differ materially from those anticipated.

Failure to maintain strong relationships with other contractors could result in a decline in our revenue.

We derive substantial revenue from contracts in which we act as a subcontractor or from teaming arrangements in which we and other contractors bid on particular contracts or programs. As a subcontractor or teammate, we often lack control over fulfillment of a contract, and poor performance on the contract could tarnish our reputation, even when we perform as required. We expect to continue to depend on relationships with other contractors for a portion of our revenue in the foreseeable future. Moreover, our revenue and operating results could differ materially from those anticipated if any prime contractor or teammate chose to offer directly to the client services of the type that we provide or if they team with other companies to provide those services.

We may not receive the full amounts authorized under the contracts included in our backlog, which could reduce our revenue in future periods below the levels anticipated.

Our backlog consists of funded backlog, which is based on amounts actually obligated by a client for payment of goods and services, and unfunded backlog, which is based upon management's estimate of the future

potential of our existing contracts and task orders, including options, to generate revenue. Our backlog may not result in actual revenue in any particular period, or at all, which could cause our actual results to differ materially from those anticipated.

The maximum contract value specified under a government contract or task order awarded to us is not necessarily indicative of the revenues that we will realize under that contract. For example, we derive a substantial portion of our revenue from government contracts in which we are not the sole provider, meaning that the government could turn to other companies to fulfill the contract. We also derive revenues from ID/IQ contracts, which do not require the government to purchase a material amount of goods or services under the contract. Action by the government to obtain support from other contractors or failure of the government to order the quantity of work anticipated could cause our actual results to differ materially from those anticipated.

Without additional Congressional appropriations, some of the contracts included in our backlog will remain unfunded which could significantly harm our prospects.

Although many of our federal government contracts require performance over a period of years, Congress often appropriates funds for these contracts for only one year at a time. As a result, our contracts typically are only partially funded at any point during their term, and all or some of the work intended to be performed under the contracts will remain unfunded pending subsequent Congressional appropriations and the obligation of additional funds to the contract by the procuring agency. Nevertheless, we estimate our share of the contract values, including values based on the assumed exercise of options relating to these contracts, in calculating the amount of our backlog. Because we may not receive the full amount we expect under a contract, our estimate of our backlog may be inaccurate and we may post results that differ materially from those anticipated.

Employee misconduct, including security breaches, could result in the loss of clients and our suspension or disbarment from contracting with the federal government.

We may be unable to prevent our employees from engaging in misconduct, fraud or other improper activities that could adversely affect our business and reputation. Misconduct could include the failure to comply with federal government procurement regulations, regulations regarding the protection of classified information and legislation regarding the pricing of labor and other costs in government contracts. Many of the systems we develop involve managing and protecting information involved in national security and other sensitive government functions. A security breach in one of these systems could prevent us from having access to such critically sensitive systems. Other examples of employee misconduct could include time card fraud and violations of the Anti-Kickback Act. The precautions we take to prevent and detect this activity may not be effective, and we could face unknown risks or losses. As a result of employee misconduct, we could face fines and penalties, loss of security clearance and suspension or debarment from contracting with the federal government, which could cause our actual results to differ materially from those anticipated.

Our failure to attract and retain qualified employees, including our senior management team, could adversely affect our business.

Our continued success depends to a substantial degree on our ability to recruit and retain the technically skilled personnel we need to serve our clients effectively. Our business involves the development of tailored solutions for our clients, a process that relies heavily upon the expertise and services of our employees. Accordingly, our employees are our most valuable resource. Competition for skilled personnel in the information technology services industry is intense, and technology service companies often experience high attrition among their skilled employees. There is a shortage of people capable of filling these positions and they are likely to remain a limited resource for the foreseeable future. Recruiting and training these personnel require substantial resources. Our failure to attract and retain technical personnel could increase our costs of performing our contractual obligations, reduce our ability to efficiently satisfy our clients' needs, limit our ability to win new business and cause our actual results to differ materially from those anticipated.

In addition to attracting and retaining qualified technical personnel, we believe that our success will depend on the continued employment of our senior management team and its ability to generate new business and execute projects successfully. Our senior management team is very important to our business because personal reputations and individual business relationships are a critical element of obtaining and maintaining client engagements in our industry, particularly with agencies performing classified operations. The loss of any of our senior executives could cause us to lose client relationships or new business opportunities, which could cause actual results to differ materially from those anticipated.

Our markets are highly competitive, and many of the companies we compete against have substantially greater resources.

The markets in which we operate include a large number of participants and are highly competitive. Many of our competitors may compete more effectively than we can because they are larger, better financed and better known companies than we are. In order to stay competitive in our industry, we must also keep pace with changing technologies and client preferences. If we are unable to differentiate our services from those of our competitors, our revenue may decline. In addition, our competitors have established relationships among themselves or with third parties to increase their ability to address client needs. As a result, new competitors or alliances among competitors may emerge and compete more effectively than we can. There is also a significant industry trend towards consolidation, which may result in the emergence of companies who are better able to compete against us. The results of these competitive pressures could cause our actual results to differ materially from those anticipated.

Our quarterly revenue and operating results could be volatile.

Our quarterly revenue and operating results may fluctuate significantly and unpredictably in the future. In particular, if the federal government does not adopt, or delays adoption of, a budget for each fiscal year beginning on October 1, or fails to pass a continuing resolution, federal agencies may be forced to suspend our contracts and delay the award of new and follow-on contracts and orders due to a lack of funding. Further, the rate at which the federal government procures technology may be negatively affected following changes in presidential administrations and senior government officials. Therefore, period-to-period comparisons of our operating results may not be a good indication of our future performance. Our quarterly operating results may not meet the expectations of securities analysts or investors, which in turn may have an adverse effect on the market price of our common stock. Our quarterly operating results may also fluctuate due to impairment of goodwill charges required by recent changes in accounting standards.

We may lose money or generate less than anticipated profits if we do not accurately estimate the cost of an engagement which is conducted on a fixed-price basis.

We perform a portion of our engagements on a fixed-price basis. We derived 18.7% of our total revenue in FY2003 and 19.5% of our total revenue in FY2002 from fixed-price contracts. Fixed price contracts require us to price our contracts by predicting our expenditures in advance. In addition, some of our engagements obligate us to provide ongoing maintenance and other supporting or ancillary services on a fixed-price basis or with limitations on our ability to increase prices. Many of our engagements are also on a time-and-material basis. While these types of contracts are generally subject to less uncertainty than fixed-price contracts, to the extent that our actual labor costs are higher than the contract rates, our actual results could differ materially from those anticipated.

When making proposals for engagements on a fixed-price basis, we rely on our estimates of costs and timing for completing the projects. These estimates reflect our best judgment regarding our capability to complete the task efficiently. Any increased or unexpected costs or unanticipated delays in connection with the performance of fixed-price contracts, including delays caused by factors outside our control, could make these contracts less profitable or unprofitable. From time to time, unexpected costs and unanticipated delays have

caused us to incur losses on fixed-price contracts, primarily in connection with state government clients. On rare occasions, these losses have been significant. In the event that we encounter such problems in the future, our actual results could differ materially from those anticipated.

Our earnings and margins may vary based on the mix of our contracts and programs.

At June 30, 2003, our backlog included both cost reimbursement and fixed-price contracts. Cost reimbursement contracts generally have lower profit margins than fixed-price contracts. Our earnings and margins may vary materially depending on the types of long-term government contracts undertaken, the costs incurred in their performance, the achievement of other performance objectives and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

Systems failures may disrupt our business and have an adverse effect on our results of operations.

Any systems failures, including network, software or hardware failures, whether caused by us, a third party service provider, unauthorized intruders and hackers, computer viruses, natural disasters, power shortages or terrorist attacks, could cause loss of data, interruptions or delays in our business or that of our clients. In addition, the failure or disruption of our mail, communications or utilities could cause us to interrupt or suspend our operations or otherwise harm our business. Our property and business interruption insurance may be inadequate to compensate us for all losses that may occur as a result of any system or operational failure or disruption and, as a result, our actual results could differ materially from those anticipated.

The systems and networks that we maintain for our clients, although highly redundant in their design, could also fail. If a system or network we maintain were to fail or experience service interruptions, we might experience loss of revenue or face claims for damages or contract termination. Our errors and omissions liability insurance may be inadequate to compensate us for all the damages that we might incur and, as a result, our actual results could differ materially from those anticipated.

We may have difficulty identifying and executing acquisitions on favorable terms and therefore may grow at slower than anticipated rates.

One of our key growth strategies has been to selectively pursue acquisitions. Through acquisitions, we have expanded our base of federal government clients, increased the range of solutions we offer to our clients and deepened our penetration of existing clients. We may encounter difficulty identifying and executing suitable acquisitions. Without acquisitions, we may not grow as rapidly as the market expects, which could cause our actual results to differ materially from those anticipated. We may encounter other risks in executing our acquisition strategy, including:

- increased competition for acquisitions may increase the costs of our acquisitions;
- our failure to discover material liabilities during the due diligence process, including the failure of prior owners of any acquired businesses or their employees to comply with applicable laws or regulations, such as the Federal Acquisition Regulation and health, safety and environmental laws, or their failure to fulfill their contractual obligations to the federal government or other customers; and
- acquisition financing may not be available on reasonable terms or at all.

Each of these types of risks could cause our actual results to differ materially from those anticipated.

We may have difficulty integrating the operations of any companies we acquire, which could cause actual results to differ materially from those anticipated.

The success of our acquisition strategy will depend upon our ability to continue to successfully integrate any businesses we may acquire in the future. The integration of these businesses into our operations may result in

unforeseen operating difficulties, absorb significant management attention and require significant financial resources that would otherwise be available for the ongoing development of our business. These integration difficulties include the integration of personnel with disparate business backgrounds, the transition to new information systems, coordination of geographically dispersed organizations, loss of key employees of acquired companies, and reconciliation of different corporate cultures. For these or other reasons, we may be unable to retain key clients of acquired companies. Moreover, any acquired business may fail to generate the revenue or net income we expected or produce the efficiencies or cost-savings that we anticipated. Any of these outcomes could cause our actual results to differ materially from those anticipated.

If our subcontractors fail to perform their contractual obligations, our performance as a prime contractor and our ability to obtain future business could be materially and adversely impacted and our actual results could differ materially from those anticipated.

Our performance of government contracts may involve the issuance of subcontracts to other companies upon which we rely to perform all or a portion of the work we are obligated to deliver to our clients. A failure by one or more of our subcontractors to satisfactorily deliver on a timely basis the agreed-upon supplies and/or perform the agreed-upon services may materially and adversely impact our ability to perform our obligations as a prime contractor.

A subcontractor's performance deficiency could result in the government terminating our contract for default. A default termination could expose us to liability for excess costs of reprocurement by the government and have a material adverse effect on our ability to compete for future contracts and task orders.

Depending upon the level of problem experienced, such problems with subcontractors could cause our actual results to differ materially from those anticipated.

Our business may be adversely affected if we cannot collect our receivables.

We depend on the collection of our receivables to generate cash flow, provide working capital, pay debt and continue our business operations. If the federal government, any of our other clients or any prime contractor for whom we are a subcontractor fails to pay or delays the payment of their outstanding invoices for any reason, our business and financial condition may be materially adversely affected. The government may fail to pay outstanding invoices for a number of reasons, including lack of appropriated funds or lack of an approved budget.

Some prime contractors for whom we are a subcontractor have significantly less financial resources than we do, which may increase the risk that we may not be paid in full or payment may be delayed.

If we experience difficulties collecting receivables it could cause our actual results to differ materially from those anticipated.

Our global networks and other business commitments require our employees to travel to potentially dangerous places, which may result in injury to key employees.

Our domestic business involves the maintenance of global networks and provision of other services that require us to dispatch employees to various countries around the world. These countries may be experiencing political upheaval or unrest, and in some cases war or terrorism. Certain senior level employees or executives are, on occasion, part of the teams deployed to provide services in these countries. As a result, it is possible that certain of our employees or executives will suffer injury or bodily harm in the course of these deployments. It is also possible that we will encounter unexpected costs in connection with the repatriation of our employees or executives for reasons beyond our control. These problems could cause our actual results to differ materially from those anticipated.

Our failure to adequately protect our confidential information and proprietary rights may harm our competitive position.

Our success depends, in part, upon our ability to protect our proprietary information and other intellectual property. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter misappropriation of our confidential information. In addition, we may be unable to detect unauthorized use of our intellectual property in order to take appropriate steps to enforce our rights. If we are unable to prevent third parties from infringing or misappropriating our copyrights, trademarks or other proprietary information, our competitive position could be seriously harmed and our actual results could differ materially from those anticipated.

We face additional risks which could harm our business because we have international operations.

Our international operations consist of our U.K.-based business which conducts the majority of its business in the United Kingdom. Our international operations comprised approximately 4.8% of our revenue in FY2003 and 5.9% of our revenue in FY2002. Our U.K.-based operations are subject to risks associated with operating in a foreign country. These risks include fluctuations in the value of the British pound, longer payment cycles, changes in foreign tax laws and regulations and unexpected legislative, regulatory, economic or political changes.

Our U.K.-based operations are also subject to risks associated with operating a commercial, as opposed to a government contracting, business, including the effects of general economic conditions in the United Kingdom on the telecommunications, computer software and computer services sectors and the impact of more concentrated and intense competition for the reduced volume of work available in those sectors. Our revenue from this business grew only very slightly in FY2003 over revenue from such business in FY2002 largely as a result of our exposure to the U.K. telecom and information technology industries, which has been experiencing weakness, and lower revenue from other direct costs that we bill directly to clients. While we are marketing our services to clients in industries that are new to us, our efforts in that regard may be unsuccessful. Other factors that may adversely affect our international operations are a continued decline in the economy of the United Kingdom, difficulties relating to managing our business internationally, and multiple tax structures. Any of these factors could cause our actual results to differ materially from those anticipated.

Item 8. Financial Statements and Supplementary Data

The Consolidated Financial Statements of CACI International Inc and subsidiaries are provided in Section II of the Report.

Item 9. Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

The Company had no disagreements with its independent accountants on accounting principles, practices or financial statement disclosure during the two years prior to the date of the most recent financial statements included in this report.

On September 5, 2002, the Company filed a Form 8-K describing the circumstances of its change of independent accountants from Deloitte & Touche, LLP to Ernst & Young LLP. That report, which can be accessed through the Company's website at http://www.caci.com or the Securities and Exchange Commission website at http://www.sec.gov .

Item 9A. Controls and Procedures

Within the 90 days prior to the filing date of this report, under the direction and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and

procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. Such controls and procedures are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act or otherwise is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date we carried out this evaluation.

PART III

The Information required by Items 10, 11, 12, 13 and 14 of Part III of Form 10-K has been omitted in reliance on General Instruction G (3) and is incorporated herein by reference to the Company's proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended, except for the specific disclosures below:

Item 10. Officers, Directors and Executive Officers of the Registrants

Audit Committee and Financial Expert

The Board of Directors has determined that the Company has at least one audit committee financial expert serving on its Audit Committee, Director Richard L. Leatherwood. Mr. Leatherwood is "independent" as that term is used in Schedule 14A, Item 7(d)(3)(iv) under the Securities Exchange Act of 1934, as amended.

Code of Ethics

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. That code, our Code of Ethics and Business Conduct Standards, can be found posted on the Company's website at *http://www.caci.com* .

Item 11. Executive Compensation

The information required by this Item 11 is included in the text and tables under the caption Executive Officer Compensation in the 2003 Proxy Statement, which is required to be filed by October 28, 2003, and that information is incorporated by reference in this Form 10-K.

Item 12. Security Ownership Of Certain Beneficial Owners And Management

The information required by this Item 12 is included under the headings Security Ownership of Certain Beneficial Owners and Management in the 2003 Proxy Statement, which is required to be filed by October 28, 2003, and that information is incorporated by reference in this Form 10-K.

Item 13. Certain Relationships And Related Transactions

The information required by Item 404 of Regulation S-K concerning certain relationships and related transactions is included under the caption "Transactions with Management and Others; Other Information" in our 2003 Proxy Statement, which is required to be filed by October 28, 2003, and that information is incorporated by reference in this Form 10-K.

Item 14. Principal Accounting Fees and Services

The information required by Item 9(e) of Schedule 14A concerning principal accounting fees and services is included under the caption "Fees Paid to Principal Accountants" in our 2003 Proxy Statement, which is required to be filed by October 28, 2003, and that information is incorporated by reference in this Form 10-K.

PART IV

Item 15. Exhibits, Financial Statements, Schedules, and Reports on Form 8-K

(a) Documents filed as part of this Report

1. Financial Statements

   A. Reports of Independent Auditors

   B. Consolidated Statements of Operations for the years ended June 30, 2003, 2002 and 2001

   C. Consolidated Balance Sheets as of June 30, 2003 and 2002

   D. Consolidated Statements of Cash Flows for the years ended June 30, 2003, 2002 and 2001

   E Consolidated Statements of Shareholders' Equity for the years ended June 30, 2003, 2002 and 2001

   F. Consolidated Statements of Comprehensive Income for the years ended June 30, 2003, 2002 and 2001

   G. Notes to Consolidated Financial Statements

2. Supplementary Financial Data.

   Schedule II—Valuation and Qualifying Accounts for the years ended June 30, 2003, 2002 and 2001

(b) Reports on Form 8-K for the periods of April 1, 2003 through June 30, 2003

- The Registrant filed a Current Report on Form 8-K on April 24, 2003 releasing its financial results for the third quarter and first nine months of the fiscal year of 2003.
- The Registrant filed a Current Report on Form 8-K on April 24, 2003 announcing that it had signed an agreement to purchase substantially all assets of Premier Technology Group, Inc., ("PTG"), a privately held information technology company.
- The Registrant filed a Current Report on Form 8-K on May 19, 2003 announcing that it had completed its purchase of substantially all assets of Premier Technology Group, Inc., ("PTG"), a privately held information technology company.

(3) Articles of Incorporation and By-laws:

3.1 Certificate of Incorporation of the Registrant, as amended to date, is incorporated by reference to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended June 30, 2000.

3.2 By-laws of the Registrant, as amended to date, is incorporated by reference to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended June 30, 2000.

(4) Instruments Defining the Rights of Security Holders:

4.1 Clause FOURTH of the Registrant's Certificate of Incorporation, incorporated above as Exhibit 3.1.

4.2 The Rights Agreement incorporated below as Exhibit 10.16

(10) Material Contracts:

10.1 Employment Agreement between the Registrant and Dr. J. P. London dated August 17, 1995, is incorporated by reference from Exhibit 10.3 of the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended June 30, 1995.

10.2 The 1996 Stock Incentive Plan of the Registrant is incorporated by reference to the Registration Statement, as amended, on Form S-8 filed with the Commission on February 7, 2002.

10.3 Consulting and Separation Agreement between the Registrant and Ronald R. Ross, former President and Chief Operating Officer, dated August 10, 1999, as incorporated by reference from Exhibit 10.7 of the Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended June 30, 1999.

10.4 The Asset Purchase Agreement dated as December 15, 1999, between Compuware Corporation, CACI International Inc, CACI Products Company, CACI Development Company and CACI Products Company California, is incorporated by reference from Exhibit 99.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 20, 1999.

10.5 The Agreement and Plan of Merger dated as of January 28, 2000, between the Registrant, XEN Corporation and CACI Acquisition Corporation, is incorporated by reference from Exhibit 99.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 14, 2000.

10.6 The Asset Acquisition Agreement dated as of March 16, 2000, between the Registrant, Century Technologies, Incorporated (CENTECH), and CACI, Inc., is incorporated by reference from Exhibit 99.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 3, 2000.

10.7 The Asset Acquisition Agreement dated as of October 18, 2000, between the Registrant, N.E.T. Federal, Inc., Network Equipment Technologies, Inc., and CACI, INC.-FEDERAL is incorporated by reference from Exhibit 99.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2000.

10.8 The Revolving Credit Agreement dated February 4, 2002, between the Registrant, Bank of America, N.A. and a consortium of participating banks is incorporated by reference to the current report on Form 8-K filed with Securities and Exchange Commission on February 7, 2002.

10.9 The CACI $MART PLAN of the Registrant is incorporated by reference to the Registration Statement on Form S-8 filed with the Commission on July 1, 2002.

10.10 Form of Stock Option Agreement between Registrant and certain employees is incorporated by reference from the Form 10-K filed with the Commission on September 27, 2002.

10.11 Form of Performance Accelerated Stock Option Agreement between Registrant and certain employees is incorporated by reference from the Form 10-K filed with the Commission on September 27, 2002.

10.12 The Asset Purchase Agreement dated July 3, 2002 between the Registrant, Condor Technology Solutions, Inc., CACI.-FEDERAL, Louden Associates, Inc., InVenture Group, Inc., MIS Technologies, Inc., ad Federal Computer Corporation.

10.13 The Agreement and Plan of Merger dated September 21, 2003 between the Registrant, CACI, INC.- FEDERAL, CACI Acquisition Corporation and Acton Burnell, Inc.

10.14 The Stock Purchase Agreement dated February 20, 2003 between the Registrant, CACI INC.- FEDERAL, Applied Technology Solutions of Northern Virginia, Inc., Donna K. Alligood, Carol Carlson and Robert D. Walp.

10.15 The Asset Purchase Agreement dated April 13, 2003 between the Registrant, CACI INC,- FEDERAL, CACI Premier technology, Inc., Premier Technology Group, Inc., and Rajiv Bajawa.

10.16 The Rights Agreement dated July 11, 2003 between the Registrant and American Stock Transfer & Trust Company is represented by reference from Exhibit 4.1 of the Current Registration Form 8-K filed with the Securities and Exchange Commission on July 11, 2003.

10.17 The 2002 Employee, Management, and Director Stock Purchase Plans of the Registrant is incorporated by reference from the Registration Statement on Form S-8 filed with the Commission on March 28, 2003.

(21) The significant subsidiaries of the Registrant, as defined in Section 1-02(w) of regulation S-X, are:

CACI, INC.- FEDERAL, a Delaware Corporation
(also does business as "CACI eBusiness Solutions")
CACI, INC.- COMMERCIAL, a Delaware Corporation
CACI Limited, a United Kingdom Corporation
Automated Sciences Group, Inc., a Delaware Corporation
CACI Technologies, Inc., a Virginia Corporation
(also does business as "CACI Productions Group")
CACI Dynamic Systems, Inc., a Virginia Corporation
CACI Premier Technology, Inc., a Delaware Corporation
CACI SYSTEMS AND TECHNOLOGY LTD, a Canadian Corporation

(23.1) Consent of Ernst & Young LLP

(23.2) Consent of Deloitte & Touche, LLP

(99) Certifications

SECTION II
REPORTS OF INDEPENDENT AUDITORS
AND
CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
CACI International Inc

We have audited the accompanying consolidated balance sheet of CACI International Inc and subsidiaries (the Company) as of June 30, 2003, and the related consolidated statements of operations, shareholders' equity, cash flows, and comprehensive income for the year then ended. Our audit also included the financial statement schedule for the year ended June 30, 2003 listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CACI International Inc and subsidiaries as of June 30, 2003, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule for the year ended June 30, 2003, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

McLean, Virginia
August 11, 2003

INDEPENDENT AUDITORS' REPORT

To The Board of Directors and Shareholders
CACI International Inc
Arlington, Virginia

We have audited the accompanying consolidated balance sheets of CACI International Inc and subsidiaries (the Company) as of June 30, 2002, and the related consolidated statements of operations, shareholders' equity, cash flows, and comprehensive income for each of the two years in the period ended June 30, 2002. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2002, and the results of their operations and their cash flows for their each of the two years in the period ended June 30, 2002, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth herein.

/s/ D ELOITTE & T OUCHE , LLP
McLean, Virginia
August 13, 2002

CACI INTERNATIONAL INC

CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands, except per share data)

	Year ended June 30,		
	2003	**2002**	**2001**
Revenue	$843,138	$681,942	$557,890
Costs and expenses			
Direct costs	517,975	421,540	342,235
Indirect costs and selling expenses	242,153	195,167	164,620
Depreciation and amortization	12,604	12,131	8,523
Goodwill amortization	—	—	5,157
Total operating expenses	772,732	628,838	520,535
Income from operations	70,406	53,104	37,355
Interest (income) expense, net	(1,374)	1,622	3,315
Income before income taxes	71,780	51,482	34,040
Income taxes	27,069	19,558	13,275
Income from continuing operations	44,711	31,924	20,765
Discontinued operations			
Loss from operations from discontinued Marketing Systems Group (less applicable income tax benefit of $128 and $6)	—	(209)	(9)
Gain (loss) on disposal of Marketing Systems Group including provision of $284 and $0 for operating losses during phase-out period (less applicable income tax benefit of $766 and income tax of $855)	—	(1,250)	1,545
Net Income	$ 44,711	$ 30,465	$ 22,301
Earnings per common and common equivalent share:			
Average shares outstanding	28,647	24,992	22,634
Basic:			
Income from continuing operations	$ 1.56	$ 1.28	$ 0.92
Loss from discontinued operations	0.00	(0.01)	0.00
(Loss) Gain on disposal	0.00	(0.05)	0.07
Net Income	$ 1.56	$ 1.22	$ 0.99
Average shares and equivalent shares outstanding	29,425	25,814	23,056
Diluted:			
Income from continuing operations	$ 1.52	$ 1.24	$ 0.90
Loss from discontinued operations	0.00	(0.01)	0.00
(Loss) Gain on disposal	0.00	(0.05)	0.07
Net Income	$ 1.52	$ 1.18	$ 0.97

See Notes to Consolidated Financial Statements.

CACI INTERNATIONAL INC

CONSOLIDATED BALANCE SHEETS
(amounts in thousands except per share numbers)

	June 30,	
	2003	**2002**
ASSETS		
Current assets		
Cash and cash equivalents	$ 73,735	$131,049
Marketable securities	15,291	20,019
Accounts receivable		
Billed	179,202	137,296
Unbilled	18,891	10,482
Total accounts receivable	198,093	147,778
Deferred income taxes	462	364
Prepaid expenses and other	10,329	6,919
Total current assets	297,910	306,129
Property and equipment, net	18,634	14,973
Accounts receivable, long-term	8,083	8,198
Goodwill	182,313	124,219
Other assets	18,715	15,168
Intangible assets	36,395	10,228
Deferred income taxes	—	1,749
Total assets	$562,050	$480,664
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Notes payable, current	$ 4,558	$ 8,667
Accounts payable	20,739	6,482
Other accrued expenses	32,569	20,448
Accrued compensation and benefits	44,460	33,644
Income taxes payable	12,999	4,648
Deferred income taxes	—	3,476
Total current liabilities	115,325	77,365
Notes payable, long-term	—	26,500
Deferred rent expenses	4,463	1,624
Deferred income taxes	6,108	125
Other long-term obligations	14,619	7,891
Shareholders' equity		
Common stock		
$.10 par value, 80,000 shares authorized, 36,509 and 36,195 shares issued, respectively	3,651	3,620
Capital in excess of par	204,144	197,354
Retained earnings	234,474	189,763
Accumulated other comprehensive income (loss)	388	(2,561)
Treasury stock, at cost (7,774 and 7,772 shares, respectively)	(21,122)	(21,017)
Total shareholders' equity	421,535	367,159
Total liabilities and shareholders' equity	$562,050	$480,664

See Notes to Consolidated Financial Statements

CACI INTERNATIONAL INC

CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Year ended June 30,		
	2003	**2002**	**2001**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 44,711	$ 30,465	$ 22,301
Reconciliation of net income to net cash provided by operating activities			
Depreciation and amortization	12,604	12,255	14,143
Loss (gain) on sale of property and equipment	5	5	(15)
Provision for deferred income taxes	1,824	(5,410)	1,837
Loss (gain) on disposal of business	—	966	(1,545)
Changes in operating assets and liabilities, net of effect of business combinations			
Increase in accounts receivable	(22,595)	(6,226)	(9,870)
(Increase) decrease in prepaid expenses and other assets	(8,706)	781	(5,509)
Increase (decrease) in accounts payable and accrued expenses	19,064	(10,408)	2,820
Increase in accrued compensation and benefits	7,335	3,848	1,986
Increase (decrease) in deferred rent expenses	3,441	(5)	153
Increase in income taxes payable	11,519	11,820	363
Increase in deferred compensation and other long term liabilities	6,686	2,952	2,498
Net cash provided by operating activities	75,888	41,043	29,162
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(12,172)	(8,185)	(8,717)
Purchase of businesses, net of cash acquired	(107,733)	(45,445)	(29,404)
Proceeds from sale of business	—	3,500	1,481
Proceeds from sale of property and equipment	11	24	19
Purchases of marketable securities	(10,281)	(20,019)	—
Proceeds from sale of marketable securities	15,009	—	—
Other assets	1,922	(898)	1,578
Net cash used in investing activities	(113,244)	(71,023)	(35,043)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds under line of credit	6,372	319,372	208,763
Payments under line of credit	(31,372)	(343,260)	(188,138)
Proceeds from exercise of stock options	3,603	8,113	3,142
Net proceeds from secondary stock offering	—	161,475	—
Debt issuance cost	—	(405)	—
Purchase of common stock for treasury	(105)	(83)	(7,272)
Net cash (used in) provided by financing activities	(21,502)	145,212	16,495
Effect of exchange rate on cash and cash equivalents	1,544	975	(703)
Net (decrease) increase in cash and cash equivalents	(57,314)	116,207	9,911
Cash and cash equivalents, beginning of year	131,049	14,842	4,931
Cash and cash equivalents, end of year	$ 73,735	$ 131,049	$ 14,842
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for income taxes	$ 14,946	$ 13,024	$ 8,768
Cash paid for interest	$ 1,213	$ 2,275	$ 3,304

See Notes to Consolidated Financial Statements.

CACI INTERNATIONAL INC

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(amounts in thousands)

	Common stock				Accumulated other comprehensive	Treasury stock		Total Shareholders'
	Shares	Amount	Capital in excess of par	Retained earnings	(loss) income	Shares	Amount	equity
BALANCE, June 30, 2000	30,014	$3,001	$ 18,216	$136,997	$ (2,584)	7,052	$(13,662)	$ 141,968
Net income	—	—	—	22,301	—	—	—	22,301
Currency translation adjustments	—	—	—	—	(1,902)	—	—	(1,902)
Exercise of stock options (including $1,967 income tax benefit)	558	56	5,053	—	—	716	(7,272)	(2,163)
BALANCE, June 30, 2001	30,572	3,057	23,269	159,298	(4,486)	7,768	(20,934)	160,204
Net income	—	—	—	30,465	—	—	—	30,465
Accumulated other comprehensive income					1,925			1,925
Net proceeds from secondary offering	4,888	489	160,986					161,475
Exercise of stock options (including $5,060 income tax benefit)	735	74	13,099	—	—	4	(83)	13,090
BALANCE, June 30, 2002	36,195	3,620	197,354	189,763	(2,561)	7,772	(21,017)	367,159
Net income	—	—	—	44,711	—	—	—	44,711
Accumulated other comprehensive income	—	—	—	—	2,949	—	—	2,949
Exercise of stock options (including $3,218 income tax benefit)	314	31	6,790	—	—	2	(105)	6,716
BALANCE, June 30, 2003	36,509	$3,651	$204,144	$234,474	$ 388	7,774	$(21,122)	$ 421,535

See Notes to Consolidated Financial Statements.

CACI INTERNATIONAL INC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)

	Year ended June 30,		
	2003	**2002**	**2001**
Net income	$44,711	$30,465	$22,301
Currency translation adjustment	2,653	2,221	(1,902)
Fair value of interest rate swap	296	(296)	—
Comprehensive income	$47,660	$32,390	$20,399

See Notes to Consolidated Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activities

The Company is an international information systems and high technology services corporation. It delivers information technology and communications solutions through four areas of expertise or service offerings: systems integration, managed network services, knowledge management and engineering services. The Company provides these services in support of U.S. national defense, intelligence and civilian agencies, agencies of foreign governments, state and local governments, and commercial enterprises.

The Company's operations are subject to certain risks and uncertainties including, among others, the dependence on contracts with federal government agencies, dependence on revenues derived from contracts awarded through competitive bidding, existence of contracts with fixed pricing, dependence on subcontractors to fulfill contractual obligations, dependence on key management personnel, ability to attract and retain qualified employees, ability to successfully integrate acquired companies, and current and potential competitors with greater resources.

Principles of Consolidation

The consolidated financial statements include the statements of CACI International Inc and its subsidiaries (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

The Company generates its revenue from three different types of contractual arrangements: cost-plus-fee contracts; time and materials contracts; and fixed price contracts. Revenue on cost-plus-fee contracts is recognized to the extent of costs incurred plus an estimate of the applicable fees earned. The Company considers fixed fees under cost-plus-fee contracts to be earned in proportion of the allowable costs incurred in performance of the contract. For cost-plus-fee contracts that include performance based fee incentives, the Company recognizes the relevant portion of the expected fee to be awarded by the customer at the time such fee can be reasonably estimated, based on factors such as the Company's prior award experience and communications with the customer regarding performance. Revenue on time-and-material contracts is recognized to the extent of billable rates times hours delivered plus expenses incurred.

The Company has four basic categories of fixed price contracts; fixed unit price; fixed price-level of effort; fixed price-completion; and fixed price-license. Revenue on fixed unit price contracts, where specified units of output under service arrangements are delivered, is recognized as units are delivered based on the specified price per unit. Revenue on fixed unit price maintenance contracts is recognized ratably over the length of the service period. Revenue for fixed price level of effort contracts is recognized based upon the number of units of labor actually delivered multiplied by the agreed rate for each unit of labor.

A significant portion of the Company's fixed price-completion contracts involve the design and development of complex, client systems. For these contracts that are within the scope of Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* (SOP 81-1), revenue is recognized on the percentage of completion method using costs incurred in relation to total estimated costs. For fixed price-completion contracts that are not within the scope of SOP 81-1, revenue is generally recognized ratably over the service period. The Company's fixed price license agreements and related services contracts are primarily executed in its international operations. As the agreements to deliver software require

significant production, modification or customization of software, revenue is recognized using the contract accounting guidance of SOP 81-1. For agreements to deliver data under license and related services, revenue is recognized as the data is delivered and services are performed. Provisions for estimated losses on uncompleted contracts are recorded in the period such losses are determined.

The Company's U.S. Government contracts (approximately 92.2% of total revenue in 2003) are subject to subsequent government audit of direct and indirect costs. The majority of such incurred cost audits have been completed through June 30, 2001. Management does not anticipate any material adjustment to the consolidated financial statements in subsequent periods for audits not yet completed.

Property and Equipment

Property and equipment is recorded at cost. Depreciation of equipment has been provided over the estimated useful life of the respective assets (ranging from three to seven years) using the straight-line method. Leasehold improvements are generally amortized using the straight-line method over the remaining lease term or the useful life of the improvements, whichever is shorter.

	June 30,	
(dollars in thousands)	**2003**	**2002**
Equipment and furniture	$ 41,525	$ 33,390
Leasehold improvements	12,085	7,074
Property and equipment, at cost	53,610	40,464
Less accumulated depreciation and amortization	(34,976)	(25,491)
Total property and equipment, net	$ 18,634	$ 14,973

During 2003, the Company wrote off approximately $3.0 million of fully depreciated assets and the related accumulated depreciation.

Capitalized Software Costs

Costs incurred internally in creating a computer software product to be sold or licensed are charged to expense when incurred as research and development until technological feasibility has been established for the software. Technological feasibility is established upon completion of a detailed program design or, in its absence, completion of a working software version. Thereafter, all such software development costs are capitalized and subsequently reported at the lower of unamortized cost or estimated net realizable value. Capitalized costs are amortized based on current and future revenue for each product with annual minimum amortization equal to the straight-line amortization over the remaining estimated economic life of the product, which ranges from three to five years.

Goodwill

The Financial Accounting Standards Board ("FASB") has issued Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets* . SFAS No. 142 requires that goodwill no longer be amortized against earnings, but instead reviewed periodically for impairment. The Company elected to adopt SFAS No. 142 effective July 1, 2001, and as a result, amortization of goodwill was discontinued. Annually, the Company performs a fair value analysis of its reporting units using valuation techniques prescribed in SFAS No. 142. Based on the analysis performed as of June 30, 2003 and 2002, the Company determined that there were

no indications of goodwill impairment. A reconciliation of previously reported net income and earnings per share with the amounts adjusted for the exclusion of goodwill amortization net of related income tax effects follows (in thousands).

	Year Ended June 30,		
	2003	2002	2001
Reported net income	$44,711	$30,465	$22,301
Goodwill amortization (net of tax)	—	—	3,146
Adjusted net income	$44,711	$30,465	$25,447
Basic Earnings Per Share:			
Reported EPS-Basic	$ 1.56	$ 1.22	$ 0.99
Goodwill amortization (net of tax)	—	—	0.13
Adjusted Basic EPS	$ 1.56	$ 1.22	$ 1.12
Diluted Earnings Per Share:			
Reported EPS-Diluted	$ 1.52	$ 1.18	$ 0.97
Goodwill amortization (net of tax)	—	—	0.13
Adjusted Diluted EPS	$ 1.52	$ 1.18	$ 1.10

Intangible Assets

Intangible assets related to contracts and programs acquired are as follows:

	June 30, 2003		June 30, 2002	
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer contracts and related customer relationships	$ 39,973	$ 4,483	$ 11,800	$ 1,828
Covenants not to compete	380	121	300	44
Other	717	71	—	—
	$ 41,070	$ 4,675	$ 12,100	$ 1,872

Intangible assets are being amortized over periods ranging from 12 to 120 months based on their estimated useful lives. Amortization expense for the fiscal years ended June 30, 2003 and June 30, 2002 was approximately $2.8 million and $1.2 million, respectively. Future amortization expense related to intangible assets is expected to be $5.2 million, $4.9 million, $4.8 million, $4.6 million and $4.0 million for the fiscal years ending June 30, 2004, 2005, 2006, 2007 and 2008 respectively, unless the Company acquires additional identifiable intangible assets in the future.

Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as operating loss and tax credit carry forwards.

U.S. income taxes have not been provided for with respect to $33.3 million in undistributed earnings of foreign subsidiaries that have been permanently reinvested outside the United States. If such earnings were distributed to the United States, certain foreign tax credits would be available to reduce the associated tax liability.

Currency Translation

The assets and liabilities of the Company's foreign subsidiaries whose functional currency is other than the U.S. dollar are translated at the exchange rate in effect on the reporting date, and income and expenses are translated at the weighted average exchange rate during the period. The Company's primary practice is to negotiate contracts in the same currency in which the predominant expenses are incurred, thereby mitigating the exposure to foreign currency fluctuations. The net effect of such translation gains and losses is not included in determining net income, but is accumulated as a separate component of shareholders' equity. Foreign currency transaction gains and losses are included in determining net income, but are insignificant. These costs are included as indirect costs and selling expenses within the Company's Consolidated Statements of Operations.

Earnings Per Share

SFAS No. 128 *Earnings Per Share* requires dual presentation of basic and diluted earnings per share on the face of the Consolidated Statements of Operations. Basic earnings per share exclude dilution and are computed by dividing net income 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. Diluted earnings per share include the incremental effect of stock options calculated using the treasury stock method. The chart below shows the calculation of basic and diluted earnings per share for the years June 30, 2003, 2002 and 2001, respectively:

	Years Ended June 30,		
(amounts in thousands, except per share amounts)	**2003**	**2002**	**2001**
Net income	$44,711	$30,465	$22,301
Weighted average number of basic shares outstanding during the period	28,647	24,992	22,634
Dilutive effect of stock options after application of treasury stock method	778	822	422
Weighted average number of diluted shares outstanding during the period	29,425	25,814	23,056
Basic earnings per share	$ 1.56	$ 1.22	$ 0.99
Diluted earnings per share	$ 1.52	$ 1.18	$ 0.97

Fair Value of Financial Instruments

The carrying amounts of the Company's accounts receivables, accounts payable and accrued expenses approximate their fair value. The lines of credit have floating interest rates that vary with current indices and, as such, the recorded value approximates fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior years' financial statements in order to conform to the current presentation.

New Accounting Pronouncements

On December 31, 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure.* SFAS No. 148 amends SFAS No. 123, *Accounting for Stock-Based Compensation* , to provide alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 , to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual financial statements. While the statement does not amend SFAS No. 123 to require companies to account for employee stock options using the fair value method, the disclosure provisions of SFAS No. 148 are applicable to all companies with stock-based employee compensation, regardless of whether they account for that compensation using the fair value method of SFAS No. 123 or the intrinsic value of method of APB Opinion No. 25, *Accounting for Stock Issued to Employees* .

The Company currently accounts for stock options using the intrinsic value method in accordance with APB Opinion No. 25, as interpreted by FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation* . Accordingly, no compensation cost has been recognized for the granting of stock options to our employees and directors for the years ended June 30, 2003, 2002 and 2001 respectively. If stock options granted during these years had been accounted for based on their fair value as determined under SFAS No. 123, the pro forma earnings would have been as follows:

	Years Ended June 30,		
(dollars in thousands, except per share amounts)	**2003**	**2002**	**2001**
Reported net income	$44,711	$30,465	$22,301
Stock-based compensation costs that would have been included in the determination of reported net income, if the fair value method was applied to all awards, (net of tax)	(4,726)	(4,178)	(1,908)
Pro forma net income	$39,985	$26,287	$20,393
Basic earnings per share:			
Reported earnings per share	$ 1.56	$ 1.22	$ 0.99
Stock-based compensation costs (net of tax)	(0.16)	(0.17)	(0.08)
Pro forma earnings per share	$ 1.40	$ 1.05	$ 0.91
Diluted earnings per share:			
Reported earnings per share	$ 1.52	$ 1.18	$ 0.97
Stock-based compensation costs (net of tax)	(0.16)	(0.16)	(0.08)
Pro forma earnings per share	$ 1.36	$ 1.02	$ 0.89

The weighted average fair value of options granted during years ended June 30, 2003, 2002 and 2001 was $20.33, $10.00 and $4.12, respectively. The fair value of each option granted is estimated on the grant date using a fair-value option pricing model. These pro forma results may not be indicative of future results due to the potential grants vesting and other factors. The following significant assumptions were made in estimating fair value:

	For the year ended June 30,		
	2003	2002	2001
Risk-free interest rates	3.05% - 4.08%	3.66% - 4.87%	4.76% - 6.12%
Expected life in years	5	5	5
Expected volatility	47.04% - 65.09%	37.94% - 53.25%	33.35% - 38.61%
Expected dividends	—	—	—

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* , (SFAS No. 146) which requires that costs, including severance costs, associated with exit or disposal activities be recorded at their fair value when a liability has been incurred. Under previous guidance, certain exit costs, including severance costs, were accrued upon managements' commitment to an exit plan, which is generally before an actual liability has been incurred. The Company does not believe that SFAS No. 146 will have a material effect on its financial statements.

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (the Interpretation). The Interpretation requires certain guarantees to be recorded at fair value, differing from current practice, which is generally to record a liability only when a loss is probable and reasonably estimable, as those terms are defined in FASB Statement No. 5, *Accounting for Contingencies* . The Interpretation also requires a guarantor to make significant new disclosures, even when the likelihood of making any payments under the guarantee is remote, which is another change from current practice. The initial recognition and measurement provisions of the Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The Interpretation's disclosure requirements became effective for financial statements of interim or annual periods ending after December 15, 2002. The Company does not believe it has entered into any guarantees that fall within the guidance of the Interpretation other than the subcontract agreement disclosed in Note 10 to the Consolidated Financial Statements.

In November 2002, the Emerging Issues Task Force ("EITF") issued a final consensus on Issue No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables* ("Issue 00-21"). Issue 00-21 provides guidance on how and when to recognize revenues from arrangements requiring delivery of more that one product or service. It also addresses how arrangement consideration should be measured and allocated to the separate units of accounting in an arrangement. To the extent that a deliverable is part of an arrangement that is within the scope of other existing higher-level authoritative literature, Issue 00-21 does not apply. Issue 00-21 is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. The Company does not believe that this EITF issue will have a material effect on its results of operations and financial position.

In May 2003, the EITF reached a consensus on Issue No. 01-8, *Determining Whether an Arrangement Contains a Lease* ("Issue 01-8"). The FASB ratified this consensus in May 2003. Issue 01-8 provides guidance on how to identify a lease in an arrangement that also provides for the delivery of other goods or services by the seller (lessor), such as outsourcing arrangements. The provisions of Issue 01-8 apply to arrangements entered into on or after July 1, 2003, the beginning of the first fiscal period after June 15, 2003. The Company does not believe that this EITF issue will have a material effect on its results of operations and financial position.

NOTE 2. CASH AND CASH EQUIVALENTS AND SHORT-TERM MARKETABLE SECURITIES

The Company considers all investments with an original maturity of three months or fewer on their trade date to be cash equivalents. The Company classifies investments with an original maturity of more than three months but less than twelve months on their trade date as short-term marketable securities. To date, marketable securities have been classified as available-for-sale and have been carried at fair value with any unrealized gains and losses reported as a separate component of comprehensive income. The fair value of marketable securities was determined based on quoted market prices at the reporting date for those instruments. The cost of securities sold is based on specific identification. Premiums and discounts are amortized over the period from acquisition to maturity and are included in investment income, along with interest and dividends. To date there have been no realized or unrealized gains or losses. The Company's cash and cash equivalents and short-term marketable securities at June 30, 2003, and June 30, 2002, consisted of the following (cost approximated fair value):

(dollars in thousands)	2003 Cash and Cash Equivalents	2003 Short-term Marketable Securities	2002 Cash and Cash Equivalents	2002 Short-term Marketable Securities
Certificate of Deposit	$ —	$ 5,148	$ —	$ 5,010
Money Market Funds	48,553	—	117,256	—
Municipal Securities	—	10,143	—	15,009
Cash	25,182	—	13,793	—
Total	$ 73,735	$ 15,291	$131,049	$ 20,019

NOTE 3. CAPITALIZED SOFTWARE DEVELOPMENT COSTS

The costs for software development capitalized and amortized for the years ended June 30, 2003, 2002 and 2001, included in the Consolidated Balance Sheets as other assets, were as follows:

(dollars in thousands)	2003	2002	2001
Annual activity			
Balance, beginning of year	$ 3,891	$ 7,118	$ 4,269
Capitalized during year	47	671	4,383
Amortized during year	(2,024)	(3,898)	(1,534)
Balance, end of year	$ 1,914	$ 3,891	$ 7,118

NOTE 4. ACCOUNTS RECEIVABLE

Total accounts receivable are net of allowance for doubtful accounts of approximately $3,390,000 and $3,255,000 at June 30, 2003 and 2002, respectively. Accounts receivable are classified as follows:

(dollars in thousands)	2003	2002
Billed receivables		
Billed receivables	$156,012	$120,354
Billable receivables at end of period	23,190	16,942
Total billed receivables	179,202	137,296
Unbilled receivables		
Unbilled pending receipt of contractual documents authorizing billing	18,891	10,482
Unbilled retainages and fee withholdings expected to be billed beyond the next 12 months	8,083	8,198
Total unbilled receivables	26,974	18,680
Total accounts receivable	$206,176	$155,976

NOTE 5. NOTE PAYABLE

On February 4, 2002, the Company replaced its existing credit facility with a new five-year unsecured credit agreement which permits borrowings of up to $185 million with a sublimit of $75 million of borrowings each year for acquisitions. The new agreement permits similar borrowing options and interest rates as those offered by the prior agreement. The current applicable interest rate is at LIBOR plus a margin of 0.75%. In addition, the Company pays a fee on the unused portion of the facility. The margin rate and unused portion fee are determined quarterly based on leverage, net worth and fixed charge coverage ratios. In addition, the Company's bank agreement has covenants that require that the Company operate within certain limits on these same ratios. The Company is currently in compliance with those covenants. Under this agreement, the Company had outstanding borrowings of $25 million at June 30, 2002. The $25 million was paid in full on January 8, 2003, and there were no subsequent borrowings against the credit facility. As of June 30, 2003, the entire $185 million credit line was available for use.

On January 8, 2001, the Company entered into a two year interest rate swap agreement with a notional amount of $25 million under which the Company paid a fixed interest rate of 5.15% plus the applicable spread and received the prevailing LIBOR interest rate, plus applicable spread over the two year term of the swap agreement without the exchange of the underlying notional amounts. On January 8, 2003, the two year term matured and the entire $25 million was paid in full. The Company elected not to renew or enter into any new swap agreements.

The note payable balance of $4.6 million is the result of various acquisitions. In connection with the acquisition of Acton Burnell, Inc., on October 15, 2002, the Company recorded a note payable with a principal amount of $3.0 million. The note bears a 1.75% annual interest rate. In addition, the Company has a $1.5 million note payable related to the December 2, 2000 acquisition of the Federal Systems Business of N.E.T. Federal, Inc. The note on N.E.T. Federal, Inc., is payable on June 30, 2004 and does not accrue interest.

NOTE 6. INCOME TAXES

The provision (benefit) for income taxes for the years ended June 30, 2003, 2002, and 2001 consists of:

(dollars in thousands)	2003	2002	2001
Current			
Federal	$22,012	$20,722	$ 9,146
State and local	1,910	1,911	498
Foreign	1,323	1,040	1,794
Total current	25,245	23,673	11,438
Deferred			
Federal	1,746	(3,757)	1,481
State and local	155	(305)	287
Foreign	(77)	(53)	69
Total deferred	1,824	(4,115)	1,837
Total	$27,069	$19,558	$13,275

A reconciliation of the income tax provision and the amount computed by applying the statutory U.S. income tax rate of 35% for the years ended June 30, 2003, 2002, and 2001 is as follows:

(dollars in thousands)	2003	2002	2001
Amount at statutory U.S. rate	$25,123	$18,019	$11,914
State taxes, net of U.S. income tax benefit	1,342	1,023	501
Taxes on foreign earnings at different effective rates	(35)	(208)	(126)
Non-deductible goodwill	—	—	704
Other	639	724	282
Total	$27,069	$19,558	$13,275
Effective tax rate	37.7%	38.0%	39.0%

The tax effects of temporary differences that give rise to significant deferred tax assets and deferred tax liabilities at June 30, 2003 and 2002, are as follows:

(dollars in thousands)	2003	2002
Deferred tax assets		
Accrued vacation and other expenses	$ 5,886	$ 6,182
Appreciation of options	17	1,565
Accrued post-retirement obligations	4,690	2,737
Deferred rent	16	628
Foreign transactions	316	239
Pension	96	65
Depreciation	1,425	304
Other	115	106
Total deferred tax assets	12,561	11,826
Deferred tax liabilities		
Unbilled revenues	(3,251)	(3,835)
401(k)	(2,909)	(3,990)
Capitalized software	(581)	(1,315)
Goodwill and other intangibles	(8,850)	(4,185)
Change in accounting method for accrued expenses	(2,616)	—
Other	—	11
Total deferred tax liabilities	(18,207)	(13,314)
Net deferred tax liability	$ (5,646)	$ (1,488)

The Company is currently under examination by the State of Indiana. The examination is for the period beginning June 30, 1991 and ending June 30, 2000 and focuses on whether the Company established a taxable presence in Indiana during the examination period. Management of the Company believes that it has not established a taxable presence and will contest the State's conclusion vigorously. While the outcome of the examination is uncertain, the Company estimates the range of exposure to be between $0 and $1.5 million. The Company does not believe the outcome will have a material adverse effect on its financial statements.

NOTE 7. STOCK INCENTIVE PLAN

In 1996, the Company's shareholders approved an Employee Stock Incentive Plan (the "1996 Plan"), which replaced a 1986 Plan that expired. The 1996 Plan permits the award of incentive and non-qualified stock options and stock grants to officers, employees and directors of the Company. The 1996 Plan limited total awards and stock grants to 1,500,000 shares over the life of the 1996 Plan. In November 2000, the shareholders approved an amendment to add 550,000 more shares to the 1996 Plan. In December 2001, the Company declared a 100% stock dividend, the equivalent of a stock split on a two for one basis. Pursuant to its provisions, the 1996 Plan was adjusted to reflect the impact of such stock dividend. With respect to outstanding option grants, such adjustment was effected by doubling the number of options granted and reducing the exercise price by half. At their meeting in November 2002, the shareholders approved an increase of 1,850,000 shares to the 1996 plan, bringing the total shares available to 5,950,000. As adjusted for the stock dividend, options for 5,198,040 shares have been granted under the 1996 Plan through June 30, 2003. With certain exceptions, one-third of the shares granted in conjunction with any award under the 1996 Plan become exercisable each year over a three year period, beginning one year from the date of grant. Of the total shares granted, 956,526 have been forfeited by grantees.

Under the 1996 Plan, options lapse and are no longer exercisable if not exercised within ten years of the date of grant. Grantees whose CACI employment has been terminated have 60 days after their termination date to exercise options that are then exercisable or forfeit their right to the options. Options that are not yet exercisable as of the date of termination are forfeited by the terminating employee and become available for future grants under the plan.

All awards granted under the 1996 Plan to date have been in the form of non-qualified stock options. The exercise prices of all such grants have been set at the price of the stock on the date of grant. Accordingly, no compensation cost has been recognized for stock option grants as the Company accounts for its stock option grants using the guidance in APB No. 25.

Stock option activity and price information regarding the Plans follows:

(shares in thousands)	Number of Shares	Exercise Price $	Weighted Average Exercise Price $
Shares under option, June 30, 2000	2,414	0.94 - 12.72	8.31
Granted	818	8.47 - 19.10	10.16
Exercised	(560)	0.94 - 11.19	5.62
Expired	(8)	0.94 - 9.41	5.23
Forfeited	(438)	0.94 - 12.72	6.58
Shares under option, June 30, 2001	2,226	7.50 - 19.10	10.07
Granted	926	20.07 - 37.10	23.21
Exercised	(735)	7.50 - 30.15	11.16
Forfeited	(11)	9.94 - 11.19	10.33
Shares under option, June 30, 2002	2,406	7.50 - 37.10	14.77
Granted	507	36.13 - 38.68	36.65
Exercised	(314)	8.16 - 21.40	11.42
Forfeited	(16)	9.94 - 36.13	24.30
Shares under option, June 30, 2003	2,583	7.50 - 38.68	19.40

(shares in thousands)	Number of Shares	Exercise Price $	Weighted Average Exercise Price $	Weighted Average Remaining Contractual Life
Shares under option, June 30, 2003	300	7.50 - 8.47	7.89	5.46
	575	9.25 - 9.94	9.79	6.65
	309	10.00 - 11.88	11.08	6.36
	730	12.38 - 21.40	20.87	7.99
	133	21.80 - 31.67	28.30	8.06
	536	33.00 - 38.68	36.69	9.05
	2,583	7.50 - 38.68	19.40	7.43
Options exercisable, June 30, 2003	266	7.50 - 8.47	7.82	
	213	9.25 - 10.00	8.84	
	137	11.00 - 11.88	11.13	
	338	12.38 - 21.80	20.75	
	127	27.05 - 38.68	33.48	
	1,081	7.50 - 38.68	15.70	

NOTE 8. EMPLOYEE BENEFIT PLANS

The Company maintains a defined contribution plan under Section 401(k) of the Internal Revenue Code, the CACI $MART PLAN. Employees can contribute up to 25% (subject to certain statutory limitations) of their total cash compensation. The Company provides matching contributions equal to 50% of the amount of the employee's contribution, up to 6% of the employee's total fiscal year cash compensation. In addition, the Company may also make discretionary profit sharing contributions to the plan. Employer contributions vest according to a schedule entitling full vesting after five years of employment. Employee contributions vest immediately. The CACI $MART PLAN is qualified under the Internal Revenue Code, as determined by the Internal Revenue Service.

The Company maintains a non-qualified, defined contribution plan, the CACI International Inc Group Executive Retirement Plan, which is available to certain executives. Executives at the vice president level and above may voluntarily defer up to 50% of their cash compensation in a plan year, thus deferring income taxes on the amount they contribute until they terminate their interest in the plan through retirement or termination of their employment. For executives who participate in the Plan, and whose annual compensation exceeds the statutory limit of the qualified plan (currently $200,000 per year), the Company contributes 5% of such excess to the participant's account in the Group Executive Retirement Plan. Each participant is fully vested immediately in his voluntary deferrals. The Company contributions vest 20% per year over a five year period from the date of first participation in the Plan.

The total consolidated expenses for the Company's contributions to the 401(k) plan and the Group Executive Retirement Plan for the years ended June 30, 2003, 2002 and 2001 were $8,441,000, $6,454,000 and $4,820,000, respectively. The Company funds the costs of the qualified plans as they accrue.

NOTE 9. OTHER LONG-TERM OBLIGATIONS

The Company has established retirement benefit plans for certain employees and executives. At June 30, 2003 and 2002, respectively, the balances of the obligations by category are as follows:

(dollars in thousands)	2003	2002
Accrued post-retirement obligations:		
Long-Term Care	$ 189	$ —
Group Health Plan	346	326
Executive Life	229	240
Deferred Compensation	12,693	6,941
Total accrued post-retirement obligations	13,457	7,507
Other long-term obligations	1,162	384
Total	$14,619	$7,891

Long-Term Care. The Company has agreed to provide Long Term care coverage for the President and CEO, his wife, and a former Company executive and board member.

Group Health Plan. The Company has provided for medical and dental benefit coverage to certain eligible employees, both former and active, and their dependents. The accumulated post-retirement benefit obligation represents the estimated present value of future claims by participants under this plan.

Executive Life . In accordance with certain agreements, the Company maintains life insurance policies covering certain officers, both former and active. The cost of the insureds'premiums is treated as compensation expense.

Deferred Compensation . Effective July 1, 2000, the Company established the CACI International Inc Group Executive Retirement Plan described in Note 8. Upon termination or retirement, account balances are paid to participants as taxable income. The Company maintains investment assets to offset the obligations under the deferred compensation plan. The investment assets are classified as trading securities and the changes in the value of the assets are classified in the Statement of Operations. The investment assets are included within other assets in the Consolidated Balance Sheets.

Other Long-Term Obligations . These obligations include deferred income, non-qualified pension payables, sublease security deposits, payments due to certain founders of Questech, Inc., under confidential agreements, as well as capital lease payables.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Leases

The Company conducts its operations from leased office facilities, all of which are classified as operating leases and expire primarily over the next nine years.

The following is a schedule of future minimum lease payments under non-cancelable leases with a remaining term greater than one year as of June 30, 2003:

Year ended June 30	Operating Leases (dollars in thousands)
2004	$ 21,571
2005	20,581
2006	17,347
2007	15,655
2008	12,901
Thereafter	17,324
Total minimum lease payments	$ 105,379

Operating leases reflect the minimum lease payments net of a minimal amount of sub-lease income. Rent expense incurred from operating leases for the years ended June 30, 2003, 2002 and 2001 totaled approximately $19,882,000, $16,463,000, and $13,750,000, respectively.

Other Contingencies

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.

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 over a four year period ending in fiscal year 2006. 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 purchase a sufficient number of units over the subcontract term to allow it to realize the lowest unit cost available. Based upon that expectation, unit costs incurred to date have been recognized in "Other Direct Costs" at such lowest unit cost. 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 approximately $350,000, which has not been recorded in the Company's financial statements as of June 30, 2003.

NOTE 11. BUSINESS ACQUISITIONS

2003 Acquisitions

On August 16, 2002, the Company acquired substantially all of the assets of the Government Solutions Division of Condor Technology Solutions, Inc. ("Condor"). The acquired Condor business complements the Company's systems integration, knowledge management, data mining and purchasing systems solutions for federal clients. The total cash paid for Condor was $16.2 million. Approximately $10.3 million of the purchase price has been allocated to goodwill based primarily on the excess of the purchase price over the $1.2 million estimated fair value of net assets acquired and the $4.7 million value assigned to identifiable intangible assets. The Company is amortizing substantially all such identifiable intangible assets over a period of ten years. Condor contributed revenue of $15.2 million for the period from August 16, 2002 to June 30, 2003.

On October 16, 2002, the Company acquired all of the outstanding capital stock of Acton Burnell, Inc., an information technology company providing systems integration, knowledge management, manpower readiness and training, and financial systems solutions for the federal government. The total purchase price for Acton Burnell, Inc., was $29.7 million, of which $26.7 million has been paid. Under the terms of the agreement, the Company will pay the balance of $3.0 million plus interest at the first anniversary date of the acquisition. This has been accrued for in the current portion of notes payable at June 30, 2003. Approximately $17.9 million of the purchase price has been allocated to goodwill based primarily on the excess of the purchase price over the $7.9 million estimated fair value of net assets acquired, the $6.3 million value assigned to identifiable intangible assets, and deferred tax liabilities related to identifiable intangible assets of $2.4 million. The Company is amortizing substantially all such identifiable intangible assets over a period of ten years. Acton Burnell, Inc. contributed revenue of $26.4 million for the period from October 16, 2002 to June 30, 2003.

On February 28, 2003, the Company purchased all of the outstanding capital stock of Applied Technology Solutions of Northern Virginia, Inc. (“ATS”), an information technology company serving clients in the national intelligence community. The total cash paid for ATS was $13.1 million. Approximately $9.6 million of the purchase price has been allocated to goodwill based primarily on the excess of the purchase price over the $1.3 million estimated fair value of net assets acquired and the $2.2 million value assigned to identifiable intangible assets. The Company is amortizing substantially all such identifiable intangible assets over a weighted average life of seven years. ATS contributed revenue of $2.7 million for the period from February 28, 2003 to June 30, 2003. The Company has made a 338(h)(10) election related to the ATS acquisition, which allows the acquisition to be treated as an asset purchase for income tax purposes.

On May 15, 2003, the Company acquired substantially all of the assets of Premier Technology Group, Inc. (“PTG”). PTG, headquartered in Fairfax, Virginia, provided professional services to clients in the Department of Defense and the intelligence community. The total purchase price for PTG was $49.0 million, of which $45.6 million has been paid. The balance of $3.4 million will be paid in the form of earn out payments tied to the continuation of existing business and will be recorded, if earned, as additional goodwill. The timing of this payment is contingent upon the receipt of authorized funding from the federal government. The earn out payments have not been accrued at June 30, 2003 as the contingencies are not resolved. Approximately $18.6 million of the purchase price has been allocated to goodwill based primarily on the excess of the purchase price over the $12.3 million estimated fair value of net assets acquired and the $14.7 million value assigned to identifiable assets. The Company is amortizing substantially all such identifiable intangible assets over a period of one to eight years. PTG contributed revenue of $5.2 million for the period from May 15, 2003 to June 30, 2003.

On June 6, 2003, the Company acquired all of the outstanding capital stock of Rochester Information Systems Ltd (“RISys”), an United Kingdom company, which specializes in the development and implementation of enterprise information solutions for the UK Public Sector, especially Health, Education and Local Government. The maximum total price for the company will be $2.9 million, of which $2.0 million has been paid. Under the terms of the agreement, the Company will pay the balance of the consideration provided that RISys meets certain agreed upon performance targets for the 24 months following acquisition. Approximately $1.7 million of the initial purchase price has been allocated to goodwill based on the excess of the purchase price over the fair value of net assets of $271,000. These net assets comprise identifiable intangible assets of $531,000 less $260,000 net liabilities assumed. The Company is amortizing all such identifiable intangible assets over periods of up to 10 years. RISys contributed revenue of $126,000 for the period from June 6, 2003 until June 30, 2003.

These acquisitions resulted in an increase of approximately $58.1 million in the Company’s goodwill balance reported on the Consolidated Balance Sheets.

2002 Acquisitions

On November 1, 2001, the Company purchased all of the outstanding capital stock of DSIC for $47.0 million. The $47.0 million payment was financed through the Company's existing credit facility. The acquired business implements ERP systems, including large-scale financial and human resource systems, and e-procurement applications; develops client/server and web-enabled applications; operates an enterprise networking and information assurance practice; solves complex business problems with a recognized process modeling and simulation methodology; and provides acquisition/program management consulting services, primarily to the federal government. As part of this acquisition, 498 employees joined the Company. Approximately $23.0 million of the purchase consideration has been allocated to goodwill, based upon the excess of the purchase price over the $15.9 million estimated fair value of net tangible assets and the $8.1 million assigned to intangible assets acquired. The Company is amortizing these intangible assets over a period of three to ten years. DSIC contributed revenue of $40.3 million for the period from November 1, 2001 to June 30, 2002.

2001 Acquisitions

On December 2, 2000, the Company completed its acquisition of the federal services business and related assets (the "Federal Services Business") of N.E.T. Federal, Inc., a subsidiary of Network Equipment Technologies, Inc. The total consideration paid by the Company was $25.0 million in cash at the time of the acquisition plus an additional $2.0 million paid within one year after purchase. Based on achievement of certain milestones, payments aggregating to $11.5 million of additional consideration were made through June 30, 2003, and additional payments of up to $1.5 million may be made based upon achievement of other milestones. The purchase was financed from the Company's line of credit. The acquired business provides secure network services offerings including network engineering and design, implementation, installation and integration, as well as network maintenance and management. As part of this acquisition, 188 employees joined CACI. Approximately $19.3 million of the purchase consideration has been allocated to goodwill based upon the excess of the purchase price over the estimated fair value of net assets acquired. The Federal Services Business contributed revenue of $27.6 million for the period from December 2, 2000 to June 30, 2001.

On October 6, 2000, the Company acquired the contracts and selected assets of the Special Projects Division ("Special Projects Business") of Radian International, LLC, a subsidiary of URS Corporation, for $1.3 million in cash. The purchase was financed from the Company's line of credit. Approximately $0.6 million of the purchase price has been allocated to goodwill. The Special Projects Business, which provides services to the intelligence community, contributed revenue of $0.9 million for the period from October 6, 2000 to June 30, 2001.

Pro Forma Information (unaudited)

The following unaudited pro forma combined condensed statements of operations set forth the consolidated results of operations of the Company for the years ended June 30, 2003, 2002 and 2001 as if the above-mentioned acquisitions had occurred at the beginning of both the year of acquisition and the year prior to the acquisition. This unaudited pro forma information does not purport to be indicative of the actual financial position or the results that would actually have occurred if the combinations had been in effect for the years ended June 30:

(dollars in thousands, except per share amounts)	2003	2002	2001
Revenue	$900,642	$810,239	$639,874
Net income	47,769	38,682	29,269
Diluted earnings per share	1.62	1.50	1.30

NOTE 12. BUSINESS SEGMENT INFORMATION

The Company reports operating results and financial data in two segments: domestic operations and international operations. Domestic operations provide information technology and communications solutions through all four of the Company's major service offerings: systems integration, managed network services, knowledge management and engineering services. Its customers are primarily U.S. federal agencies, however, it does serve a number of agencies of foreign governments and customers in the commercial and state and local sectors and places employees in locations around the world in support of these clients. International operations offer services to both commercial and government customers primarily through the Company's systems integration line of business. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in Note 1 to the financial statements. The Company evaluates the performance of its operating segments based on income (loss) before income taxes. Summarized financial information concerning the Company's reportable segments is shown in the following tables. The "Other" column includes the elimination of intersegment revenue and corporate related items. Corporate assets, consisting primarily of property and equipment, are reported in the "Other" column. The operating segments' income (loss) and corporate related amounts total the amount presented as income before taxes in the Consolidated Statements of Operations. Prior year's segment information has been restated in order to provide for consistent presentation with the current year and the information related to the discontinued operations has been excluded from this presentation.

(dollars in thousands)	Domestic Operations	International Operations	Other	Total
Year Ended June 30, 2003				
Revenue from external customers	$802,757	$ 40,381	$ —	$843,138
Pre-tax income (loss)	80,469	4,449	(13,138)	71,780
Total assets	508,155	43,098	10,797	562,050
Capital expenditures	10,343	566	1,263	12,172
Depreciation and amortization	9,696	961	1,947	12,604
Year Ended June 30, 2002				
Revenue from external customers	$641,386	$ 40,368	$ 188	$681,942
Pre-tax income (loss)	54,162	5,274	(7,954)	51,482
Total assets	429,876	37,785	13,003	480,664
Capital expenditures	6,125	360	1,568	8,053
Depreciation and amortization	8,844	1,204	2,083	12,131
Year Ended June 30, 2001				
Revenue from external customers	$510,995	$ 46,702	$ 193	$557,890
Pre-tax income (loss)	33,222	5,791	(4,973)	34,040
Total assets	240,602	33,430	10,699	284,731
Capital expenditures	11,696	790	1,711	14,197
Depreciation and amortization	10,169	1,688	1,823	13,680

Although for purposes of promoting an understanding of the Company's complex business, the four areas of service offerings, systems integration, managed network services, knowledge management and engineering services, are discussed, the Company does not manage its business nor allocate capital resources based upon those service offerings. Furthermore, the underlying accounting and forecasting systems are not designed to capture key financial information such as revenue, costs and capital expenditures by such service offerings because these offerings cut across all divisions of the operations. Therefore, it is impractical for the Company to report revenue by the four service offerings.

Major Customers. The Company earned approximately 92%, 91% and 85% of its revenue from the U.S. Government for the years ended June 30, 2003, 2002 and 2001, respectively. For the year ended June 30, 2003, we had one contract for technical engineering, fabrication and operations support for the United States Army that accounted for 10.2% of total revenue. In addition, 11.2% of the 2003 revenue was derived from contracts with the United States Department of Justice. Revenue by customer sector for the three years ended June 30, 2002 was as follows:

(dollars in thousands)	2003	%	2002	%	2001	%
Department of Defense	$536,269	63.6%	$433,927	63.7%	$325,118	58.3%
Federal Civilian	241,490	28.6%	184,392	27.0%	149,205	26.7%
Commercial	51,414	6.1%	49,369	7.2%	61,029	11.0%
State & local	13,965	1.7%	14,254	2.1%	22,538	4.0%
Total	$843,138	100.0%	$681,942	100.0%	$557,890	100.0%

Geographic Information. Revenue is attributed to geographic areas based on the location of the assets producing the revenue. The international operations amounts consist primarily of product and systems integration sales in the United Kingdom. Financial information relating to the Company's operations by geographic area is as follows:

(dollars in thousands)	2003	2002	2001
Revenue			
Domestic Operations	$802,757	$641,574	$511,188
International Operations	40,381	40,368	46,702
	$843,138	$681,942	$557,890
Identifiable Assets			
Domestic Operations	$518,952	$442,879	$251,301
International Operations	43,098	37,785	33,430
	$562,050	$480,664	$284,731

NOTE 13. DISCONTINUED OPERATIONS

On January 6, 2002, the Company completed the sale of the net assets of its domestic Marketing Systems Group to Environmental Research Systems Institute, Inc's subsidiary, ERSI Business Information Solutions, for $3.5 million. This resulted in a net after tax loss for the Company of $1.3 million. Included in the loss was a net after tax loss from discontinued operations of $284,000 for the period from October 31, 2001 to January 6, 2002. Revenue from discontinued operations was $1.9 million for the year ended June 30, 2002.

NOTE 14. SUBSEQUENT EVENTS

On September 23, 2003, the Company announced it had signed a definitive agreement to acquire all of the outstanding shares of C-CUBED Corporation. C-CUBED, headquartered in Springfield, Virginia, provides specialized services in support of C4ISR (Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance) initiatives to clients in the DoD, federal civilian, and intelligence communities. The transaction is anticipated to close during the month of October.

NOTE 15. COMMON STOCK DATA (UNAUDITED)

On November 7, 2001, the Company's Board of Directors declared a one hundred percent stock dividend. This dividend was payable on December 6, 2001 to shareholders of record on November 30, 2001. Accordingly,

the number of shares of common stock outstanding, earnings per share, and the number of shares used in the calculation of earnings per share all have been restated to retroactively reflect that dividend.

The ranges of high and low sales prices for the Registrant's stock each quarter during fiscal years 2003 and 2002 were as follows:

	2003		2002	
Quarter	High	Low	High	Low
1st	$39.840	$27.450	$28.425	$16.600
2nd	$43.100	$32.550	$43.500	$25.510
3rd	$38.200	$29.810	$42.990	$30.800
4th	$35.500	$30.000	$40.630	$27.430

Until August 16, 2002, the Registrant's stock traded on the NASDAQ National Market System under the ticker symbol, "CACI". Effective August 16, 2002, the Registrant's stock began trading on the New York Stock Exchange under its new ticker symbol, "CAI".

NOTE 16. QUARTERLY FINANCIAL DATA (UNAUDITED)

The quarterly financial data is unaudited, but in the opinion of management, all adjustments necessary for a fair presentation of the selected data for these interim periods have been included.

(dollars in thousands, except per share)	First	Second	Third	Fourth
Year ended June 30, 2003				
Revenue	$187,978	$204,511	$222,016	$228,633
Income from operations	14,686	16,800	17,853	21,067
Net Income	$ 9,375	$ 10,601	$ 11,458	$ 13,277
Basic earnings per share	$ 0.33	$ 0.37	$ 0.40	$ 0.46
Diluted earnings per share	$ 0.32	$ 0.36	$ 0.39	$ 0.45
Weighted average shares used in per share computation				
Basic	28,445	28,697	28,718	28,727
Diluted	29,304	29,495	29,461	29,441

(dollars in thousands, except per share)	First	Second	Third	Fourth
Year ended June 30, 2002				
Revenue	$145,815	$162,329	$182,818	$190,980
Income from operations	11,495	12,352	14,565	14,692
Income from continuing operations	6,726	7,303	8,588	9,307
Net Income	$ 6,575	$ 5,995	$ 8,588	$ 9,307
Basic Shares				
Income from continuing operations	$ 0.29	$ 0.31	$ 0.34	$ 0.33
Discontinued operations	(0.01)	(0.05)	—	—
Net Income	$ 0.28	$ 0.26	$ 0.34	$ 0.33
Diluted Shares				
Income from continuing operations	$ 0.28	$ 0.30	$ 0.33	$ 0.32
Discontinued operations	(0.01)	(0.05)	—	—
Net Income	$ 0.27	$ 0.25	$ 0.33	$ 0.32
Weighted average shares used in per share computation				
Basic	22,945	23,464	25,141	28,417
Diluted	23,620	24,337	26,033	29,264

SCHEDULE II

CACI INTERNATIONAL INC AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
FOR YEARS ENDED JUNE 30, 2003, 2002 AND 2001
(dollars in thousands)

Description	Balance at Beginning of Period	Additions at Cost	Deductions	Other Changes	Balance at End of Period
2003					
Reserves deducted from assets to which they apply:					
Allowances for doubtful accounts	$ 3,255	$ 442	$ (790)	$ 483	$ 3,390
2002					
Reserves deducted from assets to which they apply:					
Allowances for doubtful accounts	$ 4,301	$ 255	$ (1,362)	$ 61	$ 3,255
2001					
Reserves deducted from assets to which they apply:					
Allowances for doubtful accounts	$ 2,817	$ 1,343	$ (1,491)	$ 1,632	$ 4,301

In 2001, the additions to the reserve of $1.3 million related to our Marketing System Group business both in the United Kingdom (UK) and the United States. The UK portion of this provision was $0.9 million and the U.S. portion was $0.4 million. Of the UK bad debt provision, $0.5 million related to a single contract, GTS/Equador. The Company had been contracted to provide an Interconnect Billing and Accounting System to GTS via a prime contractor, Equador Consulting. Due to issues over the specifications and late delivery, the end client claimed that the Company was in breach of contract. The Company settled with its prime contractor to avoid the costs of a lawsuit. The remaining UK provision applied to bad debt generated from the normal course of business. The U.S. portion of the provision did not relate to a particular contract but rather was derived from a pre-determined formula based on the aging of all receivables. This was consistent with the treatment applied in other years and reported in our filings until the Company sold the U.S. division of the Marketing Systems Group.

The $1.6 million of other charges came primarily from two areas. The Company reclassified an estimated reserve of $1.1 million maintained on various contract receivables that was originally recorded within accrued liabilities but should more properly have been classified as an allowance for doubtful accounts. The Company also acquired an allowance of $0.5 million on receivables from our acquisition of the Federal Services Business of N.E.T. Federal, Inc. in December 2000.

For the year ended June 30, 2003, the Company acquired allowances of $483,000 related to its domestic and international business acquisitions.

Our bad debt provision has had no impact on our revenue recognition policy over the past three years.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 26th day of September, 2003.

CACI INTERNATIONAL INC

By: /s/

J.P London
Chairman of the Board,
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in capacities and on the dates indicated.

Signatures	Title	Date
/s/ **J. P. London**	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	September 26, 2003
/s/ **Stephen L. Waechter**	Executive Vice President, Chief Financial officer and Treasurer (Principal Financial Officer)	September 26, 2003
/s/ **James D. Kuhn**	Senior Vice President and Corporate Controller (Principal Accounting Officer)	September 26, 2003
/s/ **Michael J. Bayer**	Director	September 26, 2003
/s/ **Peter A. Derow**	Director	September 26, 2003
/s/ **Richard L. Leatherwood**	Director	September 26, 2003
/s/ **Arthur L. Money**	Director	September 26, 2003
/s/ **Warren R. Phillips**	Director	September 26, 2003
/s/ **Charles P. Revoile**	Director	September 26, 2003
/s/ **William B. Snyder**	Director	September 26, 2003
/s/ **Richard P. Sulivan**	Director	September 26, 2003
/s/ **John M. Toups**	Director	September 26, 2003
/s/ **Larry D. Welch**	Director	September 26, 2003

EXHIBIT 10.12

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ASSET PURCHASE AGREEMENT

ACQUISITION AGREEMENT (the "Agreement"), dated as of July 3, 2002 by and among **CACI International Inc** , a Delaware corporation ("Parent"), **CACI, INC.-FEDERAL** , a Delaware corporation and wholly owned subsidiary of Parent ("CACI"), **Condor Technology Solutions, Inc.** , a Delaware corporation ("Condor" which term shall include the subsidiaries of Condor Technology Solutions, Inc., unless the context otherwise requires), **Louden Associates, Inc.** , a Maryland corporation and wholly owned subsidiary of Condor ("Louden"), **InVenture Group, Inc.** , a Pennsylvania corporation and wholly owned subsidiary of Condor ("InVenture"), **MIS Technologies, Inc.** , an Oklahoma corporation and wholly owned subsidiary of Condor ("MIS"), and **Federal Computer Corporation** , a Virginia corporation and wholly owned subsidiary of Condor ("FCC").

WITNESSETH

WHEREAS Parent and CACI have a strong commitment to the government information technology industry; and

WHEREAS the Government Solutions Division ("GSD") of Condor is concentrated in the information technology industry; and

WHEREAS Condor and its subsidiaries wish to assign to CACI, and CACI wishes to assume from Condor and its subsidiaries, certain existing contracts of the GSD identified in this Agreement; and

WHEREAS CACI wishes to purchase from Condor and its subsidiaries, and Condor and its subsidiaries wish to sell to CACI, certain defined assets and liabilities relating to the Assigned Contracts; and

WHEREAS CACI wishes to carry on the business of the GSD as it relates to the Assigned Contracts and future contracts that CACI may obtain;

NOW, THEREFORE, Parent, CACI, Condor, Louden, InVenture, MIS and FCC hereby agree as follows:

Article I: Purchase of Assets

1.1. Purchase and Sale . Upon and subject to the terms and conditions hereof, at the Closing (as defined in Section 1.8.1), Condor and its Subsidiaries shall sell, transfer and assign to CACI, and CACI shall purchase and acquire from Condor and its Subsidiaries, all of Condor's, Louden's, InVenture's, MIS' and FCC's right, title and interest in, to and under the contracts and other agreements set forth in Schedule 1.1 (the "Assigned Contracts"), together with all right, title and interest in and to the tangible and intangible assets of Condor and its Subsidiaries described in Sections 1.1.1 through 1.1.18 below (the "Assets"), other than the Excluded Assets (as defined in Section 1.2), in each case free and clear of all liens, pledges, mortgages, leases, charges, security interests and other encumbrances (collectively, "Liens") except for the Assumed Liabilities (as defined in Section 1.3) and Permitted Encumbrances:

1.1.1. The outstanding customer proposals (the “Outstanding Proposals”) set forth in Schedule 1.1.1;

1.1.2. The machinery, equipment, tools, firmware, computers, servers, furniture, fixtures, vehicles, related parts and supplies and other tangible assets (collectively, “Tangible Assets”) set forth in Schedule 1.1.2;

1.1.3. The patents, trademarks, service marks, trade names, mask works, specifications, processes, know-how, blueprints, drawings, designs, patterns, copyrights, formulae, inventions, technology, computer software programs or applications (in both source code and object code forms), trade secrets, proprietary information, web pages (including the HTML or equivalent code defining such web pages), domain names, secured site certifications, additional URLs, confidential information and other information and documents, and the registrations and applications therefor and the goodwill related thereto (collectively, the “Intellectual Property”) set forth in Schedule 1.1.3;

1.1.4. The third-party licenses (the “Third-Party Licenses”), including the third party licenses for patents, trademarks, service marks, trade names, mask works, specifications, processes, know-how, blueprints, drawings, designs, patterns, copyrights, formulae, inventions, technology, computer software programs or applications (in both source code and object code forms), trade secrets, proprietary information, web pages (including the HTML or equivalent code defining such web pages), domain names, secured site certifications, additional URLs, confidential information and other information and documents, and the registrations and applications therefor and the goodwill related thereto set forth in Schedule 1.1.4;

1.1.5. All right, title and interest in and to Condor’s proprietary ARMISYS ™ software application, more fully described in Schedule 1.1.5.

1.1.6. The advances, prepaid expenses, other prepayments and related rights (collectively, the “Prepaid Expenses”) set forth in Schedule 1.1.6;

1.1.7. The accounts receivable and notes receivable (the “Receivables”) set forth in Schedule 1.1.7;

1.1.8. The leased properties (the “Leased Properties”) set forth in Schedule 1.1.8;

1.1.9. The leased machinery, equipment, tools, firmware, furniture, fixtures, vehicles, related parts and supplies and other leased assets (the “Leased Equipment”) set forth in Schedule 1.1.9;

1.1.10. The right to use the government-furnished property (the “Government Furnished Property”) set forth in Schedule 1.1.10;

1.1.11. The agency, brokerage, distributorship, licenses to third parties, and other agreements and arrangements set forth in Schedule 1.1.11;

1.1.12. The customer orders, deposits, and payments (the “Orders”) set forth in Schedule 1.1.12;

1.1.13. The inventory, supplies (including office and marketing supplies), raw materials, work in process, accessories and items related to the inventory (collectively, the "Inventory") set forth in Schedule 1.1.13;

1.1.14. All rights of Condor and its Subsidiaries, whether now existing or hereafter arising, against manufacturers, suppliers, vendors or subcontractors with respect to any of the Assigned Contracts, Assets or Assumed Liabilities or any part thereof, including all guarantees and product and other warranties thereon and all rights set forth in Schedule 1.1.14;

1.1.15. The original files, documents, books, records, price lists, customer lists, vendor lists, historical sales data, payroll data, accounting records, business records and data relating to the goods and services provided in connection with the Assigned Contracts, including all modifications, amendments, delivery orders and correspondence related thereto, maps, plans, diagrams, processes, notebooks, specifications, test results, flow charts, blueprints, drawings, schematics, maintenance logs, papers, ledgers and other documents related to the Assigned Contracts or the Assets (collectively, the "Asset Documents"); *provided, however* , that Condor and its Subsidiaries may each retain their respective copies of such Asset Documents;

1.1.16. All assets of the type described in Sections 1.1.1 through 1.1.15 that are physically located at the Leased Properties in Baltimore, Maryland and Pittsburgh, Pennsylvania;

1.1.17. All other rights and assets of Condor and its Subsidiaries, not set forth in any Schedule to any part of this Section 1.1, which are used primarily in connection with the performance of the Assigned Contracts, except the Excluded Assets; and

1.1.18. All other rights and assets of Condor and its Subsidiaries that they shall obtain or acquire after the date hereof and on or before the Closing Date for use primarily in connection with the performance of the Assigned Contracts, which rights and assets Condor shall set forth on Schedule 1.1.18 to be delivered to Parent at the Closing.

For purposes of this Agreement, the Assigned Contracts, the Assets described in this Section 1.1, and the Assumed Liabilities described in Section 1.3 shall constitute the "GSD."

1.2. Excluded Assets . None of the items listed in Schedule 1.2 which may be deemed to relate to the GSD are being sold, assigned or otherwise transferred to CACI at the Closing (collectively, the "Excluded Assets").

1.3. Assumption of Liabilities . At the Closing, CACI shall assume and agree to perform the Assumed Liabilities. The "Assumed Liabilities" shall mean:

1.3.1. The trade payables identified in Schedule 1.3.1 and any other trade payables exclusively related to the GSD and incurred by Condor in the ordinary course of business consistent with past practice between the date hereof and the Closing Date, and listed on a schedule of such payables delivered to Parent at the Closing;

1.3.2. The open purchase orders identified in Schedule 1.3.2 and any other such orders to the extent related to the GSD and incurred by Condor in the ordinary course of business

consistent with past practice between the date hereof and the Closing Date, and listed on a schedule of such purchase orders delivered to Parent at the Closing;

1.3.3. The employee-related liabilities identified in Schedule 1.3.3 and any other such liabilities to the extent related to the employees of the GSD hired by CACI or another Subsidiary of Parent as of or within thirty (30) days after the Closing Date, which liabilities are incurred by Condor in the ordinary course of business consistent with past practice between the date hereof and the Closing Date, and listed on a schedule of such liabilities delivered to Parent at the Closing;

1.3.4. The Outstanding Proposals;

1.3.5. The Third Party Licenses identified in Schedule 1.1.4 (or which constitute Assets to be transferred hereunder by virtue of Section 1.1.17 or 1.1.18), subject to Condor's effective assignment to CACI of all of its rights under such Third Party Licenses; *provided, however* , that CACI shall, with respect to any Third Party License identified on Schedule 1.1.4 (or which constitutes an Asset to be transferred hereunder by virtue of Section 1.1.17 or 1.1.18) for which an effective assignment is not obtained as of the Closing, reimburse Condor for the licensing and other use costs of any such Third Party License incurred by Condor pursuant to such license with respect to any period after the Closing;

1.3.6. The real property leases identified in Schedule 1.1.8, subject to Condor's effective assignment to CACI of its right to use and occupy the leased premises and its other rights as tenant; *provided, however* , that CACI shall, with respect to any real property lease identified on Schedule 1.1.8 for which an effective assignment is not obtained as of the Closing, reimburse Condor for the leasing and other occupancy costs of any such premises incurred by Condor pursuant to such lease with respect to any period after the Closing;

1.3.7. The equipment leases identified in Schedule 1.1.9 (or which constitute Assets to be transferred hereunder by virtue of Section 1.1.17 or 1.1.18), subject to Condor's effective assignment to CACI of all of its rights under such equipment leases; *provided, however* , that CACI shall, with respect to any equipment lease identified on Schedule 1.1.9 (or which constitutes an Asset to be transferred hereunder by virtue of Section 1.1.17 and 1.1.18) for which an effective assignment is not obtained as of the Closing, reimburse Condor for the leasing and other use costs of any such equipment incurred by Condor pursuant to such lease with respect to any period after the Closing;

1.3.8. The warranty obligations identified in Schedule 1.3.8 and any other warranty obligations arising from warranties given to customers of the GSD in the ordinary course of business consistent with past practice between the date hereof and the Closing Date that are no more favorable to the customers of the GSD than the warranties identified in Schedule 1.3.8 and that are listed on a schedule of such obligations delivered to Parent at the Closing; and

1.3.9. The obligations of Condor and its Subsidiaries under the Assigned Contracts.

1.4. Excluded Liabilities . Except for the Assumed Liabilities, CACI shall assume at the Closing no liabilities of Condor or any of its Subsidiaries or any other person or entity in connection with this transaction. Without limiting the generality of the foregoing, Condor and its Subsidiaries shall be solely responsible for payment of all amounts at any time owing by Condor and its Subsidiaries with respect to the business, operations or property of Condor and its Subsidiaries, both before and after the Closing, whether accrued or contingent, known or unknown, other than the Assumed Liabilities. By way of example, CACI specifically assumes no liability for, and Condor and its Subsidiaries specifically retain sole responsibility for, the following, regardless of when discovered or asserted:

1.4.1. All medical, dental, life insurance, workers' compensation and other pension and welfare benefit obligations for all hourly and salaried employees of Condor and its Subsidiaries who terminated employment or retired since May 8, 2002 and before the Closing and were not hired as employees by CACI or another Subsidiary of Parent as of or within thirty (30) days after the Closing Date, and all such obligations for claims that were incurred or (with respect to workers' compensation) for injuries that occurred before the Closing;

1.4.2. All medical, dental, life insurance, workers' compensation and other pension and welfare benefit obligations for all hourly and salaried employees of Condor and its Subsidiaries who were not hired as employees by CACI or another Subsidiary of Parent as of or within thirty (30) days after the Closing Date and all such obligations for claims that were incurred by such employees or (with respect to workers' compensation) for injuries to such employees, regardless of whether the injuries occurred before or after the Closing;

1.4.3. All employee bonuses offered, promised, or otherwise owing as of the Closing to Condor employees related to performance incentives for sale of Condor's GSD business, provided for retention purposes, or related to performance not specifically connected to the GSD;

1.4.4. All employee claims made or incurred prior to the Closing, including equal employment opportunity or employment discrimination claims, claims for wrongful dismissal, and claims for breach of contract brought by employees against Condor, including the claims identified on Schedule 1.4.4;

1.4.5. Any and all taxes or tax-related liabilities incurred by Condor prior to the Closing;

1.4.6. Any Liens whatsoever on the Assigned Contracts or the Assets, apart from the Assumed Liabilities and Permitted Encumbrances;

1.4.7. Any claim or liability relating to the lease identified on Schedule 1.4.7;

1.4.8. Any Environmental Claim or any other claim relating to failure to comply before the Closing with any Environmental Permit or Environmental Law by Condor or its lessees, agents or representatives, occurring or in existence on or before the Closing;

1.4.9. Any claim relating to Condor's or its subsidiaries' failure to comply with the Conciliation Agreement between the U.S. Department of Labor and Computer Hardware Maintenance Corporation dated on or about December 7, 2000; and

1.4.10. The liabilities listed in Schedule 2.8.

1.5. Instruments of Transfer . The transfer of the Assigned Contracts and the Assets to be transferred to CACI at the Closing shall be effected by bills of sale, assignments and the other instruments of transfer as shall transfer to CACI full title to the Assigned Contracts and the Assets free and clear of all Liens whatsoever except the Assumed Liabilities and Permitted Encumbrances, all of which documents shall contain appropriate and customary warranties and covenants of title and shall be in form and substance acceptable to CACI and its counsel.

1.6. Purchase Price

1.6.1. **The Aggregate Purchase Price** . The aggregate purchase price (the "Purchase Price") to be paid by CACI for the transfer of the Assigned Contracts and the Assets shall be $16,000,000 (Sixteen Million Dollars), allocated in the manner specified in Schedule 1.6, in accordance with Section 4.12.1. All payments of the Purchase Price under this Section 1.6 shall be made by wire transfer to Condor.

1.6.2. **The Purchase Price Paid at the Closing** . At the Closing, CACI shall pay Condor $11,000,000 (Eleven Million Dollars) of the total Purchase Price or, if CACI shall have obtained the Insurance Policy and Condor shall have paid in full the premium for such Insurance Policy in accordance with Section 4.11.8, $13,000,000 (Thirteen Million Dollars).

1.6.3. **Escrow of the Remaining Purchase Price** . At the Closing, CACI shall deposit the Escrow Amount in an escrow account with a third party mutually acceptable to CACI and Condor, as escrow agent, pursuant to the terms and conditions of an escrow agreement (the "Escrow Agreement") substantially in the form attached hereto as Exhibit A , subject to such reasonable modifications as shall be proposed by such escrow agent and made with the consent of Parent, CACI and Condor, which consent shall not be unreasonably withheld. The "Escrow Amount" shall be $5,000,000 (Five Million Dollars) or, if CACI shall have obtained the Insurance Policy and Condor shall have paid in full the premium for such Insurance Policy in accordance with Section 4.11.8, $3,000,000 (Three Million Dollars).

1.7. Taxes . Condor shall pay all sales, use, transfer or documentary taxes, or stamps and filing fees arising out of or relating to the sale of the Assigned Contracts and the Assets to CACI hereunder that are imposed by any taxing authority, together with all other taxes that are imposed by any taxing authority with respect to the sale. It shall be the responsibility of Condor to see that all taxes are paid to the appropriate taxing authority in accordance with all applicable laws and regulations.

1.8. Closing

1.8.1. The closing of the purchase and sale of the Assigned Contracts, Assets and Assumed Liabilities (the "Closing") shall be held at 2:00 p.m. at the offices of Parent at 1100 North Glebe Road, Arlington, Virginia 22201 on August 15, 2002, or on such other date as shall

be one day before the beginning of the next biweekly payroll period of CACI commencing at least three (3) business days after all conditions to Closing have been satisfied or waived, or on such other date as the parties hereto may mutually agree upon. When the actions set forth herein are completed and the transaction is declared closed, the "Effective Time" shall be deemed to occur as of 12:01 a.m. on the next day following the Closing (the "Closing Date").

1.8.2. At the Closing,

(a) Condor, Louden, InVenture, MIS and FCC shall deliver to CACI, in such form and containing such terms and provisions as shall reasonably satisfy CACI and its counsel:

(i) A bill of sale substantially in the form of Exhibit B , an assignment and assumption agreement substantially in the form of Exhibit C and all other appropriate deeds, bills of sale, assignments and other instruments of conveyance, sale and transfer of title to the Assigned Contracts and the Assets (including any consents thereto by third parties necessary to make the same valid and effective), and confirmation of notices sent to third parties holding any such Assets;

(ii) An assignment of the Intellectual Property substantially in the form of Exhibit D and assignments of the Third-Party Licenses (including any consents thereto by third parties necessary to make the same valid and effective);

(iii) Such affidavits and certificates, from Condor and from such other essential parties (including any of Condor's Subsidiaries), as CACI shall reasonably deem necessary under applicable Treasury Department regulations to relieve CACI of any obligation to deduct and withhold any portion of the Purchase Price pursuant to Section 1445 of the Internal Revenue Code of 1986, as amended (the "Code");

(iv) Assignments of the Assigned Contracts and consents to such assignments including all documentation required under Part 42 of the Federal Acquisition Regulations to the extent then available and any other documents necessary to effect the assignment of the Assigned Contracts including opinions of counsel regarding the transfer of the assets;

(v) Duly executed subcontracts substantially in the form attached as Exhibit E hereto subcontracting to CACI the performance by Condor, Louden, InVenture, MIS and FCC of all the Assigned Contracts, each of such subcontracts remaining in effect until either (a) an assignment, with the consent of the Government, of the Assigned Contract to which the subcontract relates, or (b) a novation substituting CACI for Condor, Louden, InVenture, MIS or FCC, as the case may be, of the Assigned Contract to which the subcontract relates;

(vi) All originals and records of the Receivables and Orders;

(vii) The Asset Documents; and

(viii) Except for the consents, documentation and documents necessary from the Government to effect the assignment of the Assigned Contracts, all consents, approvals and waivers under any loan or other agreement of Condor or any of its Subsidiaries that are required to consummate this Agreement or the Related Agreements or any of the transactions contemplated hereby or thereby; and all filings, registrations, approvals, consents and authorizations by or with, and notifications to, all third parties (including governmental entities and authorities, domestic and foreign) required to consummate this Agreement or the Related Agreements, or any of the transactions contemplated hereby or thereby, which approvals and authorizations shall be effective and shall not have been suspended, revoked or stayed by action of any governmental entity or authority.

(b) CACI shall deliver to Condor, in such form and containing such terms and provisions as shall reasonably satisfy Condor and its counsel:

(i) CACI's written assumption of and agreement to perform the Assumed Liabilities in substantially the form attached as Exhibit C ;

(ii) Payment of the portion of the Purchase Price to be paid at the Closing in accordance with Section 1.6.2; and

(iii) Copies of all necessary consents of, and filings with, any governmental authority or agency or third party relating to the consummation by CACI of the transactions contemplated under this Agreement and the Related Agreements.

1.9. Additional Actions . If, at any time after the Closing, any further action is necessary or desirable to carry out the purposes of this Agreement or the Related Agreements, or to vest, perfect or confirm in CACI title to or ownership or possession of the Assigned Contracts and Assets acquired pursuant to this Agreement, the stockholders and the officers and directors of Condor and CACI are fully authorized in their name and in the name of their respective corporations or otherwise to take, and will take, all such lawful and necessary action, so long as such action is consistent with this Agreement.

Article II: Representations and Warranties of Condor

Except for those representations and warranties expressly set forth in this Agreement, Condor, Louden, InVenture, MIS and FCC make no representations or warranties, express or implied, at law or in equity, of any kind or nature whatsoever concerning the organization, business, assets, liabilities or operations of Condor and its Subsidiaries, and any such representations or warranties are hereby expressly disclaimed in full and for all time. Condor, Louden, InVenture, MIS and FCC jointly and severally represent and warrant to Parent and CACI as follows:

2.1. Corporate Status . Each of Condor, Louden, InVenture, MIS and FCC is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation, with the requisite corporate power to own, operate and lease its properties, and to

carry on its business as now being conducted. Except as set forth in Schedule 2.1, each of Condor, Louden, InVenture, MIS and FCC is duly qualified to do business as a foreign corporation and is in good standing in all jurisdictions in which the character of the properties owned or held under lease by it or the nature of the business transacted by it makes such qualification necessary.

2.2. Authority for Agreement . Each of Condor, Louden, InVenture, MIS and FCC has the full corporate power to own, lease and operate the properties and assets of the GSD and to conduct the business of the GSD as currently owned, leased, operated and conducted, to execute, deliver, and perform this Agreement and the Related Agreements, to consummate the transactions contemplated hereby and thereby, and to carry out its obligations hereunder and thereunder. The execution, delivery and performance by Condor, Louden, InVenture, MIS and FCC of this Agreement and the Related Agreements and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by the board of directors of each of Condor, Louden, InVenture, MIS and FCC, and no other corporate proceedings on the part of Condor, Louden, InVenture, MIS and FCC are necessary to authorize the execution, delivery and performance by Condor, Louden, InVenture, MIS and FCC of this Agreement and the Related Agreements and the consummation of the transactions contemplated hereby and thereby, other than the approval of Condor's stockholders. Condor's board of directors has determined that, subject to the fulfillment of the terms and conditions of this Agreement, the transactions contemplated by this Agreement and the Related Agreements are in the best interests of Condor's stockholders. The board of directors of each of Louden, InVenture, MIS and FCC has determined that, subject to the fulfillment of the terms and conditions of this Agreement, the transactions contemplated by this Agreement and the Related Agreements are in the best interests of Condor. This Agreement has been duly executed and delivered by Condor, Louden, InVenture, MIS and FCC and constitutes valid and binding obligations of Condor, Louden, InVenture, MIS and FCC, enforceable against each of them in accordance with its terms, subject to the qualification that enforcement of the rights and remedies created hereby is subject to (a) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws of general application affecting the rights and remedies of creditors and (b) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law). When executed and delivered at the Closing, the Related Agreements will be duly executed and delivered by Condor, Louden, InVenture, MIS and FCC and will constitute valid and binding obligations of Condor, Louden, InVenture, MIS and FCC, enforceable against each of them in accordance with their respective terms, subject to the qualification that enforcement of the rights and remedies created thereby is subject to (a) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws of general application affecting the rights and remedies of creditors and (b) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

2.3. Governmental Authorization . Except as set forth on Schedule 2.3, the execution, delivery and performance by Condor, Louden, InVenture, MIS and FCC of this Agreement and the Related Agreements and the consummation by Condor, Louden, InVenture, MIS and FCC of the transactions contemplated hereby and thereby require no material action (including authorizations, notices to third parties, consents, approvals, licenses, orders, permits or declarations) by or in respect of, or material filing with, any governmental body, agency,

official or authority, domestic or foreign (other than governmental consents, novations and assignments required to transfer the Assigned Contracts to CACI).

2.4. No Default or Violation . Except as set forth in Schedule 2.4, the execution, delivery and performance by Condor, Louden, InVenture, MIS and FCC of this Agreement and the Related Agreements and the consummation by Condor, Louden, InVenture, MIS and FCC of the transactions contemplated hereby and thereby do not and will not (a) conflict with or result in a violation of any provision of the certificate of incorporation or by-laws or other organizational documents of Condor, Louden, InVenture, MIS and FCC, or (b) with or without the giving of notice or the lapse of time, or both, conflict with, or result in any violation or breach of or constitute a default under, or require the consent of any other party to, or result in any right to accelerate or the creation of any Lien on any of the Assigned Contracts or Assets pursuant to, or right of termination under, any provision of any note, mortgage, indenture, lease, license, agreement or other instrument, permit, concession, grant, franchise, judgment, order, decree, statute, law, ordinance, rule or regulation to which Condor or any of its Subsidiaries is a party or by which Condor or any of its Subsidiaries or any of their respective assets or properties may be bound or which is applicable to Condor or any of its Subsidiaries or any of their respective assets or properties, other than any such note, mortgage, indenture, lease, license, agreement or other instrument involving less than $5,000.

2.5. SEC Filings

2.5.1. Condor has filed all forms, reports and documents required to be filed with the SEC since January 1, 1999 (the “Filed SEC Documents”).

2.5.2. As of the filing date, each Filed SEC Document complied as to form in all material respects with the applicable requirements of the 1933 Act and the 1934 Act, as the case may be.

2.5.3. As of its filing date (or, if amended or superseded by a filing prior to the date hereof, as so amended or superseded, on the date of such filing), each Filed SEC Document filed pursuant to the 1934 Act did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

2.5.4. Each Filed SEC Document that is a registration statement, as amended or supplemented, if applicable, filed pursuant to the 1933 Act, as of the date such statement or amendment became effective, did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

2.6. Financial Statements

2.6.1. The audited consolidated financial statements and unaudited consolidated interim financial statements of Condor included in its annual report on Form 10-K for the year ended December 31, 2001 and in its quarterly report on Form 10-Q for the three-month period ended March 31, 2002 fairly present in all material respects, in conformity with generally accepted accounting principles (“GAAP”) applied on a consistent basis (except as may be

indicated in the notes thereto), the consolidated financial position of Condor and its consolidated Subsidiaries as of the dates thereof and their consolidated results of operations and cash flows for the periods then ended (subject to normal year-end adjustments in the case of any unaudited interim financial statements), except that the notes and disclosures therein in Condor's quarterly reports on Form 10-Q have not been prepared in accordance with GAAP.

2.6.2. Condor has delivered to CACI a consolidated balance sheet of the GSD as of May 31, 2002 (including the notes thereto, the "Interim Balance Sheet") with a net book value of $1,232,782, and consolidated statements of income of the GSD for the twelve months ended December 31, 2001 and for the three months ended March 31, 2002 (together with the Interim Balance Sheet, the "GSD Unaudited Financial Statements"). The GSD Unaudited Financial Statements fairly present in all material respects, in conformity with GAAP applied on a consistent basis (except as may be indicated in the notes thereto and except for normal year-end adjustments which are not, individually or in the aggregate, reasonably expected to be material to the GSD taken as a whole), the consolidated financial position of the GSD as of May 31, 2002 and the consolidated results of operations of the GSD for the three months ended March 31, 2002. No later than 20 days after the Closing, Condor shall deliver to CACI a final consolidated balance sheet as of the Closing Date, prepared in conformity with GAAP applied on the same basis used for the preparation of the Interim Balance Sheet (the "Final Balance Sheet"), which will fairly present the financial condition of the GSD and reflect a net book value of not less than $1,232,782. The GSD Unaudited Financial Statements have been, and the Final Balance Sheet will be, prepared from and in accordance with the accounting records of Condor.

2.6.3. Except as stated in Schedule 1.3.1, none of the trade payables described in Section 1.3.1 is more than 60 days old.

2.7. Absence of Material Adverse Changes . Except as disclosed in the Filed SEC Documents or in Schedule 2.7 to this Agreement, since March 31, 2002 Condor has conducted the business of the GSD only in the ordinary course of business and consistent with past practice, and there has not occurred or arisen, whether or not in the ordinary course of business, any material adverse change in the business, operations, assets, financial condition, results of operations or properties of the GSD (a "Condor Material Adverse Effect"). Specifically, since March 31, 2002, Condor has not:

2.7.1. encountered any labor union organizing activity material to the business, operations, assets, financial condition, results of operations, properties or prospects of the GSD, had any strike, work stoppage, slowdown or lockout by the employees of the GSD, or any substantial threat of any imminent strike, work stoppage, slowdown or lockout by the employees of the GSD, or had any adverse change in its relations with the employees, agents, customers or suppliers of the GSD or any governmental or regulatory authorities, that, in any of the foregoing cases, has had or could reasonably be expected to have, individually or in the aggregate, a Condor Material Adverse Effect;

2.7.2. transferred or granted any rights under, or entered into any settlement regarding the breach or infringement of, any United States or foreign intellectual property used in connection with the performance or reasonably necessary to continue the performance of the

Assigned Contracts, or modified any existing rights with respect thereto, other than in the ordinary course of business and consistent with past practice;

2.7.3. waived or permitted to lapse any claims or rights of substantial value to the GSD;

2.7.4. except as set forth on Schedule 2.7.4, paid, loaned or advanced any amount to, or sold, transferred or leased any properties or assets (real, personal or mixed, tangible or intangible) to, or entered into any agreement or arrangement with, any officer, director, "affiliate," officer of an "affiliate," director of an "affiliate," "associate" of an officer, "associate" of a director, or "associate" of an "affiliate" (as such terms are defined in the rules and regulations of the Securities and Exchange Commission), who exercised senior managerial responsibility with respect to the GSD, except for normal business advances to employees in the ordinary course of business consistent with past practice and except for advances or payments between Condor and any of its Subsidiaries; or

2.7.5. agreed, whether in writing or otherwise, to take any action described in this Section 2.7.

2.8. Absence of Undisclosed Liabilities . Except as set forth on Schedule 2.8, Condor has no material liabilities or obligations, fixed, accrued, contingent or otherwise ("Obligations"), that are not fully reflected or provided for on, or disclosed in the notes to, the Interim Balance Sheet, except (i) Obligations incurred in the ordinary course of business since the date of the Interim Balance Sheet, none of which individually or in the aggregate has had or could reasonably be expected to have a Condor Material Adverse Effect, (ii) Obligations permitted or contemplated by this Agreement, and (iii) Obligations expressly disclosed on the Schedules delivered hereunder.

2.9. Title to Assets; Condition . Condor and its Subsidiaries have good record and marketable title to, or a valid leasehold interest in, all of the Assets. None of the Assets is subject to any Lien, except for Liens set forth in Schedule 2.9 or Permitted Encumbrances. All of the Assets are in good operating condition and repair (ordinary wear and tear excepted).

2.10. Insurance . No written notice has been received by Condor from any insurance company that has issued a policy with respect to any of the Assets or from any board of fire underwriters (or other body exercising similar functions) claiming any defects or deficiencies or requesting the performance of any repairs, alterations or other work relating to the Assets.

2.11. Receivables . All of the Receivables are good, valid and existing accounts and all represent an undisputed, bona fide sale and delivery of goods or services. The Receivables (less the allowance for doubtful accounts shown on the face of the Interim Balance Sheet, which allowance was established in the ordinary course of business consistent with past practice and in accordance with GAAP (the "Allowance for Doubtful Accounts")) are collectible in the amount shown in the ordinary course of business. Condor, Louden, InVenture, MIS or FCC has good and marketable title to all of the Receivables, free and clear of all Liens except for Liens set forth in Schedule 2.9 and Permitted Encumbrances. The terms of all such Receivables permit Condor, Louden, InVenture, MIS or FCC, as the case may be, to factor, assign, transfer and sell such

Receivables without restriction, whether as security for loans or otherwise. Except to the extent of the Allowance for Doubtful Accounts, no Receivable is subject to any defense, counterclaim, set-off, discount, dispute or condition of any nature. In the case of Receivables arising since the date of the Interim Balance Sheet, any additional allowance in respect thereof has been calculated in a manner consistent with the Allowance for Doubtful Accounts.

2.12. Assigned Contracts . Condor and its Subsidiaries have delivered to CACI or made available to CACI a true and complete copy of each of the Assigned Contracts and all amendments thereto. All Assigned Contracts are in full force and effect, and neither Condor nor any of its Subsidiaries has received any notice of default, nor is Condor or any of its Subsidiaries in default, nor, to Condor's Knowledge, does any condition exist which with notice or the lapse of time, or both, will render Condor in default, under any of the Assigned Contracts. Except as set forth on Schedule 2.12, all the Assigned Contracts are fully assignable to CACI. Neither Condor nor any of its Subsidiaries has been informed by another party to any of the Assigned Contracts, including the Government, that such other party will not approve or consent to the assignment of any of the Assigned Contracts or will otherwise prohibit or materially restrict the assignment of any of the Assigned Contracts. To Condor's Knowledge, the other parties to the Assigned Contracts are in compliance with all material terms and conditions of the Assigned Contracts. No party to an Assigned Contract has notified Condor, Louden, InVenture , MIS or FCC of its intention to terminate or materially change in a manner adverse to Condor, Louden, InVenture, MIS, FCC or CACI the nature of its transaction or relationship with Condor, Louden, InVenture, MIS, FCC or CACI under any such Assigned Contract. Except as set forth on Schedule 2.12, neither Condor nor any of its Subsidiaries has performed any work under any of the Assigned Contracts with clients that is in excess of funding currently available, is beyond the period of performance or is outside the scope of work, as documented in said contracts.

2.13. Unclaimed Property . The Assets do not include any assets that may constitute unclaimed property under applicable law. Condor has complied in all material respects with all applicable unclaimed property laws. Without limiting the generality of the foregoing, Condor has established and followed procedures to identify any unclaimed property and, to the extent required by applicable law, remit such unclaimed property to the applicable governmental authority. The Asset Documents are adequate to permit a governmental agency or authority or other outside auditor to confirm the foregoing representations.

2.14. Completeness of Documentation . Except for the Excluded Assets and such assets as are clearly immaterial to the GSD, the Schedules referred to in Section 1.1 describe all outstanding proposals, tangible assets, intellectual property, tools, third-party licenses, prepaid assets, receivables, leased properties, leased equipment, government furnished property, agency, brokerage, distributorship, dealer, franchise, license and other agreements, customer orders, deposits and payments, books and records and other rights and assets of Condor and its Subsidiaries used in connection with the performance or reasonably necessary to continue the performance of the Assigned Contracts.

2.15. Compliance with Applicable Law . Except as set forth in Schedule 2.15, Condor and its Subsidiaries have all requisite licenses, permits and certificates from all foreign, federal, state and local authorities necessary to perform the Assigned Contracts and to conduct the business of the GSD as presently conducted, and to lease and operate the Leased Properties.

Condor and its Subsidiaries have performed the Assigned Contracts in compliance with all applicable laws, statutes, ordinances, regulations, rules, judgments, decrees, orders, permits, licenses, grants or other authorizations of any court or of any governmental entity or authority. Without limiting the generality of the foregoing, Condor and its Subsidiaries have conducted the business of the GSD in material compliance with all applicable laws, statutes, ordinances, regulations, rules, judgments, decrees, orders, permits, licenses, grants or other authorizations of any court or of any governmental entity or authority. There are no proceedings in progress, pending or threatened, that could reasonably be expected to result in revocation, cancellation, suspension, or any material adverse modification with respect to such licenses, permits and certificates. Neither Condor nor any of its Subsidiaries is in default or violation of any provision of its charter documents or its by-laws.

2.16. Litigation

2.16.1. There is no action of any kind, pending or, to Condor's Knowledge, threatened, at law or in equity, by or before any court, arbitrator, or governmental entity or authority, that involves, affects, or relates to the GSD that either singly or in the aggregate could reasonably be expected to have a Condor Material Adverse Effect, nor has any governmental entity or other party indicated to Condor or any of its Subsidiaries an intention to conduct the same;

2.16.2. to Condor's Knowledge, there are no facts that could reasonably be expected to serve as the basis or ground for any such action; and

2.16.3. neither Condor nor any of its Subsidiaries, directors, officers, employees or properties is subject to any presently effective order, writ, injunction, decree or judgment of any court, arbitrator, or governmental entity or authority affecting the GSD.

2.17. Tax Matters

2.17.1. **Filing of Returns** . Except as provided on Schedule 2.17, no claim has ever been made by an authority in a jurisdiction where Condor or any of its Subsidiaries does not file Tax Returns that it is or may be subject to taxation by that jurisdiction, and there are no Liens on any of the assets of Condor or any of its Subsidiaries that arose in connection with any failure (or alleged failure) to pay any Tax, except for Permitted Encumbrances.

2.17.2. **Payment of Taxes** . Condor and its Subsidiaries have withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party.

2.18. Employee Benefit Plans; Compliance with ERISA

2.18.1. **List of Plans** . Schedule 2.18 hereto contains a correct and complete list of all pension, profit sharing, retirement, deferred compensation, welfare, legal services, medical, dental or other employee benefit or health insurance plans, life insurance or other death benefit plans, disability, stock option, stock purchase, stock compensation, bonus, vacation pay, severance pay and other similar plans, programs or agreements, whether written or unwritten, and every material written or unwritten personnel policy, relating to any persons employed in the

GSD or in which any person employed in the GSD is eligible to participate and which is currently maintained by Condor or any ERISA Affiliate with respect to the GSD (collectively, the "Condor Plans"). Condor does not sponsor a "defined benefit plan" as defined in Section 3 (35) of ERISA, nor does it have a current or contingent obligation to contribute to any multiemployer plan (as defined in Section 3(37) of ERISA.

2.18.2. **ERISA** . Neither Condor nor any ERISA Affiliate of Condor has incurred any "withdrawal liability" calculated under Section 4211 of ERISA and there has been no event or circumstance which would cause them to incur any such liability. Except as set forth on Schedule 2.18, neither Condor nor any ERISA Affiliate of Condor has ever maintained a Condor Plan providing health or life insurance benefits to former employees of the GSD, other than as required pursuant to Section 4980B of the Code or to any state law conversion rights. Neither Condor nor any ERISA Affiliate has any material actual or contingent liability with respect to any plan currently or previously subject to Title IV of ERISA; and no proceedings to terminate any such currently-maintained plan have been instituted within the meaning of Subtitle C of Title IV of ERISA.

2.18.3. **Plan Determinations** . Each Condor Plan in which any person employed in the GSD is eligible to participate and which is intended to qualify under Section 401(a) of the Code (the "Qualified Plans") has been determined by the Internal Revenue Service to so qualify (or a determination application request has been submitted in respect of such plan, and Condor has no reason to expect that the request will be denied), and the trusts created thereunder have been determined to be exempt from tax under Section 501(a) of the Code; copies of all determination letters have been delivered to Parent, and nothing has occurred since the date of such determination letters which might cause the loss of such qualification or exemption. Condor has made available to Parent complete copies, as of the date hereof, of all of the Qualified Plans and any related trusts, copies of the current Qualified Plan summaries and copies of the Form 5500 filed with respect to each Qualified Plan for the prior three years.

2.18.4. **Compliance** . Except as set forth on Schedule 2.18:

(a) there are no actions, liens, suits or claims (other than routine claims for benefits) pending or to Condor's Knowledge, threatened with respect to any Condor Plan; and

(b) each Condor Plan that is a "group health plan" (as defined in Section 607(1) of ERISA) has been operated at all times in substantial compliance with the provisions of COBRA and any applicable, similar state law with respect to employees of the GSD.

2.19. Employment-Related Matters

2.19.1. **Labor Relations** . Except to the extent set forth on Schedule 2.19.1 hereto: (a) Neither Condor nor any of its Subsidiaries is a party to any collective bargaining agreement or other contract or agreement with any labor organization or other representative of any of the employees of Condor or its Subsidiaries; (b) there is no labor strike, dispute, slowdown, work stoppage or lockout that is pending or to Condor's Knowledge, threatened

against or otherwise affecting Condor or any of its Subsidiaries, and neither Condor nor any of its Subsidiaries has experienced the same; (c) neither Condor nor any of its Subsidiaries has closed any plant or facility, effectuated any layoffs of employees or implemented any early retirement or separation program at any time, nor has Condor or any of its Subsidiaries planned or announced any such action or program for the future with respect to which Condor or any of its Subsidiaries has any material liability; and (d) on or before the Closing Date all salaries, wages, bonuses, commissions and other compensation due from Condor or any of its Subsidiaries to its GSD employees before the Closing Date will be paid.

2.19.2. **Employee List** . Attached hereto as Schedule 2.19.2 is a list (the "Employee List") dated as of June 21, 2002 containing the name of each employee of the GSD and each such employee's position, starting employment date and annual salary. The Employee List is correct and complete as of the date of the Employee List. No third party has asserted any claim or to Condor's Knowledge has any reasonable basis to assert any valid claim, against Condor that either the continued employment by, or association with, Condor or any of its Subsidiaries of any of the present officers of Condor or any of its Subsidiaries, or employees of, or consultants to, the GSD, contravenes any agreements or laws applicable to unfair competition, trade secrets or proprietary information.

2.19.3. **Compensation of Key Employees** . Schedule 2.19.3 sets forth a complete and accurate list of the compensation and benefits of the Key Employees.

2.20. Environmental

2.20.1. **Environmental Laws** . Except for matters which, individually or in the aggregate, could not reasonably be expected to have a Condor Material Adverse Effect, (a) Condor and its Subsidiaries are in compliance with all applicable Environmental Laws in effect on the date hereof; (b) neither Condor nor any of its Subsidiaries has received any written communication that alleges that Condor or any of its Subsidiaries is not in compliance in all material respects with all applicable Environmental Laws in effect on the date hereof; (c) there are no circumstances that may prevent or interfere with compliance in the future with all applicable Environmental Laws; (d) all material Environmental Permits and other governmental authorizations currently held by Condor or any of its Subsidiaries pursuant to the Environmental Laws are in full force and effect, Condor and its Subsidiaries are in compliance with all of the terms of such Permits and authorizations, and no other such Permits or authorizations are required by Condor or any of its Subsidiaries for the conduct of its and their business on the date hereof; and (e) the management, handling, storage, transportation, treatment, and disposal by Condor and its Subsidiaries of all Materials of Environmental Concern has been in compliance with all applicable Environmental Laws.

2.20.2. **Environmental Claims** . Except as set forth on Schedule 2.20 hereto, there is no Environmental Claim pending or to Condor's Knowledge threatened against or involving Condor or any of its Subsidiaries or against any person or entity whose liability for any Environmental Claim Condor or any of its Subsidiaries has or may have retained or assumed either contractually or by operation of law.

2.20.3. **No Basis for Claims** . Except for matters which, individually or in the aggregate, could not reasonably be expected to have a Condor Material Adverse Effect there are no past, to Condor's Knowledge, or present actions or activities by Condor or any of its Subsidiaries, or any circumstances, conditions, events or incidents, including the storage, treatment, release, emission, discharge, disposal or arrangement for disposal of any Material of Environmental Concern, whether or not by Condor or any of its Subsidiaries, that could reasonably form the basis of any Environmental Claim against Condor or any of its Subsidiaries or against any person or entity whose liability for any Environmental Claim Condor or any of its Subsidiaries may have retained or assumed either contractually or by operation of law, including the storage, treatment, release, emission, discharge, disposal or arrangement for disposal of any Material of Environmental Concern or any other contamination or other hazardous condition, related to the premises at any time occupied by Condor or any of its Subsidiaries.

2.21. Finders' Fees . Except as set forth on Schedule 2.21, there is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of Condor or any of its Subsidiaries who might be entitled to any material fee or commission from Condor or any of its Subsidiaries in connection with the transactions contemplated by this Agreement.

2.22. Real Property

2.22.1. Neither Condor nor any of its Subsidiaries owns any real property related to the business of the GSD.

2.22.2. Schedule 1.1.8 sets forth a true, correct and complete list as of the date hereof of all the Leased Property. True, correct and complete copies of the related Leases, and all amendments, modifications and supplemental agreements thereto (the "Leases") are being delivered by Condor and its Subsidiaries to CACI contemporaneously herewith. The Leases grant leasehold estates free and clear of all Liens granted by or caused by the actions of Condor or any of its Subsidiaries, and Condor and its Subsidiaries enjoy a right of quiet possession as against any Lien. The Leases are in full force and effect, and are binding and enforceable against each of the parties thereto in accordance with their respective terms. No party to any Lease has sent written notice to the other claiming that such party is in default thereunder, which default remains uncured. To Condor's Knowledge, there has not occurred any event that would constitute a breach of or default in the performance of any material covenant, agreement or condition contained in any Lease, nor has there occurred any event that with the passage of time or the giving of notice or both would constitute such a breach or material default. Neither Condor nor any of its Subsidiaries is obligated to pay any leasing or brokerage commission relating to any Lease nor will have any enforceable obligation to pay any leasing or brokerage commission upon the renewal of any Lease. No material construction, alteration or other leasehold improvement work with respect to any of the Leases remains to be paid for or to be performed by Condor or any of its Subsidiaries.

2.22.3. Neither Condor nor any of its Subsidiaries is in material violation of any law, regulation or ordinance (including laws, regulations or ordinances relating to building, zoning, environmental, city planning, land use or similar matters) relating to the Leased Properties. To Condor's Knowledge, there are no proceedings materially affecting the present or

future use of the Leased Properties for the purposes for which they are used or the purposes for which they are intended to be used. All buildings, structures and fixtures used by Condor or any of its Subsidiaries in connection with the GSD are in good operating condition and repair.

2.22.4. Condor and its Subsidiaries have access to the Leased Properties whether owned or leased, by way of public ways or valid easements or rights of way sufficient to conduct the business of the GSD as presently conducted.

2.23. Agreements, Contracts and Commitments

2.23.1. Except as disclosed in Schedule 2.23.1, neither Condor nor any of its Subsidiaries is a party to any of the following, whether written or, to Condor's Knowledge, oral:

(a) any agreement for personal services or employment for the GSD that is not terminable on 30 days' (or less) notice by Condor or any of its Subsidiaries without penalty or obligation to make payments related to such termination;

(b) any agreement of guarantee or indemnification relating to the GSD in an amount that is material to the GSD;

(c) any agreement or commitment containing a covenant limiting or purporting to limit the freedom of Condor or any of its Subsidiaries to compete with any person in any geographic area or to engage in any line of business;

(d) any joint venture agreement or profit-sharing agreement relating to the GSD (other than employee benefit plans);

(e) except for trade indebtedness incurred in the ordinary course of business, any loan or credit agreements providing for the extension of credit to Condor or its Subsidiaries relating to the GSD or any instrument evidencing or related in any way to indebtedness incurred in the acquisition of companies or other entities or indebtedness for borrowed money relating to the GSD by way of direct loan, sale of debt securities, purchase money obligation, conditional sale, guarantee, or otherwise that individually is in the amount of $5,000 or more;

(f) any license agreement, either as licensor or licensee, or agency, brokerage, distributor, dealer, franchise or other similar agreement or commitment relating to the GSD;

(g) any contract or agreement relating to the GSD for the future sale by Condor or any of its Subsidiaries of materials, products, services or supplies that involves the payment to Condor or its Subsidiaries of more than $50,000 or continues for a period of more than twelve months (including periods covered by any option to renew by either party), other than warranties and service agreements entered into with respect to products sold in the ordinary course of business and consistent with past practice;

(h) any agreement or arrangement relating to the GSD providing for the payment of any commission based on sales other than to employees of Condor or any of its Subsidiaries;

(i) any contract or agreement relating to the GSD for the future purchase by Condor or any of its Subsidiaries of any materials, equipment, services, or supplies, that either provides for payments in excess of $50,000 and cannot be terminated by it without penalty upon less than three months' notice or was not entered into in the ordinary course of business;

(j) any agreement relating to the GSD that provides for the sale of goods or services that will result in a loss as a result of costs already incurred or expected to be incurred to complete the agreement;

(k) any agreement relating to the GSD with any third party for such third party to develop any intellectual property or other asset expected to be used or currently used or useful in the GSD;

(l) any contract or agreement relating to the GSD that provides for payment to Condor or any of its Subsidiaries of more than $10,000 and provides any discount other than pursuant to Condor's standard discount terms;

(m) any agreement or commitment for the acquisition, construction or sale of fixed assets owned or to be owned by Condor or any of its Subsidiaries;

(n) any agreement or commitment relating to the GSD, not elsewhere specifically disclosed pursuant to this Agreement, to which present or former directors, officers or "affiliates" (as defined in the rules and regulations promulgated under the Securities Act) of Condor or any of its Subsidiaries or any of their "associates" (as defined in the rules and regulations promulgated under the Securities Act) are parties, provided that only such agreements or commitments are required to be described herein as are required to be disclosed under the proxy rules and regulations promulgated under the Exchange Act;

(o) any agreement or arrangement relating to the GSD for the sale of any of the assets, properties or rights of Condor or any of its Subsidiaries (other than in the ordinary course of business) or for the grant of any preferential rights to purchase any of its assets, properties or rights or that requires the consent of any third party to the transfer and assignment of any of its assets, properties or rights of Condor or any of its Subsidiaries;

(p) any contract or agreement relating to the GSD not described above involving the payment or receipt by Condor or any of its Subsidiaries of more than $10,000 other than contracts or agreements in the ordinary course of business for the purchase of inventory, supplies or services or for the sale of current requirements and consistent with past practice, or for the sale or lease of finished goods or services in the ordinary course of business and consistent with past practice; or

(q) any contract or agreement relating to the GSD not described above that was not made in the ordinary course of business and that is material to the business, operations, assets, financial condition, results of operations, properties or prospects of the GSD.

2.23.2. Except as listed in Schedule 2.23.2, all agreements, contracts, plans, leases, instruments, arrangements, licenses and commitments related to the GSD are valid and in full force and effect. Neither Condor nor any of its Subsidiaries has, nor, to Condor's Knowledge, has any other party thereto, breached any provision of, or defaulted under the terms of, nor are there any facts or circumstances that would reasonably indicate that Condor or any of its Subsidiaries will or may be in such breach or default under, any such contract, agreement, instrument, arrangement, commitment, plan, lease or license, which breach or default has or could reasonably be expected to have a Condor Material Adverse Effect.

2.23.3. Schedule 2.23.3 correctly identifies each of the agreements, contracts, plans, leases, instruments, arrangements, licenses and commitments related to the GSD which: (a) contains provisions that would be materially and adversely affected by this Agreement, and/or (b) requires the consent of a third party to the Agreement in order to assign the contract.

2.24. Absence of Certain Payments . Neither Condor nor any of its Subsidiaries, nor to Condor's Knowledge any director, officer, agent, employee or other person associated with or acting on behalf of any of them has used any funds of Condor or any of its Subsidiaries for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, or made any direct or indirect unlawful payments to government officials or employees from corporate funds, or established or maintained any unlawful or unrecorded funds, or violated any provisions of the Foreign Corrupt Practices Act of 1977 or any rules or regulations promulgated thereunder.

2.25. Intellectual Property

2.25.1. **Right to Intellectual Property** . Except as set forth on Schedule 2.25, Condor is the sole and exclusive owner or registrant of, with all right, title and interest in and to (free and clear of any and all Liens other than Permitted Encumbrances), the Intellectual Property, and has sole and exclusive rights (and is not contractually obligated to pay any compensation to any third party in respect thereof) to the use thereof in connection with the services or products in respect of which the Intellectual Property is being used. No claims with respect to the Intellectual Property have been asserted or, to Condor's Knowledge, are threatened by any person nor are there any valid grounds for any bona fide claims challenging the ownership by Condor or its Subsidiaries, or the validity or effectiveness, of the Intellectual Property. All material registered trademarks, service marks and copyrights included in the Intellectual Property are valid and subsisting in the jurisdictions in which they have been filed. To Condor's Knowledge, there is no material unauthorized use, infringement or misappropriation of the Intellectual Property by any third party, including any employee or former employee of Condor or any of its Subsidiaries. No Intellectual Property or product or service of the GSD is subject to any outstanding decree, order, judgment or stipulation restricting in any manner the licensing thereof by Condor or any of its Subsidiaries. The products, packaging and

documentation of the GSD contain copyright notices sufficient to maintain copyright protection on the copyrighted portions of the products or services of the GSD.

2.25.2. **Third-Party Licenses** . Condor has delivered to CACI or made available to CACI a true and complete copy of each of the Third-Party Licenses and all amendments thereto. All Third-Party Licenses are valid licenses from the manufacturer or a dealer authorized to execute and deliver such Third-Party Licenses, free and clear of any claims or rights of any third parties, and are in full force and effect. Condor has not been infringing upon any rights in the Third-Party Licenses of any other Person. Condor has not received any notice of default, nor is it in default, nor, to Condor's Knowledge, does any condition exist which with notice or the lapse of time, or both, will render Condor in default under any of the Third-Party Licenses. Except as disclosed in this Article II, the execution, delivery and performance of this Agreement and the Related Agreements by Condor and its Subsidiaries, and the consummation of the transactions contemplated hereby and thereby, will not cause Condor nor any of its Subsidiaries to be in violation or default under any Third-Party License, nor entitle any other party to any Third-Party License to terminate or modify such Third-Party License. Except as set forth in Schedule 2.25, all the Third-Party Licenses are assignable to CACI, without notice to, or the written consent of, any other Person. No party to a Third-Party License has notified Condor or any of its Subsidiaries of its intention to terminate or materially change in a manner adverse to Condor, any of its Subsidiaries or CACI the nature of its transaction or relationship with Condor, any of its Subsidiaries or CACI under any such Third-Party License.

2.25.3. **Commercial Software** . Schedule 2.25 sets forth a list of the commercial software used in the GSD or resident on any of the Assets, together with the number of licenses therefor. No representation or warranty is made herein with respect to the transferability to CACI of the software listed on Schedule 2.25 and designated as "commercial."

2.25.4. **No Infringement** . Neither Condor nor any of its Subsidiaries currently market any software products. No claims have been asserted or to Condor's Knowledge are threatened by any Person, nor are there any valid grounds for any bona fide claims, (a) to the effect that the manufacture, sale, licensing or use of any of the products or services of the GSD as now manufactured, sold or licensed or used or proposed for manufacture, use, sale or licensing by Condor or any of its Subsidiaries infringes on any patent, copyright, trademark, service mark or trade name, or any other Intellectual Property or involves any misappropriation of any trade secret, or (b) seeking to prohibit the use by Condor or any of its Subsidiaries of any patents, copyrights, trademarks, service marks, trade names, trade secrets, technology, know-how or computer software programs and applications or any other Intellectual Property used in the conduct of the GSD's business as currently conducted or as proposed to be conducted by Condor or any of its Subsidiaries.

2.26. Interests of Officers . None of the officers or directors of Condor or any of its Subsidiaries has any interest in any property, real or personal, tangible or intangible, including Intellectual Property used in or pertaining to the business of Condor or that of its Subsidiaries, except for the normal rights of a shareholder, and except for rights under existing employee benefit plans.

2.27. Employee Agreements . To Condor's Knowledge, no employee, officer or consultant of the GSD is in violation of any term of any employment or consulting contract, proprietary information and inventions agreement, non-competition agreement, or any other contract or agreement relating to the relationship of any such employee, officer or consultant with Condor, any of its Subsidiaries, or any previous employer. No such employee, officer or consultant has been debarred from performing contracts or otherwise providing services to or for the benefit of the United States or any other governmental entity.

2.28. No Misrepresentations . No representation or warranty by Condor or any of its Subsidiaries in this Agreement, nor any statement, certificate or schedule furnished or to be furnished by or on behalf of Condor or any of its Subsidiaries pursuant to this Agreement nor any document or certificate delivered to CACI pursuant to this Agreement, when taken together with the foregoing, contains or shall contain any untrue statement of material fact or omits or shall omit to state a material fact necessary to make the statements, in light of the circumstances in which they were made, not misleading.

2.29. Proxy Statement . The information supplied by Condor for inclusion in the proxy statement and prospectus as amended or supplemented (the "Proxy Statement") to be sent to the stockholders of Condor in connection with their meeting to consider the acquisition that is the subject of this Agreement (the "Condor Meeting") shall not, on the date the Proxy Statement is first mailed to Condor's stockholders, at the time of the Condor Meeting and at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not false or misleading; or omit to state any material fact necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the Condor Meeting that has become false or misleading. The Proxy Statement will comply as to form with the provisions of the Exchange Act and the rules and regulations thereunder. If at any time prior to the Effective Time any event relating to Condor or any of its affiliates, officers or directors should be discovered by Condor which should be set forth in an amendment or a supplement to the Proxy Statement, Condor shall promptly inform CACI. Notwithstanding the foregoing, Condor makes no representation or warranty with respect to any information supplied by Parent or CACI that is contained in any of the foregoing documents.

Article III: Representations and Warranties of Parent and CACI

Parent and CACI jointly and severally represent and warrant to Condor as follows:

3.1. Corporate Status . Each of Parent and CACI is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Each of Parent and CACI is duly qualified to do business as a foreign corporation and is in good standing in all jurisdictions in which the character of the properties owned or held under lease by it or the nature of the business transacted by it makes such qualification necessary, except where failure to be so qualified would not have a material adverse effect on the business, operations, assets, financial condition, results of operations or properties of Parent or CACI.

3.2. Authority for Agreement . Each of Parent and CACI has the full corporate power to execute, deliver and perform this Agreement and the Related Agreements, to consummate the transactions contemplated hereby and thereby, and to carry out its obligations hereunder and thereunder. The execution, delivery and performance by Parent and CACI of this Agreement and the Related Agreements and the consummation by Parent and CACI of the transactions contemplated hereby and thereby have been duly and validly authorized by the board of directors of each of Parent and CACI, and no other corporate proceedings on the part of Parent or CACI, including stockholder approval, are necessary to authorize the execution, delivery and performance by Parent and CACI of this Agreement and the Related Agreements and the consummation by Parent and CACI of the transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by Parent and CACI and constitutes a valid and binding obligation of Parent and CACI, enforceable against each of them in accordance with its terms, subject to the qualification that enforcement of the rights and remedies created hereby is subject to (a) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws of general application affecting the rights and remedies of creditors and (b) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law). When executed and delivered at the Closing, the Related Agreements will be duly executed and delivered by Parent and CACI and will constitute valid and binding obligations of Parent and CACI, enforceable against each of them in accordance with their respective terms, subject to the qualification that enforcement of the rights and remedies created thereby is subject to (a) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws of general application affecting the rights and remedies of creditors and (b) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

3.3. No Default or Violation . The execution, delivery and performance by Parent and CACI of this Agreement and the Related Agreements and the consummation by Parent and CACI of the transactions contemplated hereby and thereby do not and will not (i) conflict with or result in a violation of any provision of the certificate of incorporation or by-laws or other organizational documents of Parent or CACI, or (ii) with or without the giving of notice or the lapse of time, or both, conflict with, or result in any violation or breach of or constitute a default under, or require the consent of any other party to, or result in any right to accelerate or the creation of any Lien pursuant to, or right of termination under, any provision of any note, mortgage, indenture, lease, license, agreement or other instrument, permit, concession, grant, franchise, judgment, order, decree, statute, law, ordinance, rule or regulation to which Parent or CACI is a party or by which either of them or any of their respective assets or properties may be bound or which is applicable to either of them or any of their respective assets or properties.

3.4. Proxy Statement . The information provided by Parent or CACI expressly in writing for inclusion in the Proxy Statement shall not, on the date the Proxy Statement is first mailed to Condor’s stockholders, at the time of the Condor Meeting and at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not false or misleading; or omit to state any material fact necessary to correct any statement in any earlier communication by Parent or CACI with respect to the solicitation of proxies for the Condor Meeting that has become false or misleading. If at any time prior to the Effective Time any event relating to Parent, CACI or any of their respective

affiliates, officers or directors should be discovered by Parent or CACI that should be set forth in an amendment or a supplement to the Proxy Statement, Parent or CACI shall promptly inform Condor. Notwithstanding the foregoing, Parent and CACI make no representation or warranty with respect to any information supplied by Condor that is contained in any of the foregoing documents.

Article IV: Covenants

It is further agreed as follows:

4.1. Conduct of Business . Between the date of this Agreement and the Effective Time or the date, if any, on which this Agreement is earlier terminated, except as contemplated by this Agreement or as otherwise consented to by CACI in writing, Condor and its Subsidiaries shall keep and observe the following covenants:

4.1.1. Each of Condor and its Subsidiaries shall carry on the business of the GSD in the usual, regular and ordinary course in substantially the same manner as heretofore conducted, pay its debts and taxes when due subject to good faith disputes over such debts or taxes, pay or perform other material obligations when due, except when subject to good faith disputes over such obligations, and use all commercially reasonable efforts consistent with past practices and policies to preserve intact the GSD's present business organizations, keep available the services of its present officers and employees and preserve its relationships with customers, suppliers and others having business relationships with it, to the end that the GSD's goodwill and ongoing business be unimpaired at the Closing Date. Condor shall promptly notify Parent of any event or occurrence which has had or could reasonably be expected to have a Condor Material Adverse Effect. In addition, between the date of this Agreement and the Closing Date or the date, if any, on which this Agreement is earlier terminated pursuant to its terms, Condor and its Subsidiaries shall:

(a) maintain in full force and effect all contracts of insurance and indemnity that protect the GSD;

(b) repair and maintain, in accordance with its usual and ordinary repair and maintenance standards, all of its tangible properties and assets used in connection with the performance or reasonably necessary to continue the performance of the Assigned Contracts;

(c) confer on a regular and frequent basis with representatives of CACI to report material operational matters and the general status of ongoing GSD operations;

(d) notify CACI of any material emergency or other material change in the operation of the business or properties of the GSD and of any governmental complaints, investigations or hearings (or communications indicating that the same may be contemplated); and

(e) deliver to CACI true and correct copies of any reports, statements or schedules filed by it with the SEC subsequent to the date of this Agreement within two business days of the date on which such document is so filed.

4.1.2. Neither Condor nor any of its Subsidiaries shall without the prior written consent of CACI:

(a) except as set forth on Schedule 2.7.4, grant or make any general increase in the compensation of officers, management personnel, employees, agents or consultants of or involved with the GSD (including any such increase pursuant to any bonus, pension, insurance, profit-sharing or other plan or commitment) or any material increase in the compensation or benefits payable or to become payable to any officer or employee of or involved with the GSD, otherwise than as required by employment contracts in effect at the date of this Agreement;

(b) except as set forth on Schedule 2.7.4, except as required by this Agreement or by applicable law, amend or adopt in any material respect, any agreement or plan (including severance arrangements) for the benefit of employees of the GSD;

(c) except as set forth on Schedule 2.7.4, enter into an agreement, contract, or commitment relating to the GSD and involving any material commitment by Condor or any of its Subsidiaries or involving more than $25,000;

(d) incur trade payables or issue purchase orders with respect to the GSD such that the aggregate cost or liability associated with such trade payables and purchase orders, together with the aggregate cost or liability associated with the trade payables and purchase orders with respect to the GSD outstanding on the date hereof, exceeds $600,000;

(e) amend, terminate or change in any material respect any lease, contract, undertaking or other commitment listed in any Schedule or knowingly do any act or omit to do any act, or permit an act or omission to act, that will cause a breach of any such lease, contract, undertaking or other commitment;

(f) transfer or grant any rights under, or enter into any settlement regarding the breach or infringement of, any United States or foreign intellectual property used in connection with the performance or reasonably necessary to continue the performance of the Assigned Contracts or modify any existing rights with respect thereto other than in the ordinary course of business and consistent with past practice;

(g) cancel or compromise any debts, or waive, release, transfer or permit to lapse any claims or rights of substantial value to the GSD, or sell, lease, transfer, encumber or otherwise dispose of any of the properties or assets (real, personal or mixed, tangible or intangible) of the GSD, except in the ordinary course of business and consistent with past practice;

(h) enter any transaction which, at the time of such transaction, in CACI’s reasonable judgment, is materially adverse to the business, operations, financial

condition, properties or prospects of the GSD, whether or not such transaction is in the ordinary course of business;

(i) amend its charter documents or by-laws;

(j) except as set forth on Schedule 2.7.4, pay, discharge or satisfy any claim, obligation or liability pertaining to the GSD in excess of $25,000 (in any one case) or $50,000 (in the aggregate), other than the payment, discharge or satisfaction in the ordinary course of business of obligations reflected on or reserved against in the Interim Balance Sheet, or incurred since the date of such balance sheet in the ordinary course of business consistent with past practice or in connection with this transaction;

(k) acquire by merging or consolidating with, or by purchasing any equity interest in or a material portion of the assets of, any business or any corporation, partnership interest, association or other business organization or division thereof, or otherwise acquire any assets which are material, individually or in the aggregate, to the business of the GSD, except in the ordinary course of business consistent with past practices;

(l) dispose of, permit to lapse, or otherwise fail to preserve the rights of Condor with respect to the Intellectual Property or enter into any settlement regarding the breach or infringement of, any Intellectual Property, or modify any existing rights with respect thereto, other than in the ordinary course of business consistent with past practice;

(m) sell or grant any right to all or any part of the Intellectual Property;

(n) enter into any contract or commitment or take any other action that affects or could reasonably be expected to affect the GSD that is not in the ordinary course of the business of the GSD or could reasonably be expected to have an adverse impact on the transactions contemplated hereunder or that could reasonably be expected to have a Condor Material Adverse Effect;

(o) amend in any material respect any agreement to which Condor is a party, the amendment of which could reasonably be expected to have a Condor Material Adverse Effect;

(p) waive, release, transfer or permit to lapse any claim or right (i) that affects or could reasonably be expected to affect the GSD and that has a value, or involves payment or receipt by it of more than $25,000 or (ii) the waiver, release, transfer or lapse of which could reasonably be expected to have a Condor Material Adverse Effect;

(q) make any change in any method of accounting or accounting practice other than changes required to be made in order that Condor's financial statements comply with GAAP; or

(r) agree in writing or otherwise to take any of the foregoing actions or any action that would make any representation or warranty in this Agreement materially untrue or incorrect; or

(s) enter into any agreement to lease any real property with respect to or for the GSD, except that Condor may extend the term of its existing lease for the Langhorne call center facility.

4.1.3. Condor will promptly advise CACI in writing of the commencement or written threat of any claim, litigation or proceeding against Condor or any of its Subsidiaries, whether covered by insurance or not, when such claim, litigation, proceeding or written threat thereof relates in any way to the GSD, this Agreement or the Related Agreements, or any of the transactions contemplated hereby or thereby.

4.2. Access and Information; Confidentiality

4.2.1. Each of Condor and its Subsidiaries shall afford to CACI and to its officers, employees, accountants, counsel and other authorized representatives (including lenders) reasonable access, upon 24 hours' advance telephone notice, during regular business hours, throughout the period prior to the earlier of the Closing or the termination of this Agreement, if any, to its plants, properties, books and records, and those of its Subsidiaries, that relate, directly or indirectly, to the GSD, and shall use reasonable efforts to cause its representatives and independent public accountants to furnish to CACI such additional financial and operating data and other information, and those of its Subsidiaries, as to the business and properties of the GSD as CACI may from time to time reasonably request. Each of Condor and its Subsidiaries shall permit CACI to confirm with their respective suppliers the title to any Assets in such suppliers' possession, and shall permit CACI to confirm with obligors under the Receivables the value and amount thereof.

4.2.2. Each party and its representatives will hold in strict confidence all documents and information concerning the other party and its Subsidiaries furnished in connection with the transactions contemplated by this Agreement and the Related Agreements (except to the extent that such information can be shown to have been (i) in the public domain through no action by the party in violation of this Section 4.2, (ii) in the party's possession at the time of disclosure and not acquired by the party directly or indirectly from the other party on a confidential basis or (iii) disclosed by the other party to others on an unrestricted, non-confidential basis) and will not release or disclose any such documents or information to any other person and shall not use nor permit others to use such documents or information except in connection with this Agreement or the Related Agreements, and the transactions contemplated hereby and thereby. In the event of the termination of this Agreement, each party shall return to the other party all documents, work papers and other material so obtained by it, or on its behalf, and all copies, digests, abstracts or other materials relating thereto, whether so obtained before or after the execution hereof, and will comply with the terms of the confidentiality provisions set forth herein. The foregoing confidentiality requirements shall, as of the execution of this Agreement, supersede any and all confidentiality or nondisclosure agreements then in effect between Parent or CACI and Condor.

4.2.3. After the date hereof, neither Condor nor any of its Subsidiaries, nor its or their representatives shall disclose any documents and information concerning the GSD to any person other than Parent, CACI and their respective representatives to a materially greater extent than its past practice, except to the extent permitted by this Agreement or required by law. After the Closing, Condor, its Subsidiaries and its and their representatives will hold in strict confidence all documents (including the Asset Documents) and information concerning the GSD (except to the extent that such information can be shown to have been (i) in the public domain through no action by Condor or any of its Subsidiaries in violation of this Section 4.2 or (ii) disclosed by Parent or CACI to others on an unrestricted, non-confidential basis) and, except to the extent required by law, will not, without the prior written consent of CACI, release or disclose any such documents or information to any other person and shall not use nor permit others to use such documents or information except for record keeping and evidentiary purposes.

4.3. Further Assurances . Subject to terms and conditions herein provided and to the fiduciary duty of each party's board of directors and officers, each of the parties agrees to use its reasonable best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to fulfill the conditions specified in Article V, consummate and make effective this Agreement and the Related Agreements and the other transactions contemplated hereby and thereby. In case at any time any further action, including the obtaining of waivers and consents under material contracts and leases, is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of each party to this Agreement are hereby directed and authorized to use their reasonable best efforts to effectuate all required action. After the Closing, each party will provide to the other parties without charge reasonable assistance and inquiry access to its officers and employees for information appropriate to secure the respective benefits of this Agreement and the Related Agreements, including information required to prepare tax returns and progress reports and other documents related to assigned, subcontracted or novated contracts. To the extent that Condor lacks the corporate power or contractual authority to perform its covenants and obligations hereunder or under any of the Related Agreements, Condor shall cause its Subsidiaries to perform such covenants and obligations as if such Subsidiaries were parties to this Agreement and the Related Agreements and bound by such covenants and obligations. If any such covenant or obligation shall require the performance of any such Subsidiary, Condor shall not, without the prior written consent of Parent, authorize, permit or otherwise allow such Subsidiary to merge, consolidate, sell a substantial part of its assets, dissolve, liquidate, wind up or take any other action that would, in the reasonable judgment of Parent, impair its ability to perform such covenant or obligation.

4.4. Releases of Information . No party shall announce or disclose to any person (other than those employees, agents, advisors, representatives or lenders who have a "need to know" in order to help effectuate the transaction) the terms or provisions of this Agreement without the prior consent, in the case of an announcement or disclosure by Parent or CACI, of Condor or, in the case of an announcement or disclosure by Condor or any of its Subsidiaries, of Parent (which consent shall not be unreasonably withheld) except as disclosure may be required by law (including disclosure required to be made in the Proxy Statement). CACI and Condor shall consult with each other before the issuance of any press release or other public announcement referring to this Agreement or the terms and conditions of the transactions contemplated hereby.

4.5. Restricted Activities and Transactions

4.5.1. **Acquisition Proposals** . From and after the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement in accordance with Article VI hereof, but in any event at least sixty-five (65) days after the date of the Letter of Intent or such longer time as the parties agree upon, neither Condor nor any of its Subsidiaries nor any of their respective directors, officers, employees, or other representatives or agents, shall, directly or indirectly, solicit, initiate, or participate in discussions or negotiations with or otherwise cooperate in any way with, or provide any information to, any corporation, partnership, person, or other entity or group concerning any tender offer, exchange offer, merger, business combination, sale of substantial assets, sale of shares of capital stock, or similar transaction involving Condor (all such transactions being referred to herein as "Acquisition Proposals").

4.5.2. **Compliance with Fiduciary Duty** . Notwithstanding the foregoing, nothing in this Section 4.5 shall prohibit the board of directors of Condor from furnishing information to, or entering into discussions with, any person that makes a *bona fide* proposal or offer with respect to Condor that constitutes an Acquisition Proposal for Condor, if (a) the board of directors of Condor determines in good faith, following consultation with outside counsel, that the board's fiduciary responsibilities under applicable law require that such information be provided or negotiations be held with the person presenting the Acquisition Proposal in order to avoid a breach of such fiduciary responsibilities, (b) prior to furnishing such information to, or entering into discussions or negotiations with such person, Condor keeps Parent informed on a timely basis of the status of such negotiations and all material terms and conditions thereof and promptly provides Parent with copies of any and all written inquiries or proposals relating thereto, and (c) such Acquisition Proposal was not obtained in violation of this Agreement.

4.5.3. **Break-up Fee** . Notwithstanding the foregoing, in the event that Condor at any time after the date of the letter of intent among the parties hereto and before the earlier of the Closing Date or the termination of this Agreement in accordance with Article VI hereof, accepts an Acquisition Proposal from any person or entity other than Parent or CACI, or Condor's board of directors fails to recommend or withdraws or modifies its approval of this transaction, Condor shall pay to Parent upon the closing of the transaction contemplated by such Acquisition Proposal, the lesser of (a) the actual costs incurred by Parent and CACI to the date of receipt by Parent and CACI of written notice of such failure, withdrawal or modification of approval or (b) the sum of $250,000. Condor shall make such payment within ten (10) days of the closing of the transaction contemplated by the Acquisition Proposal. The payment of such amount by Condor shall be Parent's and CACI's sole and exclusive remedy for Condor's breach of this Section 4.5.

4.5.4. **Disposition of Other Businesses** . Nothing in this Section 4.5 shall be deemed to preclude Condor or any of its affiliates, directors, officers, employees or other representatives or agents from soliciting, initiating or participating in discussions or negotiations with or entering into any agreement with any person relating to (a) the sale of any of Condor's businesses or assets other than the GSD business, including the assets and agreements contemplated to be transferred hereunder to CACI (including any such assets held by any of Condor's Subsidiaries), or (b) a transaction involving the sale of Condor as a whole, provided that such stock sale (1) is conditioned upon (and will be consummated subsequent to) the

consummation of the transactions contemplated hereby and (2) does not materially delay or otherwise materially interfere with the consummation of the transactions contemplated hereby.

4.6. Expenses . Each party hereto shall be responsible for its own costs and expenses in connection with this Agreement and the transaction governed hereby, including fees and disbursements of consultants, investment bankers and other financial advisors, counsel and accountants (collectively "Expenses"). Condor expressly agrees that such Expenses shall not be liabilities of the GSD acquired by CACI hereunder.

4.7. Employment of GSD Personnel. Subject to the closing of the transactions contemplated by this Agreement, CACI shall offer employment to the employees of Condor or its Subsidiaries named on the Employee List, including the employees of Condor or its Subsidiaries listed on Schedule 4.7 (the "Key Employees"). Any offer of employment to a Key Employee shall be for employment at will with compensation and benefits (other than severance benefits, change-of -control payments, stock options and other forms of equity and equity-based compensation), in the aggregate, reasonably comparable to or better than the compensation and benefits, in the aggregate, provided to such Key Employee by Condor. Any offer of employment to a person other than a Key Employee shall be for employment at will at an annual salary not less than the salary of such employee set forth on the Employee List and with such other benefits as CACI shall provide to employees of CACI in positions that CACI reasonably deems comparable to the position that CACI expects such employee to have with CACI. Condor and its Subsidiaries agree that CACI may make offers of employment to any such employee of Condor or its Subsidiaries without breach of any right or expectation of Condor. Condor and its Subsidiaries further agree that, for a period of three (3) years after the Effective Time, neither Condor nor any of its Subsidiaries will, without the prior written consent of CACI, employ or offer employment in any capacity to any of the former employees of Condor or its Subsidiaries who become employees of CACI as contemplated by this paragraph, other than persons who leave CACI employment because their employment is terminated by CACI, whether with or without cause. For purposes of this Section 4.7 only, references to "CACI" are deemed to be references to "CACI or another Subsidiary of Parent."

4.8. Benefit Plans

4.8.1. **Full Credit for Service** . All employees of Condor or its Subsidiaries who become employees of CACI as of, or within thirty (30) days after the Closing Date shall receive full credit for any service they performed for and on behalf of Condor or its Subsidiaries, or any predecessor company of Condor or its Subsidiaries, for purposes of eligibility to participate, accrual of benefits, and vesting schedules under any of CACI's employee benefit plans or programs.

4.8.2. **Condor 401(k) Plans** . Condor and its Subsidiaries shall retain full responsibility for the continued administration or termination of their 401(k) plans.

4.8.3. **Other Benefits** . CACI shall offer medical and dental insurance to the former employees of Condor hired by CACI in accordance with its customary employment practices.

4.9. Transition Services . Pursuant to a separate written agreement between CACI and Condor in form and substance reasonably acceptable to CACI and Condor and based, in part, on the term sheet attached hereto as Exhibit F (the "Term Sheet for Transition Services"), CACI and Condor will provide for transition services for a reasonable period with respect to accounting, payroll, and systems functions, call center support for the U.S. Department of Veterans' Affairs, and other support functions now provided to the GSD by other divisions of Condor's business in accordance with the terms of a written agreement attached hereto at Closing as Exhibit R (the "Transition Services Agreement").

4.10. Notification of Certain Matters . At all times until the Effective Time, each party shall promptly notify the other in writing of the occurrence or failure to occur of any event that (a) would be likely to cause any representation or warranty made by such party in this Agreement to be untrue or inaccurate at, or at any time prior to, the Effective Time, or (b) will or may result in the failure to satisfy any of the conditions specified in Article V.

4.11. Indemnification . Subject to the terms and conditions of this Section 4.11:

4.11.1. **Indemnification by Condor** . Condor and its Subsidiaries (hereinafter sometimes referred to as the "Seller Indemnifying Parties") hereby agree to indemnify Parent and CACI and their respective directors, officers, employees, affiliates, representatives, successors and assigns (collectively the "CACI Indemnified Parties") from and against all losses in connection with or otherwise relating to any of the following: (a) any misrepresentation or inaccuracy in, or breach of any representation or warranty made by Condor or any of its Subsidiaries in this Agreement (other than Section 2.11), any Exhibits or Schedules hereto, any Related Agreement, or the certificates delivered pursuant to this Agreement, (b) any breach of any covenant, agreement or obligation of Condor or any of its Subsidiaries contained in this Agreement, any Exhibits or Schedules hereto, or any Related Agreement, and (c) the performance by Condor or any of its Subsidiaries of the Assigned Contracts before or after the Closing; and

4.11.2. **Indemnification by CACI** . Parent and CACI (collectively the "CACI Indemnifying Parties," and together with the Seller Indemnifying Parties the "Indemnifying Parties") hereby agree to indemnify Condor, its Subsidiaries, and its and their directors, officers, affiliates, representatives, successors and assigns (collectively the "Seller Indemnified Parties," and together with the CACI Indemnified Parties the "Indemnified Parties") from and against all losses in connection with or otherwise relating to any of the following: (a) any misrepresentation or inaccuracy in, or breach of, any representation or warranty made by Parent or CACI in this Agreement, any Exhibits or Schedules hereto, any Related Agreement, or the certificates delivered pursuant to this Agreement, (b) any breach of any covenant, agreement or obligation of Parent or CACI contained in this Agreement, any Exhibits or Schedules hereto, or any Related Agreement, and (c) the performance by CACI of the Assigned Contracts after the Closing; provided, however, that the indemnification pursuant to Section 4.11.2(c) shall not extend to any losses arising from or otherwise relating to the performance by Condor and its Subsidiaries of the Assigned Contracts.

4.11.3. **Claims for Indemnification** . Whenever any claim shall arise for indemnification hereunder, the Indemnified Party seeking indemnification shall promptly notify

the Indemnifying Party in writing of the claim and the facts believed to constitute the basis for such claim, all with reasonable specificity in light of the facts then known; provided, however, that failure to so notify the Indemnifying Party shall not discharge the Indemnifying Party from any of its liabilities and obligations hereunder except and to the extent that the failure prejudices the Indemnifying Party's ability to raise a substantial defense to the claim and except to the extent of any liabilities or obligations caused by or arising out of such failure to notify. The Indemnified Party shall not settle or compromise any claim by a third party for which it is entitled to indemnification hereunder without the prior written consent of the Indemnifying Party, which shall not be unreasonably withheld. The Indemnifying Party may settle any matter (in whole or in part) without the Indemnified Party's prior consent, if such settlement includes a complete and unconditional release of the Indemnified Party.

4.11.4. **Defense by Indemnifying Party** . In connection with any claims giving rise to indemnity hereunder resulting from or arising out of any claim or legal proceeding by a person who is a third party ("Third-Party Claims"), the Indemnifying Party at its sole cost and expense may, upon written notice to the Indemnified Party, assume the defense of any such claim or legal proceeding; provided, however, that the Indemnified Party shall have the right to defend against such claim or legal proceedings at its expense and in such manner as it may deem appropriate, including settling such claim or legal proceedings on such terms as the Indemnified Party may deem appropriate, provided, however, that no such settlement shall be at the Indemnifying Party's expense unless it is approved in advance by the Indemnifying Party. If the Indemnifying Party does not assume the defense of any such claim or legal proceeding resulting therefrom within 30 days after the date of receipt of the notice referred to in Section 4.11.3 above, (a) the Indemnified Party may defend against such claim or legal proceeding at the expense of the Indemnifying Party and in such manner as it may reasonably deem appropriate, including settling such claim or legal proceeding at the expense of the Indemnifying Party and on such terms as the Indemnified Party may deem appropriate, and (b) the Indemnifying Party shall be entitled to participate in (but not control) the defense of such action, with its counsel and at its own expense. No settlement of any claim or legal proceeding by an Indemnified Party shall be conclusive as to the amount of the loss incurred by such Indemnified Party in connection with such claim or legal proceeding.

4.11.5. **Limitation of Liability** . Notwithstanding any other provision of this Agreement, the Indemnifying Party shall have no liability to the Indemnified Party under this Section 4.11 until the aggregate amount of all losses claimed by the Indemnified Party exceeds $100,000; *provided* , that if the aggregate losses exceeds that amount, the Indemnified Party's obligation shall extend to all losses. In no event shall Condor or any of its Subsidiaries be liable for any amount in excess of $5,000,000, except to the extent of losses arising from a fraudulent or knowing violation on the part of Condor or any of its Subsidiaries. No action or claim for indemnification under this Section 4.11 arising out of or resulting from a breach of representations and warranties contained herein shall be brought or made after the expiration of the second anniversary of the Closing Date.

4.11.6. **Treatment of Indemnification Payments** . All indemnification payments under this Section 4.11 shall be deemed adjustments to the Purchase Price.

4.11.7. **Receivables** . In the event that all Receivables as of the Closing Date are not collected in full within 180 days after the Closing Date, then, at the request of CACI, Condor shall pay CACI an amount equal to the Receivables not so collected, less the Allowance for Doubtful Accounts and subject to the limitations of Section 4.11.5. After receipt of such payment, CACI shall promptly remit to Condor any excess collections received by CACI with respect to the Receivables giving rise to such payment. CACI shall use commercially reasonable efforts, consistent with its usual practice, to collect such Receivables in the ordinary course of business.

4.11.8. **Insurance Policy** . Condor shall use its commercially reasonable efforts to support CACI's procurement, at Condor's cost, of an insurance policy (the "Insurance Policy") naming CACI as the insured and the policyholder and covering losses arising from a breach of any representation or warranty made by Condor or any of its Subsidiaries herein. The Insurance Policy shall have a term of two years, shall have a policy limit of $5.0 million (provided that CACI, at its sole cost and expense, may pay the additional premium for an increased policy limit (if such increased limit is available)), shall have a deductible of no more than $500,000, shall not have a premium payable by Condor that is more than eight percent (8%) of the policy limit, shall expressly provide that the insurer is not subrogated to the rights of CACI and shall otherwise be in a form reasonably acceptable to CACI and Condor. In the event that the premium payable exceeds an amount equal to eight percent (8%) of the policy limit, CACI, at its sole discretion, may pay the excess portion of the premium payable in order to facilitate procurement of the Insurance Policy. The certificate of insurance for such policy will be substantially in the form attached hereto as Exhibit L . At or prior to the Closing, Condor shall make its premium payment for such policy, in full, in accordance with this Section 4.11.8.

4.12. Certain Tax Matters

4.12.1. **Allocation of Purchase Price** . Condor agrees that the Purchase Price and the liabilities of Condor and its Subsidiaries (plus other relevant items) will be allocated to the assets of Condor and its Subsidiaries for Tax purposes in a manner consistent with the fair market value of such assets, shown on Schedule 1.6, as mutually agreed to by CACI and Condor prior to Closing. Each of the parties hereto will file all Tax Returns (including amended returns and claims for refund) and information reports in a manner consistent with such allocation schedule, pursuant to the requirements of IRS Code, Section 1060.

4.12.2. **Certain Taxes** . All transfer, documentary, sales, use, stamp, registration and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement, shall be paid by Condor and its Subsidiaries when due, and Condor and its Subsidiaries will, at its or their own expense, file all necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, use, stamp, registration and other Taxes and fees.

4.12.3. **Payroll Tax Matters** . Notwithstanding any other provision of this Agreement, and in addition to the indemnification provided in Section 4.11, Condor shall, at its own expense, assume and conduct the defense of any claim by a Tax authority in respect of employment, payroll, or similar withholding Taxes relating to (a) payments made by Condor prior to the Closing; (b) payroll periods of Condor ending prior to the Closing; and (c) Tax

Returns that Condor was required to file; *provided, however* , that the limitation of liability set forth in the first sentence of Section 4.11.5 of this Agreement shall not apply to losses incurred by the Indemnified Party in respect of such withholding tax matters, except that such losses shall apply towards such limitation.

4.13. Assignment and Assumption of Contracts

4.13.1. **Assignment and Assumption of Executory Contracts** . At the Closing, Condor and its Subsidiaries will assign to CACI, and CACI will assume all responsibilities of Condor and its Subsidiaries under, all executory contracts listed in Schedule 1.1 to which Condor or any of its Subsidiaries is a party and which may be assigned by Condor and its Subsidiaries to CACI.

4.13.2. **Performance of Non-Assignable Contracts** . With respect to each contract listed in Schedule 1.1 which cannot be assigned at the Closing to CACI for any reason, including any requirement for the consent of the other contracting party or for novation in the case of a contract with the Government (herein referred to as a "Non-Assignable Contract"), after the Closing CACI shall perform Condor's or its Subsidiaries' responsibilities thereunder until assignment (or novation in the case of contracts with the Government) of such contract has been approved, the contract has been completed, or the contract has otherwise terminated or the work under the contract has been transferred to another contract, all as provided in the subcontracting agreement substantially in the form of Exhibit E .

4.13.3. **Payments Received from Non-Assignable Contracts** . CACI shall be entitled to any and all payments received by Condor or any of its Subsidiaries under any Non-Assignable Contract, and such payments received by Condor or its Subsidiaries shall be deemed to be held by Condor or its Subsidiaries as agents solely for CACI and shall be held in trust for the sole benefit of CACI. Any payments with respect to such Non-Assignable Contracts which Condor or its Subsidiaries may receive in their names may be endorsed, deposited, drawn against or otherwise used by CACI as its property and Condor and its Subsidiaries hereby authorize CACI to sign Condor's or its Subsidiaries' names or acts in Condor's or its Subsidiaries' stead with full power of attorney with regard to such payments.

4.13.4. **Assignment of Proceeds from all Contracts** . At the Closing, Condor and its Subsidiaries shall sell, assign, convey, grant, and transfer to CACI all of Condor's and its Subsidiaries' right, title, and interest in and to all cash and non-cash proceeds from GSD receivables or other payment due to Condor and its Subsidiaries with respect to the contracts listed in Schedule 1.1, including the Non-Assignable Contracts, and including claims against governmental entities. All such proceeds shall automatically and immediately become the property of CACI at the earliest moment allowed by law and shall be paid to CACI immediately upon receipt by Condor or its Subsidiaries. Any and all proceeds and payments received by Condor or its Subsidiaries shall be deemed to be held by Condor or its Subsidiaries as agents solely for CACI and shall be held in trust for the sole benefit of CACI. After the Closing, Condor and its Subsidiaries will promptly direct the appropriate disbursement and payment offices to remit all receivables, payments, proceeds, and moneys with respect to the contracts listed in Schedule 1.1 to a location, including if requested by CACI to a bank account, under the sole control of CACI.

4.13.5. **Execution of Documents to Implement Assignments** . After the Closing, Condor and its Subsidiaries will execute and deliver to CACI any and all documents requested by CACI which are necessary to accomplish the assignment from Condor and its Subsidiaries to CACI of the payments, proceeds and receivables conveyed by the provisions of this Agreement to CACI, including instruments of assignment and notices of assignment to financial institutions.

4.13.6. **Novation of Government Contracts** . Condor and its Subsidiaries shall use their reasonable best efforts, in support of and in coordination with CACI, to facilitate a novation of all Non-Assignable Contracts with the Government as soon after the Closing as practicable, and shall cooperate with CACI to consummate a novation or similar agreement and provide all documentation required under Part 42 of the Federal Acquisition Regulations. Such support shall include (a) documentation required under Federal Acquisition Regulation 42.1204(f), including (i) execution and certification of the novation agreement, (ii) certified copies of each resolution of each of the transferring company's Board of Directors authorizing the transfer of assets, (iii) certified copies of the minutes, or written consent in lieu of a meeting, of each of the transferring company's stockholder's consent necessary to approve the transfer of assets, (iv) the opinion of legal counsel from each of the transferring companies' legal counsel that the transfer was properly effected under applicable law and the effective date of transfer, and (v) balance sheets of the transferring companies as of the dates immediately before and after the transfer of assets; and (b) assistance in determining, where not readily apparent from the contract documents, for each of the Non-Assignable Contracts with the Government, (i) the contract number and type, (ii) the name and address of the contracting office or administrative contracting officer, (iii) total dollar value, as amended, and (iv) approximate remaining unpaid balance, and (c) assisting in obtaining the consent of sureties where bonds are required or statements by each of the transferring companies that no bonds are required by the contracts.

4.13.7. **Assignment of all other Contracts** . Condor and its Subsidiaries shall use their reasonable best efforts to facilitate an approved assignment of all Non-Assignable Contracts with parties other than the Government contemporaneously with the Closing, or as soon thereafter as practicable, and shall cooperate to consummate an assignment or similar agreement.

4.13.8. **Subcontracting** . Upon request by CACI at any time following Closing, Condor and its Subsidiaries shall enter into subcontracts or similar arrangements with CACI to reflect CACI's obligation and entitlement to perform Condor's and its Subsidiaries' responsibilities under Non-Assignable Contracts.

4.14. Proxy Statement . As promptly as practicable after the execution of this Agreement, Condor shall prepare and file with the SEC the Proxy Statement. The Proxy Statement shall include the recommendation of the board of directors of Condor in favor of the acquisition that is the subject of this Agreement, which shall not be withdrawn, modified or withheld except in compliance with the fiduciary duties of Condor's board under applicable law. Parent and CACI will cooperate in Condor's preparation of the Proxy Statement by providing such information regarding Parent and CACI as may reasonably be necessary for such Proxy Statement upon Condor's request.

4.15. Meeting of Stockholders . Promptly after execution of this Agreement, Condor shall take all action necessary in accordance with the General Corporation Law of the State of

Delaware and its certificate of incorporation and by-laws to convene the Condor Meeting to be held as promptly as practicable for the purpose of voting upon this Agreement and the acquisition contemplated hereunder.

Article V: Conditions to Closing

5.1. Conditions Precedent to the Obligations of Each Party . The obligations of the parties hereto to effect this transaction shall be subject to the fulfillment at or prior to the Closing of the following conditions, any of which conditions may be waived in writing prior to Closing by the party for whose benefit such condition is imposed:

5.1.1. **No Injunction** . No injunction or restraining or other order issued by a court of competent jurisdiction that prohibits or materially restricts the consummation of any material transaction contemplated by this Agreement or the Related Agreements shall be in effect (each party agreeing to use its best efforts to have any such injunction or other order lifted), and no governmental action or proceeding shall have been commenced or threatened in writing seeking any injunction or restraining or other order that seeks to prohibit, restrain, invalidate or set aside consummation of the transactions contemplated by this Agreement or the Related Agreements.

5.1.2. **No Illegality** . There shall not have been any action taken, and no statute, rule or regulation shall have been enacted, by any state or federal government agency since the date of this Agreement that would prohibit or materially restrict the transactions contemplated by this Agreement or the Related Agreements.

5.1.3. **Government Consents** . Except for consents, documentation and documents necessary from the Government to effect the assignment of the Assigned Contracts, all filings and registrations with and notifications to, and all approvals and authorizations of governmental entities and authorities (domestic or foreign) required for the consummation of the transactions contemplated by this Agreement or the Related Agreements shall have been made or obtained and all such approvals and authorizations obtained shall be effective and shall not have been suspended, revoked or stayed by action of any governmental entity or authority.

5.1.4. **Stockholder Approval** . This Agreement and the Related Agreements, and the transactions contemplated hereby and thereby shall have been approved by the requisite vote under applicable law of the stockholders of Condor.

5.2. Conditions to Obligation of Parent and CACI to Effect the Acquisition . The obligation of Parent and CACI to consummate this transaction shall be subject to the fulfillment at or prior to the Closing of the following additional conditions, any of which conditions may be waived in writing by Parent or CACI prior to Closing:

5.2.1. **Agreements and Covenants** . Condor and its Subsidiaries shall have performed in all material respects all of its covenants set forth herein that are required to be performed at or prior to the Effective Time; and Condor shall have delivered to CACI a certificate to that effect substantially in the form attached hereto as Exhibit G , dated the date of the Effective Time and signed by the CEO of Condor.

5.2.2. **Representations and Warranties** . The representations and warranties of Condor and its Subsidiaries contained in this Agreement shall be true and correct in all material respects as of the date hereof, and as of the Effective Time as if made at the Effective Time, except for representations and warranties made expressly as of the date of this Agreement or as of a specified date (which representations and warranties shall be true and correct in all material respects as of such date); and Condor shall have delivered to CACI a certificate to that effect substantially in the form attached hereto as Exhibit H , dated the date of the Effective Time and signed by the CEO of Condor.

5.2.3. **Third-Party Consents** . Condor shall have received and shall have delivered to CACI, all in form and substance satisfactory to CACI's judgment reasonably exercised, all consents, approvals and waivers under any loan or other agreements of Condor or any of its Subsidiaries (including the Assigned Contracts) that are required in connection with the transactions contemplated hereby, except for: (a) any consents, approvals or waivers or any filings, registrations, authorizations or notifications not related to the Assigned Contracts that, if not received or made, would not, in the aggregate, have a Condor Material Adverse Effect; and (b) any consents, approvals or waivers or any filings, registrations, authorizations or notifications required from the Government to effect the assignment of the Assigned Contracts.

5.2.4. **Legal Opinion** . CACI shall have received an opinion or opinions of counsel to Condor in form and substance satisfactory to counsel to Parent, addressed to Parent, dated the date of the Effective Time, to the effect set forth in Exhibit I hereto.

5.2.5. **Closing Documents** . Each of Condor, Louden, InVenture, MIS and FCC shall have delivered to Parent the closing certificate described hereafter in this paragraph, substantially in the form attached hereto as Exhibit J , and such closing documents as Parent shall reasonably request (other than additional opinions of counsel). The closing certificate of each such party, dated as of the Closing Date, duly executed by the secretary of such party, shall certify as to (i) the signing authority, incumbency and specimen signature of the signatories of this Agreement and other documents signed on behalf of such party in connection herewith, (ii) the resolutions adopted by the board of directors of such party authorizing and approving the execution, delivery and performance of this Agreement and the Related Agreements and the other documents executed in connection herewith and therewith and the consummation of the transactions contemplated hereby and thereby and state that such resolutions have not been modified, amended, revoked or rescinded and remain in full force and effect, (iii) the approval by such party's stockholders of this Agreement and the Related Agreements and the transactions contemplated hereby and thereby by the requisite vote under applicable law, and (iv) the certificate of incorporation and by-laws of such party, each as amended to date. Condor shall have delivered to Parent certificates of due organization and good standing of Condor, Louden, InVenture, MIS and FCC, dated within seven (7) business days prior to the Closing Date, from their respective jurisdictions of organization and from each other jurisdiction as CACI shall specify.

5.2.6. **Condor Material Adverse Effect** . Since the date of this Agreement there shall not have occurred any Condor Material Adverse Effect, other than (a) any state of facts, event, change or effect attributable to changes in general economic or market conditions or generally affecting the industry in which GSD operates, except to the extent such state of facts,

event, change or effect disproportionately affects the GSD or (b) the announcement, consummation or effect of the transactions contemplated hereby; *provided, however* , that clauses (a) and (b) of this Section 5.2.6 shall not apply to the termination or loss of any of the Assigned Contracts.

5.2.7. **Books and Records** . Condor shall have delivered to CACI copies of Condor's and any of its Subsidiaries' books and records that are required or necessary for CACI to operate the GSD business previously conducted by Condor and its Subsidiaries.

5.2.8. **Release of Liens** . Condor shall have provided CACI with assurances satisfactory to CACI in its sole discretion that all of the Assets are free and clear of all Liens except for Permitted Encumbrances.

5.2.9. **Customer Diligence Review** . CACI shall have had an opportunity to contact the GSD's material customers and confirm in its good faith reasonable judgment that Condor and its Subsidiaries have satisfactory relationships with such customers.

5.2.10. **Employees** . CACI shall have received written acceptances in a form acceptable to CACI of (i) each of the offers made to the Key Employees pursuant to Section 4.7, and (ii) over 90% of the offers made to other employees of Condor and its Subsidiaries pursuant to Section 4.7. This Section 5.2.10 shall be deemed to be satisfied as to each employee who received an offer from CACI that did not comply with Sections 4.7 and 4.8.1.

5.2.11. **Non-Compete, Non-Solicitation and Non-Disturbance Agreement** . CACI and Condor shall have entered into a written non-compete, non-solicitation and non-disturbance agreement in substantially the form set forth on Exhibit K (the "Non-Compete Agreement").

5.2.12. **Related Agreements** . The Related Agreements shall have been executed and delivered.

5.2.13. **Diligence Review** . After the date hereof, CACI and its accountants and attorneys shall have been given an opportunity to continue to conduct a reasonable diligence investigation of all matters related to the GSD. CACI shall be satisfied in all material respects in its good faith reasonable judgment with the results of the investigation referred to in the preceding sentence except with respect to matters as to which information was delivered to or reviewed by CACI prior to the date hereof. With respect to matters as to which information was delivered to or reviewed by CACI prior to the date hereof, CACI shall be satisfied in all material respects in its good faith reasonable judgment that such investigation shall not have disclosed information that is (a) different from such previously delivered or reviewed information and (b) materially adverse to the GSD.

5.2.14. **Outstanding Proposals** . Condor and its Subsidiaries shall not have received notice of any information indicating that any of the Outstanding Proposals set forth on Schedule 5.2.14 will not be accepted.

5.2.15. **Sublease** . CACI and Condor shall have entered into a sublease with respect to the Langhorne call center facility in substantially the form set forth on Exhibit M , and such sublease shall extend for a term expiring no earlier than January 14, 2003.

5.2.16. **Insurance Policy** . If the Insurance Policy shall be available to CACI as described in Section 4.11.8, Condor shall have paid in full the premium for such Insurance Policy in accordance with Section 4.11.8.

5.3. Conditions to Obligations of Condor to Effect the Acquisition . The obligation of Condor to effect the Acquisition shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions, and Parent and CACI shall exert their best efforts to cause each such condition to be so fulfilled, any of which conditions may be waived by Condor prior to the Closing:

5.3.1. **Agreements and Covenants** . Each of Parent and CACI shall have performed in all material respects all of its covenants set forth herein that are required to be performed at or prior to the Effective Time; and each of Parent and CACI shall have delivered to Condor a certificate to that effect substantially in the form attached hereto as Exhibit N , dated the date of the Effective Time and signed by its CFO.

5.3.2. **Representations and Warranties** . The representations and warranties of Parent and CACI contained in this Agreement shall be true and correct in all material respects as of the date hereof and as of the Effective Time as if made at such date, except for representations and warranties made expressly as of the date of this Agreement or as of a specified date (which representations and warranties shall be true and correct in all material respects as of such date); and each of Parent and CACI shall have delivered to Condor a certificate to that effect substantially in the form attached hereto as Exhibit O , dated the date of the Effective Time and signed by its CFO.

5.3.3. **Legal Opinion** . Condor shall have received an opinion of counsel to Parent and CACI in form and substance reasonably satisfactory to counsel to Condor, addressed to Condor, dated the date of the Effective Time, substantially in the form attached hereto as Exhibit P .

5.3.4. **Closing Documents** . Parent and CACI shall have delivered to Condor closing certificates of Parent and CACI substantially in the form attached hereto as Exhibit Q , and such other closing documents as Condor shall reasonably request (other than additional opinions of counsel). Each of the closing certificates of Parent and CACI, dated as of the Closing Date, duly executed by the secretary or an assistant secretary of Parent and CACI, respectively, shall certify as to (i) the signing authority, incumbency and specimen signature of the signatories of this Agreement and other documents signed on behalf of Parent and CACI in connection herewith, (ii) the resolutions adopted by the board of directors of the Parent and CACI authorizing and approving the execution, delivery and performance of this Agreement and the Related Agreements and the other documents executed in connection herewith and therewith and the consummation of the transactions contemplated hereby and thereby and state that such resolutions have not been modified, amended, revoked or rescinded and remain in full force and

effect, and (iii) the Certificate of Incorporation and By-Laws of the Parent and Certificate of Incorporation and By-Laws of CACI.

5.3.5. **CACI Material Adverse Effect** . Since the date of this Agreement there shall not have been any material adverse change of any nature in the financial condition, business, operations, results of operations or properties of Parent or CACI.

Article VI: Termination

6.1. Methods of Termination . This Agreement may be terminated by written notice promptly given to the other parties hereto, at any time prior to the Closing:

6.1.1. by mutual written consent of Condor and CACI;

6.1.2. by Parent, CACI or Condor, if a court of competent jurisdiction or governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action, in each case permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and nonappealable; or

6.1.3. by Parent or CACI, if the Closing shall not have occurred on or before September 15, 2002 (or, if the SEC shall not have elected to review and comment upon the Proxy Statement, on or before August 31, 2002), unless the absence of such occurrence shall be due to the failure of Parent or CACI (or their Subsidiaries or affiliates) to perform in all material respects each of their respective material obligations under this Agreement required to be performed by it at or prior to the Closing; or

6.1.4. by Condor, if the Closing shall not have occurred on or before September 15, 2002 (or, if the SEC shall not have elected to review and comment upon the Proxy Statement, on or before August 31, 2002), unless the absence of such occurrence shall be due to the failure of Condor (or its Subsidiaries or affiliates) to perform in all material respects each of their respective material obligations under this Agreement required to be performed by it at or prior to the Closing; or

6.1.5. by Parent or CACI, in the event of a material breach by Condor or any of its Subsidiaries of any representation, warranty or agreement contained herein which has not been cured or is not curable by the earlier of the Closing Date or the thirtieth day after written notice of such breach was given to Condor;

6.1.6. by Condor, in the event of a material breach by CACI or Parent of any representation, warranty or agreement contained herein which has not been cured or is not curable by the earlier of the Closing Date or the thirtieth day after written notice of such breach was given to CACI;

6.1.7. by Parent or CACI, if Condor, Louden, InVenture. MIS or FCC, or any of their boards of directors, or the stockholders of any of them shall have (i) withdrawn, modified or amended in any material respect the approval of this Agreement or the transactions contemplated herein, or (ii) taken any public position inconsistent with its approval or recommendation,

including having failed (without the consent of Parent or CACI) after a reasonable period of time to reject or disapprove any Acquisition Proposal (or after a reasonable period of time to recommend to its shareholders such rejection or disapproval), and in that event Condor upon the closing of the transaction contemplated by such Acquisition Proposal shall pay to Parent the amount pursuant to Section 4.5.3; or

6.1.8. by Condor, if Condor accepts an Acquisition Proposal for any reason, including pursuant to a good-faith determination by its board of directors, after consulting with counsel, that not accepting the Acquisition Proposal would constitute a breach of the directors' fiduciary duty; provided, however, that in that event Condor upon the closing of the transaction contemplated by such Acquisition Proposal shall pay to Parent the amount pursuant to Section 4.5.3.

6.2. Effect of Termination . In the event of termination under Section 6.1 hereof, this Agreement shall forthwith become void and there shall be no liability on the part of any of the parties hereto or their respective officers and directors to the other party, except as specifically set forth in any applicable subsection of Section 6.1 hereof, for any breach by the non-terminating party or parties. The confidentiality provisions set forth in Section 4.2.2 shall survive the termination of this Agreement. Neither party's refusal to waive fulfillment of any condition precedent to its obligations under this Agreement shall constitute a breach of its duty under this Agreement.

Article VII: Definitions and Miscellaneous

7.1. Certain Matters of Construction . A reference to an Article, Section, Exhibit or Schedule shall mean an Article of, a Section in, or Exhibit or Schedule to, this Agreement unless otherwise expressly stated. The titles and headings herein are for reference purposes only and shall not in any manner limit the construction of this Agreement, which shall be considered as a whole. The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation." Disclosure made in a numbered Schedule shall be deemed made in any other numbered Schedule to the extent that it is apparent on the face of such disclosure that such disclosure contains information that also modifies or is relevant to another representation and warranty therein.

7.2. Definitions of Certain Terms

7.2.1. As used herein, the following terms shall have the following meanings:

" *COBRA* " means the provisions of Section 4980B of the Code and Part 6 of Title I of ERISA.

" *Code* " means the Internal Revenue Code of 1986, as amended.

" *Condor's Knowledge* " or any other similar knowledge qualification in this Agreement means the actual knowledge of each director, division vice president and each executive officer of Condor or a Condor Subsidiary (including J. L. Huitt, Michael Louden, and Lauren Kovach).

" *Environmental Claim* " means any written claim, demand, suit, action, proceeding, investigation or notice to Condor or any of its Subsidiaries by any Person or entity alleging any potential liability (including potential liability for investigatory costs, cleanup costs, governmental response costs, natural resource damages, or penalties) arising out of, based on, or resulting from the presence, or Release into the environment, of any Materials of Environmental Concern at any location, whether owned, leased, operated or used by Condor or its Subsidiaries.

" *Environmental Laws* " means all Laws as currently in effect, which regulate the threatened Releases of Materials of Environmental Concern, or otherwise relating to the manufacture, generation, processing, distribution, use, storage, disposal, transport or handling of Materials of Environmental Concern, including the Comprehensive Environmental Response, Compensation and Liability Act and the Resource Conservation and Recovery Act.

"Environmental Permit" means all certificates, consents, permits, licenses, authorizations and approvals required under or relating to any Environmental Law.

" *ERISA* " means the Employee Retirement Income Security Act of 1974, as amended.

" *ERISA Affiliate* " means with respect to a party, any member (other than that party) of a controlled group of corporations, group of trades or businesses under common control or affiliated service group that includes that party (as defined for purposes of Section 414(b), (c) and (m) of the Code).

" *Exchange Act* " means the Securities Exchange Act of 1934, as amended.

" *Government* " means any federal, state, municipal, foreign, or other government or governmental agency that is a contracting party to any of the Assigned Contracts.

" *Materials of Environmental Concern* " means petroleum and its by-products, and any and all other substances or constituents to the extent that they are regulated by, or form the basis of liability under, any Environmental Law.

" *Permitted Encumbrances* " means (a) liens for current taxes and other statutory liens and trusts not yet due and payable or that are being contested in good faith, (b) liens that were incurred in the ordinary course of business, such as carriers', warehousemen's, landlords' and mechanics' liens and other similar liens arising in the ordinary course of business, (c) liens on personal property leased under operating leases, (d) liens, pledges or deposits incurred or made in connection with workmen's compensation, unemployment insurance and other social security benefits, or securing the performance of bids, tenders, leases, contracts (other than for the repayment of borrowed money), statutory obligations, progress payments, surety and appeal bonds and other obligations of like nature, in each case incurred in the ordinary course of business, (e) pledges of or liens on manufactured products as security for any drafts or bills of exchange drawn in connection with the importation of such manufactured products in the ordinary course of business, (f) liens under Article 2 of the Uniform Commercial Code that are special property interests in goods identified as goods to which a contract refers, (g) liens under Article 9 of the Uniform Commercial Code that are purchase money security interests and (h) such imperfections or minor defects of title, easements, rights-of-way and other similar restrictions (if any) as are insubstantial in character, amount or extent, do not materially detract

from the value or interfere with the present or proposed use of the properties or assets of the party subject thereto or affected thereby, and do not otherwise adversely affect or impair the business or operations of such party.

" *Person* " means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

" *Related Agreements* " means those agreements specified in this Agreement to be executed by the parties hereto at the Closing, including the assignment and assumption agreement delivered pursuant to Section 1.8.2(a)(i), the subcontracts delivered pursuant to Section 1.8.2(a)(v), the sublease delivered pursuant to Section 5.2.15, the Escrow Agreement, the Transition Services Agreement and the Non-Compete Agreement.

" *Release* " means any releasing, disposing, discharging, injecting, spilling, leaking, pumping, dumping, emitting, escaping, emptying, migration, transporting, placing and the like, including into or upon, any land, soil, surface water, ground water or air, or otherwise entering into the environment.

" *SEC* " means the United States Securities and Exchange Commission.

" *Subsidiary* " means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at any time directly or indirectly owned by such Person.

" *Tax* " means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code Section 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

" *Tax Return* " means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

Any reference in this Agreement to a statute shall be to such statute, as amended from time to time, and to the rules and regulations promulgated thereunder.

7.2.2. Each of the following terms is defined in the Section set forth opposite that term:

Term	Section
Acquisition Proposals	4.5.1
Agreement	Preamble

Allowance for Doubtful Accounts	2.11
Assets	1.1
Asset Documents	1.1.15
Assigned Contracts	1.1
Assumed Liabilities	1.3
CACI	Preamble
CACI Indemnified Parties	4.11.1
CACI Indemnifying Parties	4.11.2
Closing	1.8.1
Closing Date	1.8.1
Code	1.8.2(a)(iii)
Condor	Preamble
Condor Material Adverse Effect	2.7
Condor Meeting	2.29
Condor Plans	2.18.1
Employee List	2.19.2
Effective Time	1.8.1
Escrow Agreement	1.6.3
Escrow Amount	1.6.3
Excluded Assets	1.2
Expenses	4.6
FCC	Preamble
Filed SEC Documents	2.5.1
Final Balance Sheet	2.6.2
GAAP	2.6.1
Government Furnished Property	1.1.10
GSD	Preamble
GSD Unaudited Financial Statements	2.6.2
Indemnified Parties	4.11.2
Indemnifying Parties	4.11.2
Insurance Policy	4.11.8
Intellectual Property	1.1.3
Interim Balance Sheet	2.6.2
Inventory	1.1.13
InVenture	Preamble
Key Employees	4.7
Leases	2.22.2
Leased Properties	1.1.8
Leased Equipment	1.1.9
Liens	1.1
Louden	Preamble
MIS	Preamble
Non-Assignable Contract	4.13.2
Non-Compete Agreement	5.2.11
Obligations	2.8
Orders	1.1.12

Outstanding Proposals	1.1.1
Parent	Preamble
Prepaid Expenses	1.1.6
Proxy Statement	2.29
Purchase Price	1.6.1
Qualified Plans	2.18.3
Receivables	1.1.7
Seller Indemnified Party	4.11.2
Seller Indemnifying Parties	4.11.1
Tangible Assets	1.1.2
Term Sheet for Transition Services	4.9
Third-Party Claims	4.11.4
Third-Party Licenses	1.1.4
Transition Services Agreement	4.9

7.3. Amendments and Supplements . At any time before the Effective Time, this Agreement may be amended or supplemented by a written instrument signed by Condor, Louden, InVenture, MIS and FCC, on the one hand, and Parent and CACI, on the other, and approved by their respective boards of directors.

7.4. Extensions and Waivers . At any time prior to the Effective Time, the parties hereto may (i) extend the time for the performance of any of the obligations or other acts of the parties hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, and (iii) waive compliance with any of the covenants or conditions contained herein except the condition set forth in Section 5.1.1 hereof. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

7.5. Survival of Representations and Warranties . Notwithstanding any investigation conducted before or after the Closing, and notwithstanding Condor's Knowledge or notice of any fact or circumstance which either Parent or CACI on the one hand, or Condor, Louden, InVenture, MIS or FCC on the other, may have as the result of such investigation or otherwise, Parent or CACI, on the one hand, and Condor, Louden, InVenture, MIS and FCC on the other, shall each be entitled to rely upon the representations, warranties and covenants of the other in this Agreement. Each of the representations, warranties and covenants contained in this Agreement, made in any document delivered hereunder or otherwise made in connection with the Closing hereunder shall survive the Closing for a period of two (2) years.

7.6. Governing Law . This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to its principles of conflicts of laws.

7.7. Notices . All notices and other communications hereunder shall be in writing and shall be deemed given if delivered by hand sent via a reputable nationwide courier service or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice) and shall be

deemed given on the date on which so hand-delivered or on the third business day following the date on which so mailed or sent:

if to Parent or CACI, to:

CACI International Inc
1100 North Glebe Road
Arlington, VA 22201
Fax: (703) 522-895
Attn: Dr. J. P. London, Chairman

with copies to:

Jeffrey P. Elefante
Executive Vice President, General Counsel and Secretary
CACI International Inc
1100 North Glebe Road
Arlington, VA 22201
Fax: (703) 522-6895

and

David W. Walker, Esq.
Foley Hoag LLP
155 Seaport Boulevard
Boston, MA 02210
Fax: (617) 832-7000

if to Condor, Louden, InVenture, MIS or FCC to:

Condor Technology Solutions, Inc.
2745 Hartland Road
Falls Church, VA 22043
Fax: (703) 698-1742
Attn: John McCabe, Vice President and General Counsel

with a copy to:

Eric R. Markus, Esq.
Wilmer, Cutler & Pickering
2445 M Street, NW
Washington, DC 20037-1420
Fax: (202) 663-6363

7.8. **Entire Agreement, Assignability, etc** . This Agreement (i) constitutes the entire agreement, and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, (ii) is not intended to confer upon

any person other than the parties hereto any rights or remedies hereunder, except as otherwise expressly provided herein, and (iii) shall not be assignable by operation of law or otherwise.

7.9. Validity . The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, each of which shall remain in full force and effect.

7.10. Specific Performance . The parties hereto acknowledge that damages alone may not adequately compensate a party for violation by another party of this Agreement. Accordingly, in addition to all other remedies that may be available hereunder or under applicable law, any party shall have the right to any equitable relief that may be appropriate to remedy a breach or threatened breach by any other party hereunder, including the right to enforce specifically the terms of this Agreement by obtaining injunctive relief in respect of any violation or non-performance hereof.

7.11. Counterparts . This Agreement may be executed in one or more counterparts, all of which together shall constitute one and the same Agreement.

[Remainder of page intentionally left blank]

I N W ITNESS W HEREOF , the parties have duly executed this Agreement as of the date first above written.

CACI INTERNATIONAL INC

[SEAL] By: _____

Chief Financial Officer

CACI, INC.–FEDERAL

[SEAL] By: _____

Chief Financial Officer

CONDOR TECHNOLOGY SOLUTIONS, INC

[SEAL] By: _____

President

LOUDEN ASSOCIATES, INC.

[SEAL] By: _____

President

INVENTURE GROUP, INC.

[SEAL] By: _____

President

MIS TECHNOLOGIES, INC.

[SEAL] By: _____

President

FEDERAL COMPUTER CORPORATION

[SEAL] By: _____

President

List of Exhibits

Exhibit	Description
A	Form of Escrow Agreement
B	Form of Bill of Sale
C	Form of Assignment and Assumption Agreement
D	Form of Intellectual Property Assignment
E	Form of Subcontract
F	Term Sheet for Transition Services Agreement
G	Condor Covenant Certificates
H	Condor Representation and Warranty Certificates
I	Condor Opinion of Counsel
J	Condor Closing Certificates
K	Form of Non-Compete Agreement
L	Form of Certificate of Insurance
M	Form of Sublease
N	CACI Covenant Certificates
O	CACI Representation and Warranty Certificates
P	CACI Opinion of Counsel
Q	CACI Closing Certificates
R	Form of Transition Services Agreement

Exhibit 10.13

CACI INTERNATIONAL INC.
CACI, INC.- FEDERAL
CACI ACQUISITION CORPORATION
ACTON BURNELL, INC.

AGREEMENT AND PLAN OF MERGER

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AGREEMENT AND PLAN OF MERGER

A GREEMENT AND P LAN OF M ERGER , dated as of September 21, 2002 (the "Agreement"), by and among **CACI International Inc** , a Delaware corporation ("Parent"), **CACI, INC.—FEDERAL** , a Delaware corporation and wholly-owned subsidiary of Parent ("Federal"), **CACI Acquisition Corporation** , a Virginia corporation and wholly-owned subsidiary of Federal ("Merger Sub"), and **Acton Burnell, Inc.,** a Virginia corporation (the "Company"), and the stockholders of the Company listed on Schedule A attached hereto (collectively, the "Major Stockholders"). Merger Sub and the Company together are sometimes referred to herein as the "Constituent Corporations."

W I T N E S S E T H

WHEREAS, the respective boards of directors of Parent, Federal, Merger Sub and the Company have determined that it is advisable that the Merger Sub be merged with and into the Company (the "Merger") on the terms and conditions set forth herein and in accordance with the provisions of Title 13.1 of the Code of Virginia (the "CV");

WHEREAS, as of the date hereof, the Major Stockholders respectively own the number of issued and outstanding shares of common stock, $.002 par value per share, of the Company ("Common Stock"), in each case as set forth opposite such Stockholder's name on Schedule A hereto; and

WHEREAS, Parent, Federal, Merger Sub, the Major Stockholders and the Company desire to make certain representations and warranties and other agreements in connection with the Merger;

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

Article 1
D EFINITIONS

1.1 **Certain Matters of Construction** . A reference to an Article, Section, Exhibit or Schedule shall mean an Article of, a Section in, or Exhibit or Schedule to, this Agreement unless otherwise expressly stated. The titles and headings herein are for reference purposes only and shall not in any manner limit the construction of this Agreement which shall be considered as a whole. The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation."

1.2 **Cross References** . The following terms defined elsewhere in this Agreement in the Sections set forth below shall have the respective meanings therein defined:

Term	*Definition*
Acquisition Proposals	Section 6.1
Agreement	Preamble
Articles of Merger	Section 2.1
Auditor	Section 2.9.3
Broker	Section 2.6.3
Closing	Section 2.1
Closing Balance Sheet	Section 2.9.1
Closing Date	Section 2.1
Common Stock	Preamble
Company	Preamble
Company Balance Sheet	Section 3.5
Company Financial Statements	Section 3.5
Company Insurance Contracts	Section 3.19
Company Proprietary Rights	Section 3.18.1
Company Plans	Section 3.11.1
Constituent Corporations	Preamble
Consulting Agreement	Section 7.2.8
CV	Preamble
Demand Notice	Section 6.1
Dissenting Shares	Section 2.4
DSMO	Section 9.10
Effective Time	Section 2.1
Employee List	Section 3.12.2
Encumbrances	Section 3.15.1
Exercise Amount	Section 2.5
Expenses	Section 6.2.1
Federal	Preamble
Final Closing Balance Sheet	Section 2.9.4
First Payment	Section 2.6.3
GAAP	Section 2.9.1
Holdback Amount	Section 2.6.3
Governmental Entity	Section 3.4.2
Indemnification Claim	Section 6.3.2
Indemnified Party	Section 6.3.2
Indemnifying Party	Section 6.3.2
Indemnity Cap	Section 6.3.4
Indemnity Deductible	Section 6.3.4
Liabilities	Section 3.7
Major Stockholders	Preamble
Material Contracts	Section 3.17.1
Merger	Preamble
Merger Price	Section 2.3.2
Merger Price Per Share	Section 2.3.2

Merger Sub	Preamble
Merger Sub Stock	Section 2.3.3
Notice of Claim	Section 6.3.2
Parent	Preamble
Parent Balance Sheet	Section 4.4
Parent Indemnified Parties	Section 6.3.1
Parent Reports	Section 4.4
Permits	Section 3.8
Second Payment	Section 2.6.4
Stockholder List	Section 2.6.1
Stockholder Indemnified Parties	Section 6.3.1
Stockholders' Objection	Section 0
Stockholders	Section 2.6.1
Stockholders' Representative	Section 2.8
Surviving Corporation	Section 2.1
Third Party Claim	Section 6.3.3
Updated Schedules	Section 6.11

1.3 **Certain Definitions** . As used herein, the following terms shall have the following meanings:

Affiliate : with respect to any Person, any Person which, directly or indirectly, controls, is controlled by, or is under common control with, such Person.

Affiliated Group : means any affiliated group within the meaning of Code section 1504(a).

Closing Certificate : the certificate of the Company, substantially in the form attached hereto as Exhibit D.

COBRA : the provisions of Section 4980B of the Code and Part 6 of Title I of ERISA.

Code : the U.S. Internal Revenue Code of 1986, as amended from time to time.

Commercial Software : packaged commercial software programs generally available to the public through retail dealers in computer software or directly from the manufacturer which have been licensed to the Company and which are used in the Company's business but are in no way a component of or incorporated in or specifically required to develop any of the Company's products and related trademarks and technology.

Company : Acton Burnell, Inc.

Company Leases : each lease, sublease, license or other agreement under which the Company uses, occupies or has the right to occupy any real property or interest therein that (a) provides for future minimum payments of $25,000 or more (ignoring any right of cancellation or termination) or (b) the cancellation or termination of which would have a Company Material Adverse Effect.

Company Material Adverse Effect : any materially adverse change in or effect on the financial condition, business, operations, assets, properties, results of operations or, for the time period between the execution of the Agreement and the Closing, prospects of the Company; provided, however, that any such effect resulting from (i) any continuation of any specific adverse trend or condition or (ii) any actions required to be taken by this Agreement or any agreement contemplated herein, shall not be considered when determining whether a Company Material Adverse Effect has occurred.

Control (including with correlative meaning, controlled by and under common control with): as used with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

Determination : with respect to an indemnification claim pursuant to Section 6.3, means (a) a written compromise or settlement signed by Parent, Federal or the Surviving Corporation, on the one hand, and the Stockholders' Representative on the other, or (b) a binding arbitration award or a judgment of a court of competent jurisdiction in the United States of America or elsewhere (the time for appeal having expired and no appeal having been perfected) in favor of an Indemnified Party against an Indemnifying Party.

Environmental Claim : any actual notice alleging potential liability (including, without limitation, potential liability for investigatory costs, cleanup costs, response or remediation costs, natural resources damages, property damages, personal injuries, fines or penalties) arising out of, based on or resulting from (a) the presence, or release of any Material of Environmental Concern at any location, whether or not owned by that party or (b) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

Environmental Laws : any and all Federal, state or local statutes, regulations and ordinances relating to the protection of public health, safety or the environment.

ERISA : the Employee Retirement Income Security Act of 1974, as amended.

ERISA Affiliate : with respect to a party, any member (other than that party) of a controlled group of corporations, group of trades or businesses under common control or affiliated service group that includes that party (as defined for purposes of Section 414(b), (c) and (m) of the Code).

Estimated Net Assets : the estimated Net Assets of the Company on the Closing Date as set forth on the Closing Certificate.

Estimated Net Assets Adjustment : the Net Assets Adjustment determined on the Closing Date and set forth on the Closing Certificate, calculated using the Estimated Net Assets, less $300,000.

Exchange Act : the Securities Exchange Act of 1934, as amended.

Knowledge of the Company: shall mean the actual, current knowledge of the following individuals: Stan Ecton, Charles Olsick, Jr., Bill Wydo, John Visbarus, Elaine Stricklett, Lisa Redenson, Bill Betzner and Ronda Lin.

Letter of Intent : the letter dated July 22, 2002 from Stephen L. Waechter, Executive Vice President and Chief Financial Officer of Parent to Mr. Stan Ecton, Chief Executive Officer of the Company, expressing the companies' intention to effect the stock purchase and related transactions, subject to execution of this Agreement and other matters.

Losses: the amount of any actual damages, liabilities, obligations, deficiencies, losses, expenditures, costs or expenses (including without limitation reasonable attorneys' fees and disbursements). For purposes of determining the amount of any Loss, the amount of any Loss shall be reduced by any insurance proceeds received or receivable in respect thereof (in each case net of costs of recovery). For purposes of determining the amount of any Loss incurred by reason of any breach of any representation or warranty made by the Company under this Agreement, each such representation or warranty would read as if all qualifications as to materiality were deleted therefrom.

Materials of Environmental Concern : petroleum and its by-products and any and all other substances or constituents to the extent that they are regulated by any Environmental Law.

Net Assets : total assets of the Company less total liabilities as of the Closing Date, each as determined in accordance with GAAP and the Principles and Procedures.

Net Assets Adjustment: the number (positive or negative) calculated on the basis of the Net Assets, which is determined as follows:

(i) if Net Assets are greater than $3,000,000, then the Net Assets Adjustment is a positive number equal to such excess;

(ii) if Net Assets equal $3,000,000 then the Net Assets Adjustment is zero; and

(iii) if Net Assets are less than $3,000,000, then the Net Assets Adjustment is a negative number equal to such deficit.

Options : the non-qualified or incentive stock options granted pursuant to the Company's 1999 Stock Option Plan to purchase shares of Common Stock.

Parent Material Adverse Effect : any change in or effect on the financial condition, business, operations, assets, properties, or results of operations or, for the time between period the execution of Agreement and the Closing, prospects of Parent and its Subsidiaries considered on a consolidated basis that might reasonably be expected to impair the ability of Parent to provide funds for payment of the entire Merger Price in accordance with the terms of this Agreement.

Paying Agent Procedures : the paying agent procedures in the form attached hereto as Exhibit E.

Permitted Encumbrances : (a) liens for current taxes and other statutory liens and trusts not yet due and payable or that are being contested in good faith, (b) liens that were incurred in the ordinary course of business, such as carriers', warehousemen's, landlords' and mechanics' liens and other similar liens arising in the ordinary course of business, (c) liens on personal property leased under operating leases, (d) liens, pledges or deposits incurred or made in connection with workmen's compensation, unemployment insurance and other social security benefits, or securing the performance of bids, tenders, leases, contracts (other than for the repayment of borrowed money), statutory obligations, progress payments, surety and appeal bonds and other obligations of like nature, in each case incurred in the ordinary course of business, (e) pledges of or liens on manufactured products as security for any drafts or bills of exchange drawn in connection with the importation of such manufactured products in the ordinary course of business, (f) liens under Article 2 of the Uniform Commercial Code that are special property interests in goods identified as goods to which a contract refers, (g) liens under Article 9 of the Uniform Commercial Code that are purchase money security interests, (h) those liens disclosed on Exhibit A hereto, and (i) such imperfections or minor defects of title, easements, rights-of-way and other similar restrictions (if any) as are insubstantial in character, amount or extent, do not materially detract from the value or interfere with the present use of the properties or assets of the party subject thereto or affected thereby, and do not otherwise adversely affect or impair the business or operations of such party as currently conducted.

Person : an individual, a corporation, an association, a partnership, an estate, a trust and any other entity or organization.

Principles and Procedures : the accounting principles and procedures set forth in Exhibit F.

SEC : the United States Securities and Exchange Commission, or any Governmental Entity succeeding to its functions.

Securities Act : the Securities Act of 1933, as amended.

Security Interest : means any mortgage, pledge, lien, encumbrance, charge, or other security interest, other than (a) mechanic's, materialman's, and similar liens, (b) liens for Taxes not yet due and payable, (c) purchase money liens and liens securing rental payments under capital lease arrangements, and (d) other liens arising in the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency) and not incurred in connection with the borrowing of money.

Subsidiary : any corporation, association, or other business entity a majority (by number of votes on the election of directors or persons holding positions with similar responsibilities) of the shares of capital stock (or other voting interests) of which is owned by Parent, the Company or their respective Subsidiaries, as the case may be.

Tax : means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits,

environmental (including taxes under Code section 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

Tax Return : means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

Treasury Regulation : means a regulation promulgated by the United States Treasury Department under one or more provisions of the Code.

Article 2
THE MERGER

2.1 **Procedure for the Merger** . The closing of the transactions contemplated by this Agreement ("Closing") shall take place at the offices of Parent in Arlington, Virginia, commencing at 9 a.m. local time on October 16, 2002, or on such other date as the parties may agree after the satisfaction or waiver of all conditions to the obligations of the parties to consummate the transactions contemplated hereby ("Closing Date"). At the Closing, Merger Sub shall be merged, in accordance with section 13.1-722 of the CV, with and into the Company, which shall be and is sometimes referred to herein as the "Surviving Corporation." The Merger shall be effected by filing articles of merger, substantially in the form of Exhibit 2.1 attached hereto (the "Articles of Merger") with the State Corporation Commission of Virginia in accordance with section 13.1-720 of the CV. The Articles of Merger filed shall provide that the Merger will be effective on October 16, 2002 (the "Effective Time"),or on such other date or times as the parties mutually agree.

2.2 **Surviving Corporation.**

2.2.1 **Corporate Existence** . The Surviving Corporation shall continue its corporate existence under the laws of the Commonwealth of Virginia. The separate corporate existence of Merger Sub shall cease at the Effective Time.

2.2.2 **Articles of Incorporation and By-laws** . The articles of incorporation of the Company, as in effect immediately prior to the Effective Time, shall be the articles of incorporation of the Surviving Corporation until the same shall be amended thereafter in accordance with the CV and such articles of incorporation. The by-laws of the Company, as in effect immediately prior to the Effective Time, shall be the by-laws of the Surviving Corporation until the same shall be amended thereafter in accordance with the CV, the certificate of incorporation of the Surviving Corporation and such by-laws.

2.2.3 **Directors** . As of the Effective Time, J.P. London and Jeffrey P. Elefante shall be the directors of the Surviving Corporation, to hold office in accordance with the certificate of incorporation and by-laws of the Surviving Corporation.

2.2.4 **Effect of the Merger** . As of the Effective Time, the effect of the Merger shall be as provided in this Agreement and the applicable provisions of the CV. Without limiting the generality of the foregoing, at the Effective Time, all the property, rights, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

2.3 **Conversion of Stock** .

2.3.1 **Stock of the Company** . At the Effective Time, by virtue of the Merger and without any action on the part of the holders thereof, each share of Common Stock, issued and outstanding immediately prior to the Effective Time, including those shares of Common Stock issued pursuant to the exercise of Options in accordance with Section 2.5 (other than Company Common Stock held in the Company's treasury and except any Dissenting Shares) will be canceled and extinguished and be converted automatically into the right to receive payment of the Merger Price Per Share in accordance with the terms and provisions of this Agreement.

2.3.2 **Merger Price and Merger Price Per Share** . The aggregate merger price (the "Merger Price") shall be $23,500,000 (Twenty-Three Million Five Hundred Thousand Dollars) plus the Net Assets Adjustment. The merger price per share (the "Merger Price Per Share") shall be the amount obtained by dividing the Merger Price by the number of shares of Common Stock, issued and outstanding immediately prior to the Effective Time, including those shares of Common Stock issued pursuant to the exercise of Options in accordance with Section 2.5 (including any Dissenting Shares).

2.3.3 **Stock of Merger Sub** . At the Effective Time, each share of the common stock, par value $0.01 per share, of the Merger Sub ("Merger Sub Stock") issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and become one validly issued, fully paid and nonassessable share of common stock, $0.002 par value per share, of the Surviving Corporation.

2.4 **Appraisal Rights** . Notwithstanding any other provision herein to the contrary, if appraisal rights are available under the CV to holders of shares of Common Stock in connection with the Merger, shares of Common Stock that are outstanding immediately prior to the Effective Time and that are held by any shareholder who shall not have voted such shares in favor of adoption of the Merger and who shall have taken the necessary steps under the CV to seek appraisal of, and demand payment for, the shares and is otherwise entitled to payment under the CV ("Dissenting Shares") shall not be converted into the right to receive the Merger Price Per Share at or after the Effective Time, unless and until the holder of the Dissenting Shares withdraws his or her demand for appraisal or ceases to have a right of appraisal (through failure to perfect or otherwise). If a holder of Dissenting Shares shall withdraw his or her demand for appraisal or shall cease to have a right of appraisal, then, as of the later of the Effective Time or the occurrence of such event, the holder's Dissenting Shares shall be automatically converted into and represent the right to receive the Merger Price Per Share as provided above. Except to the extent otherwise required by the CV, Dissenting Shares shall not, after the Effective Time, be entitled to vote for any purpose or be entitled to the payment of dividends or other distributions

(except dividends or other distributions payable to stockholders of record prior to the Effective Time).

2.4.1 **Major Stockholders' Consent and Appraisal Rights** . By executing this Agreement, each of the Major Stockholders consent, in their capacity as stockholders of the Company and with the same effect as if they had so voted at a meeting of stockholders called for that purpose (and if such a meeting of stockholders is called, the Major Stockholders agree that they will so vote), that the Company enter into this Agreement and consummate the Merger and other transactions contemplated by this Agreement in accordance with the terms and conditions of the Merger as set forth in this Agreement. The Major Stockholders hereby waive and agree not to seek any appraisal rights that may be available to them under the CV in connection with the Merger and agree that all shares of the Common Stock that are outstanding immediately prior to the Effective Time and held by them shall be converted into the right to receive the appropriate Merger Price Per Share at or after the Effective Time, as set forth in Section 2.3.2.

2.5 **Exercise of Options** . Pursuant to the terms of the Company's 1999 Stock Option Plan, the Company shall cause each option holder to (i) prior to the Closing, exercise or forfeit all Options owned by such holder, (ii) satisfy the exercise prices of all Options exercised by such holder (the "Exercise Amount") with an obligation to pay the Exercise Amount to the Company at Closing; (iii) allow Federal to deduct the Exercise Amount from the amounts otherwise due and owing to such holder under this Agreement and to make payment of such amount to the Company at the Closing (in satisfaction of such holder's obligation described in clause (ii) above); and (iv) allow Federal to withhold from the amounts otherwise due and owing to such holder under this Agreement all withholding and employment taxes required to be withheld from such holder with respect to the exercise of such Options, which amounts shall be promptly paid by Federal to the Company at Closing, who in turn will promptly pay such amount to the appropriate governmental authorities.

2.6 **Payment of Merger Price** .

2.6.1 **Stockholder List** . The Company shall prepare a list (the "Stockholder List") setting forth the names and addresses of all Persons who are the record holders of Company Common Stock immediately prior to the Effective Time and who are not holders of the Dissenting Shares (including the Major Stockholders, the "Stockholders"), the number of shares of Company Common Stock held by each and a percentage such number of shares represents with respect to the total number of shares of Company Common Stock issued and outstanding immediately prior to the Effective Time (including Dissenting Shares), which it shall deliver to Federal at the Closing.

2.6.2 **Closing Certificate** . At the Closing, an officer of the Company shall deliver to Federal the Closing Certificate, which shall set forth his best estimate of the Estimated Net Assets and Estimated Net Assets Adjustment.

2.6.3 **The Merger Price Paid at the Closing** . $20,500,000 (Twenty Million Five Hundred Thousand Dollars) plus the Estimated Net Assets Adjustment, less (i) the amount of the fees owed by the Company or the Stockholders to Raymond James and Associates, Inc. ("Broker") which will be paid by Federal directly to Broker pursuant to Section 6.2.2 and (ii)

One Million Dollars ($1,000,000) (the "Holdback Amount") which will be paid by Federal to the Stockholders' Representative, as paying agent pursuant to the terms of the Paying Agent Procedures, shall be made available for payment in immediately available funds (in accordance with the procedures set forth in Section 2.6.5) on the Closing Date by Federal to the Stockholders in the respective pro rata amounts set forth in the Stockholder List. (The "First Payment")

2.6.4 **The Remaining Merger Price** . $3,000,000 (Three Million Dollars) of the total Merger Price plus interest (at the simple interest rate of 1.75% per annum) shall be paid on the first anniversary of the Closing Date by Federal, less the remaining amount of fees owed to the Broker (as advised by the Stockholders' Representative) which will be paid directly to Broker, to the Stockholders' Representative, as paying agent on behalf of the Stockholders. Except as specifically provided in Section 6.3.4, Parent, Federal and the Surviving Corporation shall not be entitled to offset any claim against, or any amount owed by, any Stockholder to the Company, Parent, Federal or the Merger Sub against any payment due to the Stockholders under this Section 2.6.4. (The "Second Payment")

2.6.5 **Letters of Transmittal** . At or promptly after the Effective Time, the Surviving Corporation will send or deliver to each Stockholder two or more copies of a Letter of Transmittal in a form mutually agreed by the parties. Thereafter, Federal shall pay to each Stockholder who submits a properly completed and executed Letter of Transmittal accompanied by surrender of the certificate or certificates for shares of Company Common Stock for which that Stockholder claims payment, the aggregate amount to which that Stockholder is entitled based pursuant to Section 2.6.3 above.

2.7 **Additional Actions** . If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement or to vest, perfect or confirm in the Surviving Corporation title to or ownership or possession of any property, right, privilege, power, franchise or other asset of either Constituent Corporation acquired or to be acquired by reason of, or as a result of, the Merger, the officers and directors of the Company and Merger Sub are fully authorized in the name of their respective corporations or otherwise to take, and will take, all such lawful and necessary action, so long as such action is consistent with this Agreement.

2.8 **Stockholders' Representative** . Upon approval of the Merger, the Stockholders shall have been deemed to appoint Stan Ecton as the true and lawful agent and attorney-in-fact (the "Stockholders' Representative") of the Stockholders with full power of substitution to act in the name, place and stead of the Stockholders with respect to the surrender of the Stock certificates owned by the Stockholders to Federal in accordance with the terms and provisions of this Agreement, and to act on behalf of the Stockholders in any litigation or arbitration involving this Agreement, act as the paying agent on behalf of the Stockholders, do or refrain from doing all such further acts and things, and execute all such documents as the Stockholders' Representative shall deem necessary or appropriate in connection with the transactions contemplated by this Agreement, including, without limitation, the power:

(i) to act for the Stockholders with regard to matters pertaining to indemnification referred to in this Agreement, including the power to compromise any indemnity claim on behalf of the Stockholders and to transact matters of litigation;

(ii) to execute and deliver all ancillary agreements, certificates and documents that the Stockholders' Representative deems necessary or appropriate in connection with the consummation of the transactions contemplated by this Agreement;

(iii) to act as the paying agent and to receive funds and give receipts for funds, including in respect of any adjustments to the Merger Price, and to do or refrain from doing the actions further described in the Paying Agent Procedures;

(iv) to do or refrain from doing any further act or deed on behalf of the Stockholders that the Stockholders' Representative deems necessary or appropriate in his sole discretion relating to the subject matter of this Agreement and the Paying Agent Procedures as fully and completely as the Stockholders could do if personally present; and

(v) to receive service of process in connection with any claims under this Agreement.

The appointment of the Stockholders' Representative shall be deemed coupled with an interest and shall be irrevocable, and Parent, Federal and the Surviving Corporation may conclusively and absolutely rely, without inquiry, upon any action of the Stockholders' Representative in all matters referred to herein.

If Stan Ecton resigns, dies or is otherwise unable to serve as the Stockholders' Representative, the successor Stockholders' Representative shall be Ronald Moreau. If Ronald Moreau subsequently resigns, dies or is otherwise unable to serve as the Stockholders' Representative, the successor Stockholders' Representative shall be designated in writing by the Stockholders which held a majority of the Company Common Stock immediately prior to the Closing.

If any individual Stockholders should die or become incapacitated, if any trust or estate should terminate or if any other such event should occur, any action taken by the Stockholders' Representative pursuant to this Section 2.8 shall be as valid as if such death or incapacity, termination or other event had not occurred, regardless of whether or not the Stockholders' Representative or the Surviving Corporation shall have received notice of such death, incapacity, termination or other event.

All notices required to be made or delivered by Parent, Federal or the Surviving Corporation to the Stockholders shall be made to the Stockholders' Representative for the benefit of the Stockholders and shall discharge in full all notice requirements of Parent, Federal or the Surviving Corporation to the Stockholders with respect thereto. The Stockholders hereby confirm all that the Stockholders' Representative shall do or cause to be done by virtue of his appointment as the Stockholders' Representative of the Stockholders.

The Stockholders' Representative shall act for the Stockholders on all of the matters set forth in this Agreement in the manner the Stockholders' Representative believes to be in the best interest of the Stockholders and consistent with the obligations under this Agreement, but the Stockholders' Representative shall not be responsible to the Stockholders for any loss or damages the Stockholders may suffer by the performance by the Stockholders' Representative of his duties under this Agreement, other than loss or damage arising from willful violation of the law by the Stockholders' Representative of his duties under this Agreement. The Stockholders' Representative and his heirs and personal or legal representatives shall be held harmless by the

Stockholders from, and indemnified against any loss or damages arising out of or in connection with the performance of his obligations in accordance with the provisions of this Agreement, except for any of the foregoing arising out of the willful violation of the law by the Stockholders' Representative or of his duties hereunder. The foregoing indemnity shall survive the resignation or substitution of the Stockholders' Representative.

Notwithstanding anything to the contrary herein, the Stockholders' Representative shall have no liability or obligation to any Parent Indemnified Party otherwise than, and only to the extent of, his individual liability as a Stockholder as set forth in Section 6.3.

2.9 **Final Adjustment to Merger Price.**

2.9.1 **Preparation of Closing Balance Sheet** . As soon as reasonably possible after the Closing Date (but not later than 45 days thereafter), Federal shall prepare or cause to be prepared and shall deliver to the Stockholders' Representative a Closing Balance Sheet for the Company as of the opening of business on the Closing Date (the "Closing Balance Sheet"). The Closing Balance Sheet shall be prepared in accordance with United States Generally Accepted Accounting Principles ("GAAP") and the Principles and Procedures.

2.9.2 **Review of Closing Balance Sheet** . The Stockholders' Representative, upon receipt of the Closing Balance Sheet, shall (i) review the Closing Balance Sheet and (ii) to the extent the Stockholders' Representative may deem necessary, make reasonable inquiry of the Company, Federal and its accountants (if any are used), relating to the preparation of the Closing Balance Sheet. The Stockholders' Representative and his advisors shall have full access upon prior written notice and during normal business hours to the books, papers and records of the Company and its accountants (if any are used), relating to the preparation of the Closing Balance Sheet in connection with such inquiry and the preparation of the Stockholders' Objection thereto. The Closing Balance Sheet shall be binding and conclusive upon, and deemed accepted by, the Stockholders unless the Stockholders' Representative shall have notified Federal in writing of any objections thereto (the "Stockholders' Objection") within 20 days after receipt of the Closing Balance Sheet.

2.9.3 **Disputes** . In the event of the Stockholders' Objection, Federal shall have 20 days to review and respond to the Stockholders' Objection, and Federal and the Stockholders' Representative shall attempt to resolve the differences underlying the Stockholders' Objection within 20 days following completion of Federal's review of the Stockholders' Objection. Disputes between Federal and the Stockholders' Representative which cannot be resolved by them within such 20-day period shall be referred no later than such 20 th day for decision to a nationally-recognized independent public accounting firm mutually selected by the Stockholders' Representative and Federal (which firm shall not be the independent public accountants for any of the Company, the Surviving Corporation, Parent or Federal) (the "Auditor") who shall act as arbitrator and determine, based solely on presentations by the Stockholders' Representative and Federal and only with respect to the remaining differences so submitted, whether and to what extent, if any, the Closing Balance Sheet requires adjustment. The Auditor shall deliver its written determination to Federal and the Stockholders' Representative no later than the 30 th day after the remaining differences underlying the Stockholders' Objection are referred to the Auditor, or such longer period of time as the Auditor determines is necessary. The Auditor's determination shall be conclusive and binding upon the

parties. The fees and disbursements of the Auditor shall be allocated to the party or parties as determined by the Auditor. Federal and the Stockholders' Representative shall make readily available to the Auditor all relevant information, books and records and any work papers relating to the Closing Balance Sheet and all other items reasonably requested by the Auditor. In no event may the Auditor's resolution of any difference be for an amount which is outside the range of Federal's and the Stockholders' Representative's disagreement.

2.9.4 **Final Closing Balance Sheet** . The Closing Balance Sheet shall become final and binding upon the parties upon the earlier of (i) the failure by the Stockholders' Representative to object thereto within the period permitted under Section 2.9.2, (ii) the agreement between Federal and the Stockholders' Representative with respect thereto and (iii) the decision by the Auditor with respect to any disputes under Section 2.9.3. The Closing Balance Sheet, as adjusted pursuant to the agreement of the parties or decision of the Auditor, when final and binding is referred to herein as the "Final Closing Balance Sheet."

2.9.5 **Adjustments to the Merger Price** . As soon as practicable (but not more than five business days) after the date on which the Final Closing Balance Sheet shall have been determined in accordance with this Section 2.9, (A) the Stockholders' Representative, as paying agent, shall pay to Federal in immediately available funds in U.S. dollars the amount, if any, by which the Net Assets in the Final Closing Balance Sheet is less than the Estimated Net Assets, which shall constitute an immediate adjustment of the Merger Price in such amount or (B) Federal shall pay to the Stockholders' Representative, as paying agent on behalf of the Stockholders, in immediately available funds in U.S. dollars the amount, if any, by which the Net Assets in the Final Closing Balance Sheet is greater than the Estimated Net Assets, which shall constitute an immediate adjustment of the Merger Price in such amount. Parent, Federal and the Surviving Corporation shall not be entitled to offset any claim against, or any amount owed by, any Stockholder to the Company, Parent, Federal or the Merger Sub against any payment due to the Stockholders under this Section 2.9.5.

Article 3
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except for those representations and warranties expressly set forth in this Article 3, neither the Company nor any Stockholder makes any representations or warranties, express or implied, at law or in equity, of any kind or nature whatsoever concerning the organization, business, assets, liabilities and operations of the Company and any such other representations or warranties are hereby expressly disclaimed in full and for all time. The Company represents and warrants to Parent, Federal and Merger Sub as follows:

3.1 **Corporate Status of the Company** . Except as set forth on Schedule 3.1 hereto, the Company is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia, with the requisite corporate power to own, operate and lease its properties and to carry on its business as now being conducted. Except as set forth on Schedule 3.1 hereto, the Company is duly qualified or licensed to do business as a foreign corporation and is in good standing in all jurisdictions in which the character of the properties owned or held under lease by it or the nature of the business transacted by it makes qualification

necessary, except where failure to be so qualified would not have a Company Material Adverse Effect. All jurisdictions in which the Company is qualified to do business are set forth on Schedule 3.1 hereto.

3.2 **Capital Stock.**

3.2.1 **Authorized Stock of the Company** . As of the date hereof, the authorized capital stock of the Company consists of 5,000,000 shares of Company Common Stock, of which 3,936,417 shares are issued and outstanding (excluding 1,063,583 shares held in Treasury). All of the outstanding shares of Company Common Stock have been duly authorized and validly issued, were not issued in violation of any person's preemptive rights, and are fully paid and nonassessable. Each Stockholder is the owner of record of the number of shares of Company Common Stock set forth in Schedule 3.2, which schedule will be replaced with the Stockholder List at Closing. As of the date hereof, Schedule 3.2 sets forth a true and accurate list of the outstanding capital stock of the Company. As of the Closing Date, the Stockholder List shall set forth a true and accurate list of the outstanding capital stock of the Company.

3.2.2 **Options and Convertible Securities of the Company** . Except as set forth on Schedule 3.2, there are no outstanding subscriptions, options, warrants, conversion rights or other rights, securities, agreements or commitments obligating the Company to issue, sell or otherwise dispose of shares of its capital stock, or any securities or obligations convertible into, or exercisable or exchangeable for, any shares of its capital stock. Except as set forth on Schedule 3.2, there are no voting trusts or other agreements or understandings to which the Company or any Stockholder is a party with respect to the voting of the shares of Company Common Stock and the Company is not a party to or bound by any outstanding restrictions, other obligations, agreements or commitments to sell, repurchase, redeem or acquire any outstanding shares of Company Common Stock or other equity securities of the Company.

3.3 **Subsidiaries/Acquisitions/Divestures** . The Company has no Subsidiaries. The Company has not acquired, sold, divested or liquidated any companies, Subsidiaries or lines of business.

3.4 **Authority for Agreement; Noncontravention.**

3.4.1 **Authority** . The Company has the corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby to the extent of its obligations hereunder (subject to, with respect to the Merger, the adoption of this Agreement by the requisite stockholders of the Company). The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, to the extent of its obligations hereunder, have been duly and validly authorized by the board of directors of the Company and no other corporate proceedings on the part of the Company are necessary to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, to the extent of its obligations hereunder (subject to, with respect to the Merger, the adoption of this Agreement by the requisite stockholders of the Company). This Agreement and the other agreements contemplated hereby to be signed by the Company have been duly executed and delivered by the Company and constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the

qualifications that enforcement of the rights and remedies created hereby and thereby is subject to (a) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws of general application affecting the rights and remedies of creditors and (b) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

3.4.2 **No Conflict** . Except as set forth on Schedule 3.4 hereto, neither the execution and delivery of this Agreement by the Company, nor the performance by the Company of its obligations hereunder, nor the consummation by the Company of the transactions contemplated hereby, to the extent of its obligations hereunder, will (a) conflict with or result in a violation of any provision of the charter documents or by-laws of the Company, (b) with or without the giving of notice or the lapse of time, or both, conflict with, or result in any violation or breach of, or constitute a default under, or result in any right to accelerate or result in the creation of any lien, charge or encumbrance pursuant to, or right of termination under, any provision of any note, mortgage, indenture, lease, instrument or other agreement, permit, concession, grant, franchise, license, judgment, order, decree, statute, ordinance, rule or regulation to which the Company is a party or by which it or any of its assets or properties is bound, except for, in the case of (b), such violations, breaches, defaults, rights to accelerate, creation of any liens changes or encumbrances or rights to terminate, which individually or in the aggregate would not have a Company Material Adverse Effect. No authorization, consent or approval of, or filing with or notice to, any United States or foreign governmental or public body or authority (each a "Governmental Entity") is necessary for the execution and delivery of this Agreement by the Company or the consummation by the Company of the transactions contemplated hereby, except (i) the filing of the Articles of Merger with the State Corporation Commission of Virginia, (ii) the extent that novation is required as further described in Section 6.9.2 below, and (iii) to such other consents, authorizations, filings, approvals and registrations which if not obtained or made would not have a Company Material Adverse Effect.

3.5 **Financial Statements** . The Company has previously furnished Parent with a copy of the balance sheet of the Company as of March 31, 2002 and the statements of operations, cash flows and changes in the stockholders' equity of the Company for the year then ended and the balance sheet of the Company as of July 31, 2002 and the statements of operations, cash flows and changes in the stockholders' equity of the Company for the period then ended. The annual financial statements were audited by Stokes & Company P.C., certified public accountants. Collectively, the financial statements referred to in the immediately preceding sentence are sometimes referred to herein as the "Company Financial Statements" and the balance sheet of the Company as of July 31, 2002 is referred to herein as the "Company Balance Sheet." Each of the balance sheets included in the Company Financial Statements (including any related notes) fairly presents in all material respects the financial position of the Company as of its date, and the other statements included in the Company Financial Statements (including any related notes) fairly present in all material respects the results of operations, cash flows and the stockholders' equity, as the case may be, of the Company for the periods therein set forth, in each case in accordance with GAAP consistently applied, subject, in the case of the four month period ended on July 31, 2002, to normal year-end adjustments, the absence of notes, and, in the event that such period ended on a date other than the end of a fiscal quarter, the absence of tax accruals (all except as otherwise stated therein).

3.6 **Absence of Material Adverse Changes** . Except as set forth on Schedule 3.6 hereto, since the date of the Letter of Intent, the Company has not suffered any Company Material Adverse Effect. Since the date of the Letter of Intent, except as set forth on Schedule 3.6, there have been no dividends or other distributions declared or paid in respect of, or any repurchase or redemption by the Company of, any of the shares of capital stock of the Company, or any commitment relating to any of the foregoing.

3.7 **Absence of Undisclosed Liabilities** . Except as set forth on Schedule 3.7, the Company has no material liabilities or obligations, fixed, accrued, contingent or otherwise (collectively, "Liabilities"), that are not fully reflected or provided for on, or disclosed in the notes to, the balance sheets included in the Company Financial Statements that would be required to be disclosed on a balance sheet as of such date in accordance with GAAP consistently applied, except (i) Liabilities incurred in the ordinary course of business since the date of the Company Balance Sheet, (ii) Liabilities permitted or contemplated by this Agreement, and (iii) Liabilities expressly disclosed on the Schedules delivered hereunder.

3.8 **Compliance with Applicable Law, Charter and By-Laws** . The Company has all requisite licenses, permits and certificates from all Governmental Entities necessary to conduct its business as currently conducted, and to own, lease and operate its properties in the manner currently held and operated (collectively, "Permits"), except as set forth on Schedule 3.8 hereto and except for any Permits the absence of which, in the aggregate, do not and could not reasonably be expected to have a Company Material Adverse Effect or prevent or materially delay the consummation of the transactions contemplated hereby. The Company is in compliance in all material respects with all the terms and conditions related to such Permits. There are no proceedings in progress, pending or, to the Knowledge of the Company, threatened, which may result in revocation, cancellation, suspension, or any material adverse modification of any of such Permits. To the Knowledge of the Company, the business of the Company is not being conducted in violation of any applicable law, statute, ordinance, regulation, rule, judgment, decree, order, Permit, concession, grant or other authorization of any Governmental Entity except for any such violations which would not have a Company Material Adverse Effect. The Company is not in default or violation of any provision of its charter documents or its by-laws.

3.9 **Litigation and Audits** . Except for any claim, action, suit or proceeding set forth on Schedule 3.9 or 3.10 hereto, (a) to the Knowledge of the Company, there is no investigation by any Governmental Entity with respect to the Company pending or threatened, nor has any Governmental Entity indicated to the Company an intention to conduct the same; (b) there is no claim, action, suit, arbitration or proceeding pending or, to the Knowledge of the Company, threatened against or involving the Company, or any of its assets or properties, at law or in equity, or before any arbitrator or Governmental Entity, that, if adversely determined, either singly or in the aggregate, would have a Company Material Adverse Effect or prevent or materially delay the consummation of the transactions contemplated hereby; and (c) there are no judgments, decrees, injunctions or orders of any Governmental Entity or arbitrator outstanding against the Company.

3.10 **Tax Matters** . Except as set forth on Schedule 3.10:

3.10.1 **Filing of Returns** . The Company has filed all material Tax Returns that it was required to file and has paid all taxes shown thereon as owing. All such Tax Returns were correct and complete in all material respects. The Company is not currently the beneficiary of any extension of time within which to file any Tax Return. No claim has been made in the past two (2) years by an authority in a jurisdiction where the Company does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are no Security Interests on any of the assets of the Company that arose in connection with any failure (or alleged failure) to pay any Tax.

3.10.2 **Payment of Taxes** . The Company has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party.

3.10.3 **Assessments or Disputes** . There is no dispute or claim concerning any Tax Liability of the Company either (a) claimed or raised by any authority in writing or (b) as to which any of the directors and officers (and employees responsible for Tax matters) of the Company has knowledge based upon personal contact with any agent of such authority. Schedule 3.10 lists all federal, state, local, and foreign income Tax Returns filed with respect to the Company for taxable periods ended on or after March 31, 1997, indicates those Tax Returns that have been audited, and indicates those Tax Returns that currently are the subject of audit. The Company has delivered to or made available to Federal correct and complete copies of all federal income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by the Company since March 31, 1997.

3.10.4 **Waiver of Statute of Limitations** . The Company has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

3.10.5 **Collapsible Corporations, Golden Parachutes, Real Property Holding Corporations** . The Company has not filed a consent under Code section 341(f) concerning collapsible corporations. The Company has not made any payments, is not obligated to make any payments, and is not a party to any agreement that under certain circumstances could obligate it to make any payments that will not be deductible under Code section 280G. The Company has not been a United States real property holding corporation within the meaning of Code section 897(c)(2) during the applicable period specified in Code section 897(c)(1)(A)(ii). The Company is not a party to any Tax allocation or sharing agreement. The Company (a) has not been a member of an Affiliated Group filing a consolidated federal income Tax Return (other than a group the common parent of which was the Company) and (b) has no Liability for the Taxes of any Person (other than the Company) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

3.10.6 **No Changes in Accounting, Closing Agreement, Installment Sale** . The Company will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as

a result of any (a) change in method of accounting for a taxable period ending on or prior to the Closing Date under Code section 481(c) (or any corresponding or similar provision of state, local or foreign income Tax law); (b) "closing agreement" as described in Code section 7121 (or any corresponding or similar provision of state, local or foreign income Tax law) executed on or prior to the Closing Date; (c) deferred intercompany gain or any excess loss account described in Treasury Regulations under Code section 1502 (or any corresponding or similar provision of state, local or foreign income Tax law); (d) installment sale or open transaction disposition made on or prior to the Closing Date; or (e) prepaid amount received on or prior to the Closing Date.

3.11 **Employee Benefit Plans.**

3.11.1 **List of Plans** . Schedule 3.11 hereto contains a correct and complete list of all pension, profit sharing, retirement, deferred compensation, welfare, legal services, medical, dental or other employee benefit or health insurance plans, life insurance or other death benefit plans, disability, stock option, stock purchase, stock compensation, bonus, vacation pay, severance pay and other similar plans, programs or agreements, and every material written personnel policy, relating to any persons employed by the Company or in which any person employed by the Company is eligible to participate and which is currently maintained or, in the case of such plans, programs or agreements that are subject to ERISA, that was maintained at any time in the last five calendar years by the Company (collectively, the "Company Plans"). The Company has made available to Parent complete copies, as of the date hereof, of all of the Company Plans that have been reduced to writing, together with all documents establishing or constituting any related trust, annuity contract, insurance contract or other funding instrument, and summaries of those that have not been reduced to writing. The Company has made available to Parent complete copies of current plan summaries, employee booklets, personnel manuals and other material documents or written materials concerning the Company Plans that are in the possession of the Company as of the date hereof. The Company does not have any "defined benefit plans" as defined in Section 3(35) of ERISA.

3.11.2 **ERISA** . The Company has not incurred any "withdrawal liability" calculated under Section 4211 of ERISA and there has been no event or circumstance which would cause them to incur any such liability. The Company has never maintained a Company Plan providing health or life insurance benefits to former employees, other than as required pursuant to Section 4980B of the Code or Part 6 of ERISA or to any state law conversion rights. Except as set forth on Schedule 3.11, no plan previously maintained by the Company which was subject to ERISA has been terminated; no proceedings to terminate any such plan have been instituted within the meaning of Subtitle C of Title IV of ERISA; and to the Knowledge of the Company, no reportable event within the meaning of Section 4043 of said Subtitle C of Title IV of ERISA with respect to which the requirement to file a notice with the Pension Benefit Guaranty Corporation has not been waived has occurred with respect to any such Company Plan, and no liability to the Pension Benefit Guaranty Corporation has been incurred by the Company. Except as set forth on Schedule 3.11, with respect to all the Company Plans, to the Knowledge of the Company, the Company is in material compliance with all requirements prescribed by all statutes, regulations, orders or rules currently in effect, and, to the Knowledge of the Company, has in all material respects performed all obligations required to be performed by it. Neither the Company nor, to the Knowledge of the Company, any of its directors, officers, employees or agents, nor, to the Knowledge of the Company, any trustee or administrator of any trust created

under the Company Plans, has engaged in or been a party to any "prohibited transaction" as defined in Section 4975 of the Code and Section 406 of ERISA which could subject the Company or its Affiliates, directors or employees or the Company Plans or the trusts relating thereto or any party dealing with any of the Company Plans or trusts to any tax or penalty on "prohibited transactions" imposed by Section 4975 of the Code. Except as set forth on Schedule 3.11, neither the Company Plans nor the trusts created thereunder have incurred any "accumulated funding deficiency," as such term is defined in Section 412 of the Code and regulations issued thereunder, whether or not waived. The Company does not have, and did not previously have, an ERISA Affiliate.

3.11.3 **Plan Determinations** . Except as set forth on Schedule 3.11, each Company Plan intended to qualify under Section 401(a) of the Code has been determined by the Internal Revenue Service to so qualify, and the trusts created thereunder have been determined to be exempt from tax under Section 501(a) of the Code; copies of all determination letters have been delivered to Parent, and, to the Knowledge of the Company, nothing has occurred since the date of such determination letters which might cause the loss of such qualification or exemption. With respect to each Company Plan which is a qualified profit sharing plan, all employer contributions accrued for plan years ending prior to the Closing under the Company Plan terms and applicable law have been made.

3.11.4 **Funding** . Except as set forth on Schedule 3.11:

(a) all contributions, premiums or other payments due or required to be made to the Company Plans as of the date hereof have been made as of the date hereof or are properly reflected on the Company Balance Sheet or will be reflected in the Closing Balance Sheet;

(b) there are no actions, liens, suits or claims (other than routine claims for benefits) pending or, to the Knowledge of the Company, threatened with respect to any Company Plan;

(c) to the Knowledge of the Company, no event has occurred which presents a material risk of a partial termination (within the meaning of Section 411(d)(3) of the Code) of any Company Plan;

(d) each Company Plan that is a "group health plan" (as defined in Section 607(1) of ERISA) has been operated at all times in substantial compliance with the provisions of COBRA and any applicable, similar state law; and

(e) with respect to any Company Plan that is qualified under Section 401(k) of the Code, individually and in the aggregate, to the Knowledge of the Company, no event has occurred which could subject the Company to any liability (except liability for benefits claims and funding obligations payable in the ordinary course) that is reasonably likely to have a Company Material Adverse Effect under ERISA, the Code or any other applicable law.

3.12 **Employment-Related Matters.**

3.12.1 **Labor Relations** . Except to the extent set forth on Schedule 3.12 hereto: (a) the Company is not a party to any collective bargaining agreement or other contract or agreement with any labor organization or other representative of any of the employees of the Company; (b) there is no labor strike, dispute, slowdown, work stoppage or lockout that is pending or, to the Knowledge of the Company, threatened against or otherwise affecting the Company, and the Company has not experienced the same; (c) the Company has not closed any plant or facility, or implemented any early retirement or separation program within the last five (5) years, nor has the Company planned or announced any such action or program for the future with respect to which the Company has any material liability; and (d) all salaries, wages, vacation pay, bonuses, commissions and other compensation due from the Company to the employees of the Company before the date hereof have been paid or accrued as of the date hereof.

3.12.2 **Employee List** . The Company has heretofore delivered to Parent a confidential list (the "Employee List") dated as of August 2, 2002 and updated as of September 16, 2002 containing the name of each employee of the Company and each such employee's position, starting employment date and annual salary. The Employee List is correct and complete as of the date of the Employee List. No third party has asserted any claim in the past three (3) years against the Company that either the continued employment by, or association with, the Company of any of the present officers or employees of, or consultants to, the Company contravenes any agreements or laws applicable to unfair competition, trade secrets or proprietary information.

3.13 **Environmental.**

3.13.1 **Environmental Laws** . Except for matters which, individually or in the aggregate, would not have a Company Material Adverse Effect, to the Knowledge of the Company, (a) the Company is in compliance with all applicable Environmental Laws in effect on the date hereof; (b) the Company has not received any written communication that alleges that the Company is not in compliance in all material respects with all applicable Environmental Laws in effect on the date hereof; (c) all material Permits and other governmental authorizations currently held by the Company pursuant to the Environmental Laws are in full force and effect, the Company is in compliance with all of the terms of such Permits and authorizations, and no other Permits or authorizations are required by the Company for the conduct of its business on the date hereof; and (d) the management, handling, storage, transportation, treatment, and disposal by the Company of all Materials of Environmental Concern has been in compliance with all applicable Environmental Laws.

3.13.2 **Environmental Claims** . Except as set forth on Schedule 3.13 hereto, there is no Environmental Claim pending or, to the Knowledge of the Company, threatened against or involving the Company or against any person or entity whose liability for any Environmental Claim the Company has expressly retained or assumed.

3.14 **No Broker's or Finder's Fees** . Except for the fees of the Broker which will be paid at Closing as provided for in Sections 2.6.3 and 2.6.4, the Company has not paid or become

obligated to pay any fee or commission to any broker, finder, financial advisor or intermediary in connection with the transactions contemplated by this Agreement.

3.15 **Assets Other Than Real Property.**

3.15.1 **Title** . The Company has good title to all of the tangible assets shown on the Company Balance Sheet, in each case, free and clear of any mortgage, pledge, lien, security interest, lease or other encumbrance (collectively, "Encumbrances"), except for (a) assets disposed of since the date of the Company Balance Sheet in the ordinary course of business and in a manner consistent with past practices, (b) liabilities, obligations and Encumbrances reflected in the Company Balance Sheet or otherwise in the Company Financial Statements, (c) Permitted Encumbrances, and (d) liabilities, obligations and Encumbrances set forth on Schedule 3.15 hereto.

3.15.2 **Accounts Receivable** . Except as set forth on Schedule 3.15, all receivables shown on the Company Balance Sheet and all receivables accrued by the Company since the date of the Company Balance Sheet, have been collected or are collectible in all material respects in the aggregate amount shown, less any allowances for doubtful accounts reflected therein, and, in the case of receivables arising since the date of the Company Balance Sheet, any additional allowance in respect thereof calculated in a manner consistent with the allowance reflected in the Company Balance Sheet.

3.15.3 **Pre-Closing Receivables** . After the Closing Date, Parent and Federal shall cause the Surviving Corporation to bill and pursue collection, in the ordinary course of business, all accounts receivable included on the Closing Date Balance Sheet (the "Pre-Closing Receivables"). In the absence of any indication that a customer payment should be applied to a specific invoice or charge, customer payments shall be applied first to the oldest outstanding invoices. In the event that any receivable from a government entity, Parent and Federal shall co-operate with the Stockholder's Representative in seeking collection on such receivable. In the event that Parent or Federal collects an unrecoverable receivable after recovering such unrecoverable receivable from the Stockholders in accordance with Section 6.3, Parent or Federal shall remit such collection amounts, to the Stockholders' Representative. In the event that an uncollectable receivable is a commercial receivable, Parent and Federal shall assign such receivable to the Stockholder's Representative.

3.15.4 **Condition** . All material facilities, equipment and personal property owned by the Company and regularly used in its business are in good operating condition and repair, ordinary wear and tear excepted and wear and tear which, taken in the aggregate, is not material to the Company and does not affect the Company's obligations to perform under this Agreement.

3.15.5 **Unclaimed Property** . The Company does not have any assets that may constitute unclaimed property under applicable law. The Company has complied in all material respects with all applicable unclaimed property laws.

3.16 **Real Property.**

3.16.1 **Company Real Property** . The Company does not own any real property.

3.16.2 **Company Leases** . Schedule 3.16 hereto lists all of the Company Leases. Complete copies of the Company Leases, and all material amendments thereto (which are identified on Schedule 3.16), have been made available by the Company to Parent. The Company Leases grant leasehold estates free and clear of all Encumbrances (except Permitted Encumbrances) granted by or caused by the actions of the Company. The Company Leases are in full force and effect and are binding and enforceable against the Company, and to the Knowledge of the Company, each of the other parties thereto in accordance with their respective terms subject to (a) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws of general application affecting the rights and remedies of creditors and (b) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law). Except as set forth on Schedule 3.16, neither the Company nor, to the Knowledge of the Company, any other party to a Company Lease, has committed a material breach or default under any Company Lease, nor, to the Knowledge of the Company, has there occurred any event that with the passage of time or the giving of notice or both would constitute such a breach or default. Schedule 3.16 correctly identifies each Company Lease that requires the consent of any third party in connection with the transactions contemplated hereby. No material construction, alteration or other leasehold improvement work with respect to the real property covered by any of the Company Leases remains to be paid for or to be performed by the Company. Except as set forth on Schedule 3.16, no Company Leases have an unexpired term which including any mandatory renewal or extensions of such term provided for in the Company Lease could exceed ten years.

3.17 **Agreements, Contracts and Commitments.**

3.17.1 **Company Agreements** . Except as set forth on Schedule 3.17 hereto or any other Schedule hereto (the "Material Contracts"), the Company is not a party to:

(a) any bonus, deferred compensation, pension, severance, profit-sharing, stock option, employee stock purchase or retirement plan, contract or arrangement or other employee benefit plan or arrangement;

(b) any employment agreement with any present employee, officer, director or consultant (or former employees, officers, directors and consultants to the extent there remain at the date hereof obligations to be performed by the Company);

(c) any agreement of guarantee or indemnification in an amount that is material to the Company taken as a whole;

(d) any agreement or commitment containing a covenant limiting or purporting to limit the freedom of the Company to compete with any person in any geographic area or to engage in any line of business;

(e) any lease other than the Company Leases under which the Company is lessee that involves, in the aggregate, payments of $25,000 or more per annum;

(f) any joint venture or profit-sharing agreement (other than with employees);

(g) except for trade indebtedness incurred in the ordinary course of business and equipment leases entered into in the ordinary course of business, any loan or credit agreements providing for the extension of credit to the Company or any instrument evidencing or related in any way to indebtedness incurred in the acquisition of companies or other entities or indebtedness for borrowed money by way of direct loan, sale of debt securities, purchase money obligation, conditional sale, guarantee, or otherwise that individually is in the amount of $25,000 or more;

(h) any license agreement, either as licensor or licensee, involving payments of $25,000 in the aggregate or more, or any distributor, dealer, reseller, franchise, manufacturer's representative, or sales agency or any other similar material contract or commitment involving payments of $25,000 in the aggregate or more;

(i) any agreement granting exclusive rights to, or providing for the sale of, all or any portion of the Company Proprietary Rights;

(j) any agreement or arrangement providing for the payment of any commission based on sales other than to employees of the Company ;

(k) any agreement for the sale by the Company of materials, products, services or supplies that involves future payments to the Company of more than $100,000;

(l) any agreement for the purchase by the Company of any materials, equipment, services, or supplies, that either (i) involves a binding commitment by the Company to make future payments in excess of $25,000 and cannot be terminated by it without penalty upon less than six months' notice or (ii) was not entered into in the ordinary course of business;

(m) any agreement or arrangement with any third party for such third party to develop any intellectual property expected to be used or currently used in the business of the Company;

(n) any agreement or commitment for the acquisition, construction or sale of fixed assets owned or to be owned by the Company that involves future payments by it of more than $25,000;

(o) any agreement not described above (ignoring, solely for this purpose, any dollar amount thresholds in those descriptions) involving the payment or receipt by the Company of more than $100,000, other than the Company Leases; or

(p) any agreement that provides continuing representation or warranty and indemnification obligations, in connection with the disposition of any business or significant assets of the Company.

3.17.2 **Validity** . Except as set forth on Schedule 3.17, all contracts, leases, instruments, licenses and other agreements required to be set forth on Schedule 3.17 are valid and in full force and effect; the Company has not, nor, to the Knowledge of the Company, has

any other party thereto, breached any provision of, or defaulted under the terms of any such contract, lease, instrument, license or other agreement, except for any breaches or defaults that, in the aggregate, would not be expected to have a Company Material Adverse Effect or have been cured or waived; and the Company has not received any "notice to cure" or a similar notice from any Governmental Entity requesting performance under any contract, instrument or other agreement between the Company and such Governmental Entity.

3.17.3 **Third-Party Consents** . Schedule 3.17.3 identifies each contract and other document set forth on Schedule 3.17 that requires the consent of a third party in connection with the transactions contemplated hereby.

3.18 **Intellectual Property.**

3.18.1 **Right to Intellectual Property** . Except as set forth on Schedule 3.18 hereto, the Company owns, or has the right to use, all patents, trademarks, trade names, service marks, copyrights, and any applications therefore, maskworks, net lists, schematics, technology, know-how, computer software programs or applications (in both source code and object code form), and tangible or intangible proprietary information or material (excluding Commercial Software) that are used in the business of the Company as currently conducted (the "Company Proprietary Rights"). The Commercial Software used in the business of the Company has been acquired and used by the Company on the basis of and in accordance with a valid license from the manufacturer or the dealer authorized to distribute such Commercial Software. A complete list of the Commercial Software used in the business of the Company is set forth on Schedule 3.18. The Company is not in breach of any of the material terms and conditions of any such license and has not received notice that it is infringing upon any rights of any third parties in connection with its acquisition or use of the Commercial Software.

3.18.2 **No Conflict** . Set forth on Schedule 3.18 is a complete list of all patents, trademarks, registered copyrights, trade names and service marks, and any applications therefore, included in the Company Proprietary Rights, specifying, where applicable, the jurisdictions in which each such Company Proprietary Right has been issued or registered or in which an application for such issuance and registration has been filed, including the respective registration or application numbers and the names of all registered owners. Except as set forth on Schedule 3.18, none of the Company's currently marketed software products has been registered for copyright protection with the United States Copyright Office or any foreign offices nor has the Company been requested to make any such registration. Set forth on Schedule 3.18 is a complete list of all domain names owned by the Company, which list includes all domain names used by the Company in its business. Set forth on Schedule 3.18 is a complete list of all material licenses, sublicenses and other agreements as to which the Company is a party and pursuant to which the Company or any other person is authorized to use any Company Proprietary Right (excluding the Commercial Software) or other trade secret material to the business of the Company, and includes the identity of all parties thereto, a description of the nature and subject matter thereof, the applicable royalty and the term thereof. The Company is not in violation of any license, sublicense or agreement described on such list except such violations as do not materially impair the Company's rights under such license, sublicense or agreement. Except as disclosed in this Article 3, the execution and delivery of this Agreement by the Company, and the consummation of the transactions contemplated hereby, will neither cause the Company to be

in violation or default under any such license, sublicense or agreement, nor entitle any other party to any such license, sublicense or agreement to terminate or modify such license, sublicense or agreement. Except as set forth on Schedule 3.18, the Company is the sole and exclusive owner or licensee of, with all right, title and interest in and to (free and clear of any and all liens, claims and encumbrances), the Company Proprietary Rights, and has sole and exclusive rights (and is not contractually obligated to pay any compensation to any third party in respect thereof) to the use thereof or the material covered thereby in connection with the services or products in respect of which the Company Proprietary Rights are being used. No claims with respect to the Company Proprietary Rights have been asserted or, to the Knowledge of the Company, are threatened by any person to the effect that the manufacture, sale, licensing or use of any of the products of the Company as now manufactured, sold or licensed or used by the Company infringes on any copyright, patent, trademark, service mark or trade secret, against the use by the Company of any trademarks, service marks, trade names, trade secrets, copyrights, patents, technology, know-how or computer software programs and applications used in the Company's business as currently conducted by the Company, or challenging the ownership by the Company, or the validity or effectiveness of any of the Company Proprietary Rights. All material registered trademarks, service marks and copyrights held by the Company are valid and subsisting in the jurisdictions in which they have been filed. To the Knowledge of the Company, there is no material unauthorized use, infringement or misappropriation of any of the Company Proprietary Rights by any third party, including any employee or former employee of the Company. No Company Proprietary Right or product of the Company is subject to any outstanding decree, order, judgment, or stipulation restricting in any manner the licensing thereof by the Company. Except as set forth in Schedule 3.18, the Company has not entered into any agreement under which the Company is restricted from selling, licensing or otherwise distributing any of its products to any class of customers, in any geographic area, during any period of time or in any segment of the market.

3.18.3 **Employee Agreements** . Except as set forth on Schedule 3.18, each employee, officer and consultant of the Company has executed confidentiality and non-competition agreement in substantially the form attached hereto as Schedule 3.18.3. To the Knowledge of the Company, no employee, officer or consultant of the Company is in violation of any material term of any employment or consulting contract, proprietary information and inventions agreement or non-competition agreement with the Company.

3.19 **Insurance Contracts** . Schedule 3.19 hereto lists all contracts of insurance and indemnity in force at the date hereof held by the Company (collectively, the "Company Insurance Contracts"). All premiums due and payable thereon have been paid, and the Company has not received written notice from any of its insurance carriers that any insurance premiums will be materially increased in the future or that any insurance coverage provided under the Company Insurance Contracts will not be available in the future on substantially the same terms as now in effect. The Company has not received or given a notice of cancellation with respect to any of the Company Insurance Contracts.

3.20 **Banking Relationships** . Schedule 3.20 hereto shows the names and locations of all banks and trust companies in which the Company has accounts, lines of credit or safety deposit boxes and, with respect to each account, line of credit or safety deposit box, the names of all persons authorized to draw thereon or to have access thereto.

3.21 **Absence of Certain Relationships** . Except as set forth on Schedule 3.21, to the Knowledge of the Company, none of (i) any executive officer of the Company, (ii) any of the Major Stockholders, and (iii) any member of the immediate family of the persons listed in (i) through (ii) of this sentence, has any financial or employment interest in any subcontractor, supplier, or customer of the Company (other than holdings in publicly held companies of less than two percent (2%) of the outstanding capital stock of any such publicly held company).

Article 4
REPRESENTATIONS AND WARRANTIES OF PARENT, FEDERAL AND MERGER SUB

Parent, Federal and Merger Sub, jointly and severally, represent and warrant to the Company and the Stockholders as follows:

4.1 **Corporate Status of Parent, Federal and Merger Sub** . Each of Parent, Federal and Merger Sub is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, with the requisite corporate power to own, operate and lease its properties and to carry on its business as now being conducted.

4.2 **Authorized Stock of Merger Sub** . The authorized common stock of Merger Sub consists of 5,000,000 shares of Merger Sub Stock, of which 250 shares are issued and outstanding. All of the outstanding shares of Merger Sub Stock have been duly authorized and validly issued, were not issued in violation of any person's preemptive rights, and are fully paid and nonassessable.

4.3 **Authority for Agreement; Noncontravention** .

4.3.1 **Authority of Parent** . Each of Parent, Federal and Merger Sub has the corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the boards of directors of Parent, Federal and Merger Sub and no other corporate proceedings on the part of Parent, Federal and Merger Sub are necessary to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby. This Agreement and the other agreements contemplated hereby to be signed by Parent, Federal or Merger Sub have been duly executed and delivered by Parent, Federal and Merger Sub, as the case may be, and constitute valid and binding obligations of Parent, Federal and Merger Sub, as the case may be, enforceable against Parent, Federal and Merger Sub in accordance with their terms, subject to the qualifications that enforcement of the rights and remedies created hereby and thereby are subject to (a) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws of general application affecting the rights and remedies of creditors and (b) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

4.3.2 **No Conflict** . Neither execution and delivery of this Agreement by Parent, Federal or Merger Sub, nor the performance by Parent, Federal or Merger Sub of its obligations hereunder, nor the consummation by Parent, Federal or Merger Sub of the transactions contemplated hereby will (a) conflict with or result in a violation of any provision of the charter documents or by-laws of either Parent, Federal or Merger Sub, or (b) with or without the giving

of notice or the lapse of time, or both, conflict with, or result in any violation or breach of, or constitute a default under, or result in any right to accelerate or result in the creation of any lien, charge or encumbrance pursuant to, or right of termination under, any provision of any note, mortgage, indenture, lease, instrument or other agreement, Permit, concession, grant, franchise, license, judgment, order, decree, statute, ordinance, rule or regulation to which Parent, Federal, Merger Sub or any of Parent's other Subsidiaries is a party or by which any of them or any of their assets or properties is bound or which is applicable to any of them or any of their assets or properties. No authorization, consent or approval of, or filing with or notice to, any Governmental Entity is necessary for the execution and delivery of this Agreement by Parent, Federal or Merger Sub or the consummation by Parent, Federal or Merger Sub of the transactions contemplated hereby, except for (i) the filing of the Articles of Merger with the State Corporation Commission of Virginia, and (ii) such other consents, authorizations, filings, approvals and registrations which if not obtained or made would not have a Parent Material Adverse Effect.

4.4 **SEC Statements, Reports and Documents** . Parent has filed all required forms, reports, statements and documents with the SEC since July 1, 1998. The documents so filed by Parent and available in the public records of the SEC include (a) its Annual Reports on Form 10-K for the fiscal years ended June 30, 2000 and June 30, 2001, respectively, (b) its Quarterly Reports on Forms 10-Q for the fiscal quarters ended September 30, 2001, December 31, 2001 and March 31, 2002, (c) all other forms, reports, statements and documents filed or required to be filed by it with the SEC since July 1, 1998, and (d) all amendments and supplements to all such reports and registration statements filed by Parent with the SEC (the documents referred to in clauses (a), (b), (c) and (d) being hereinafter referred to as the "Parent Reports"). None of the Parent Reports contained, and any quarterly or other reports filed after the date hereof, will not contain, as of their respective dates, any untrue statement of a material fact required to be stated therein or any omission to state a fact necessary to make any statement of fact contained therein not misleading in any material respect. The consolidated balance sheet of Parent and its Subsidiaries at March 31, 2002 including the notes thereto, is hereinafter referred to as the "Parent Balance Sheet." Parent shall continue to cause all required forms, reports, statements and documents to be filed with the SEC and to cause such filings to be true and complete in all material respects, to and through Closing and the date that the Second Payment is made.

4.5 **Absence of Material Adverse Changes** . Since the date of the Parent Balance Sheet, Parent has not suffered any Parent Material Adverse Effect, nor has there occurred or arisen any event, condition or state of facts of any character that would result in a Parent Material Adverse Effect.

4.6 **Sophisticated Investor** . Parent is a sophisticated investor, represented by independent legal and investment counsel with experience in the acquisition and valuation of ongoing businesses and acknowledges that it has received, or has had access to, all information which it considers necessary or advisable to enable it to make an informed investment decision concerning its purchase of the Company Common Stock. Parent is acquiring the Company Common Stock pursuant to the Merger for investment purposes only, and not with a view to, or for, any public resale or other distribution thereof. Parent acknowledges that the Company Common Stock has not been registered under the Securities Act or any state or foreign securities laws and that the Company Common Stock may not be sold, transferred, offered for sale,

pledged, hypothecated or otherwise disposed of unless such transfer, sale, assignment, pledge, hypothecation or other disposition is pursuant to the terms of an effective registration statement under the Securities Act and are registered under any applicable state or foreign securities laws or pursuant to an exemption from registration under the Securities Act and any applicable state or foreign securities laws.

4.7 **Brokers', Finders' Fees, etc** . None of Parent, Federal or Merger Sub has employed any broker, finder, investment banker or financial advisor as to whom any of them may have any obligation to pay any brokerage or finders' fees, commissions or similar compensation in connection with the transactions contemplated hereby.

4.8 **No Knowledge of Misrepresentations or Omissions** . As of the date hereof, none of Parent, Federal or Merger Sub has any actual knowledge that the representations and warranties of the Company in this Agreement and the Schedules hereto are not true and correct in all material respects, and none has any actual knowledge of any material errors in, or material omissions from, the Schedules to this Agreement.

4.9 **Litigation** . There is no action, proceeding or investigation pending or threatened against Parent, Federal or Merger Sub, which, if adversely determined, would have a Parent Material Adverse Effect.

Article 5
C ONDUCT P RIOR T O T HE C LOSING D ATE

5.1 **Conduct of Business of the Company** . Except as set forth on Schedule 5.1 hereto, between the date of this Agreement and the Closing Date or the date, if any, on which this Agreement is earlier terminated pursuant to its terms, the Company shall, except to the extent that Parent shall otherwise consent in writing (such consent not to be unreasonably withheld), (i) carry on its business in the ordinary course in substantially the same manner as heretofore conducted, pay its debts and taxes when due subject to good faith disputes over such debts or taxes, pay or perform other material obligations when due, except when subject to good faith disputes over such obligations, and use all commercially reasonable efforts consistent with past practices and policies to preserve intact the Company's present business organizations, keep available the services of its present officers and employees and preserve its relationships with customers, suppliers and others having business relationships with it, to the end that the Company's goodwill and ongoing business be unimpaired at the Closing Date, and (ii) promptly notify Parent of any event or occurrence which will have or could reasonably be expected to have a Company Material Adverse Effect. In addition, between the date of this Agreement and the Closing Date or the date, if any, on which this Agreement is earlier terminated pursuant to its terms, the Company shall not, except as set forth on Schedule 5.1 hereto or to the extent that Parent shall otherwise consent in writing (such consent not to be unreasonably withheld):

(a) amend its charter documents or by-laws;

(b) declare or pay any dividends or distributions on the Company's outstanding shares of capital stock nor purchase, redeem or otherwise acquire for

consideration any shares of the Company's capital stock or other securities except in accordance with agreements existing as of the date hereof;

(c) issue or sell any shares of its capital stock, effect any stock split or otherwise change its capitalization as it exists on the date hereof, or issue, grant, or sell any options, stock appreciation or purchase rights, warrants, conversion rights or other rights, securities or commitments obligating it to issue or sell any shares of its capital stock, or any securities or obligations convertible into, or exercisable or exchangeable for, any shares of its capital stock, other than the issuance of shares of Company Common Stock pursuant to the conversion, exercise or exchange of securities therefore outstanding as of the date hereof in accordance with their terms;

(d) create, incur, assume or guaranty any indebtedness for borrowed money, except pursuant to credit agreements in existence on the date of this Agreement;

(e) pay, discharge or satisfy any claim, obligation or Liability in excess of $25,000 (in any one case) or $50,000 (in the aggregate), other than the payment, discharge or satisfaction in the ordinary course of business of obligations reflected on or reserved against in the Company Balance Sheet, or incurred since the date of the Company Balance Sheet in the ordinary course of business consistent with past practices or in connection with this transaction;

(f) except as required by applicable law, adopt or amend in any material respect, any agreement or plan (including severance arrangements) for the benefit of its employees;

(g) sell, mortgage, pledge or otherwise encumber or dispose of any of its assets which are material, individually or in the aggregate, to the business of the Company, except in the ordinary course of business consistent with past practices;

(h) acquire by merging or consolidating with, or by purchasing any equity interest in or a material portion of the assets of, any business or any corporation, partnership interest, association or other business organization or division thereof, or otherwise acquire any assets which are material, individually or in the aggregate, to the business of the Company, except in the ordinary course of business consistent with past practices;

(i) increase the following amounts payable or to become payable: (i) the salary of any of its directors or officers, other than increases in the ordinary course of business consistent with past practices and not exceeding, in any case, five percent (5%) of the director's or officer's salary on the date hereof, (ii) any other compensation of its directors or officers, including any increase in benefits under any bonus, insurance, pension or other benefit plan made for or with any of those persons, other than increases that are provided in the ordinary course of business consistent with past practices to broad categories of employees and do not discriminate in favor of the aforementioned persons, and (iii) the compensation of any of its other employees, consultants or agents except in the ordinary course of business consistent with past practices;

(j) dispose of, permit to lapse, or otherwise fail to preserve the rights of the Company to use the Company Proprietary Rights or enter into any settlement regarding the breach or infringement of, any Company Proprietary Rights, or modify any existing rights with respect thereto, other than in the ordinary course of business consistent with past practices, and other than any such disposal, lapse, failure, settlement or modification that does not have and could not reasonably be expected to have a Company Material Adverse Effect;

(k) sell, or grant any right to exclusive use of, all or any part of the Company Proprietary Rights;

(l) enter into any contract or commitment or take any other action that is not in the ordinary course of its business or could reasonably be expected to have an adverse impact on the transactions contemplated hereunder or that would have or could reasonably be expected to have a Company Material Adverse Effect;

(m) amend in any material respect any agreement to which the Company is a party the amendment of which will have or could reasonably be expected to have a Company Material Adverse Effect;

(n) waive, release, transfer or permit to lapse any claim or right the waiver, release, transfer or lapse of which would have or could reasonably be expected to have a Company Material Adverse Effect;

(o) make any change in any method of accounting or accounting practice other than changes required to be made in order that the Company's financial statements comply with GAAP; or

(p) agree, whether in writing or otherwise, to take any action described in this Section 5.1.

5.2 **Conduct of Business of Parent** . Between the date of this Agreement and the Closing Date or the date, if any, on which this Agreement is earlier terminated pursuant to its terms, Parent, Federal and Merger Sub shall not, except to the extent that the Company shall otherwise consent in writing (which consent is not to be unreasonably withheld), take any action that would impair Parent's and Federal's ability to pay the aggregate Merger Price or otherwise materially impair their ability to perform any of their respective obligations under this Agreement. Further, between the date of this Agreement and the Closing Date or the date, if any, on which this Agreement is earlier terminated pursuant to its terms, Parent, Federal and Merger Sub shall, except to the extent that the Company shall otherwise consent in writing (such consent not to be unreasonably withheld) promptly notify the Company and the Stockholders' Representative of any event or occurrence which will have or could reasonably be expected to have an adverse effect on the ability of Federal and Parent to pay the aggregate Merger Price and otherwise to perform their respective obligations hereunder.

Article 6
ADDITIONAL AGREEMENTS

6.1 **Exclusivity** . From and after the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement in accordance with Article 9 hereof, but in any event at least sixty (60) days after the date of the Letter of Intent, neither the Company nor the Major Stockholders will, directly or indirectly, through its or their respective affiliates, agents, officers and directors, directly or indirectly, solicit, initiate, or participate in discussions or negotiations or otherwise cooperate in any way with, or provide any information to, any corporation, partnership, person, or other entity or group concerning any tender offer, exchange offer, merger, business combination, sale of substantial assets, sale of shares of capital stock, or similar transaction involving the Company (all such transactions being referred to herein as "Acquisition Proposals"). Notwithstanding the foregoing, in the event that the Company at any time after the date of the Letter of Intent and before the earlier of the Closing Date or the termination of this Agreement in accordance with Article 9 hereof, accepts an Acquisition Proposal from any person or entity other than Parent, Parent shall be entitled, providing that Parent is not in a material breach of any of its obligations hereunder, upon demand submitted in a form of a notice to the Company (the "Demand Notice") to the payment of the sum of $250,000. The Company shall make such payment within ten (10) days of the receipt of the Demand Notice.

6.2 **Expenses.**

6.2.1 **General** . Except as provided in this Section 6.2, each party hereto shall be responsible for its own costs and expenses in connection with the Merger, including fees and disbursements of consultants, brokers, finders, investment bankers and other financial advisors, counsel and accountants ("Expenses").

6.2.2 **Broker Fees** . At the Closing, Federal shall pay $300,000 to Broker which amount shall be deducted from the First Payment due to the Stockholders at the Closing. Federal shall pay the remaining fees owed by the Company to Broker, in the amount designated by the Stockholders' Representative, when Federal pays the Second Payment pursuant to Section 2.6.4.

6.2.3 **Uncovered Expenses** . The Company and the Stockholders shall ensure that either: (i) any Expenses incurred by the Company or Stockholders are paid at or before the Closing from the aggregate Merger Price so that such Expenses do not continue to be or do not become the liability of the Company after the Closing or (ii) provision is made for any such Expenses on the Company's books for payment after the Closing (it being understood that in such event the Net Assets on the Closing Balance Sheet shall be reduced by any such Expenses).

6.3 **Indemnification Provisions** .

6.3.1 **Indemnification** . Subject to all of the terms of this Section 6.3, from and after the Closing Date, Parent, Federal, the Surviving Corporation and each of their respective directors, officers, employees, Affiliates, representatives, successors and assigns (collectively "Parent Indemnified Parties") shall be entitled to payment and reimbursement from the Stockholders, severally and not jointly, of the amount of Loss suffered, incurred or paid by any

Parent Indemnified Party, by reason of any breach of any representation or warranty made by the Company in Article 3 of this Agreement or the certificate delivered pursuant to Section 7.2.1 of this Agreement. Subject to all of the terms of this Section 6.3, from and after the Closing Date, the Stockholders and each of their respective legatees, heirs, and legal representatives (collectively the "Stockholder Indemnified Parties") shall be entitled to payment and reimbursement from Parent, Federal and the Surviving Corporation of the amount of Loss suffered, incurred or paid by any Stockholder Indemnified Party by reason of any breach of any representation or warranty made by Parent or Federal in Article 4 of this Agreement or the certificate delivered pursuant to Section 7.3.1 of this Agreement, the breach or nonperformance of any covenant or obligation to be performed by Parent, Federal or the Surviving Corporation hereunder or under any agreement executed in connection herewith, or any matter arising out of the business of the Surviving Corporation after the Closing.

6.3.2 **Claims for Indemnification** . Upon obtaining knowledge of any facts, claim or demand which has given rise to, or could reasonably give rise to, a claim for indemnification hereunder (referred to herein as an "Indemnification Claim"), the party seeking indemnification (the "Indemnified Party") shall promptly give written notice of such facts, claim or demand ("Notice of Claim") to the party from whom indemnification is sought (the "Indemnifying Party"). So long as the Notice of Claim is given by the Indemnified Party in the Claims Period specified in Section 6.3.5, no failure or delay by the Indemnified Party in the giving of a Notice of Claim shall reduce or otherwise affect the Indemnified Party's right to indemnification except to the extent that the Indemnifying Party has been prejudiced thereby.

6.3.3 **Defense by Indemnifying Party** . In the event of a claim or demand asserted by a third party (a "Third Party Claim"), the Indemnifying Party shall have the right, but not the obligation, exercisable by written notice to the Indemnified Party within 10 days of the date of the Notice of Claim concerning the commencement or assertion of any Third Party Claim, to jointly participate in the defense of such Third Party Claim, and, in the case of claims for which the maximum liability under such Third Party Claim is reasonably expected to be less than the available indemnification amount for the Indemnifying Party (after taking into account the amount of all other claims then outstanding for which the Indemnifying Party may be liable and any limitations contained in Section 6.3.4 hereof), to control the defense of such Third Party Claim. If the Indemnifying Party gives such notice of intent to defend, the Indemnifying Party shall assume the defense thereof as follows: (i) the Indemnifying Party will defend the Indemnified Party against the matter with counsel compensated by and chosen by Indemnifying Party, which choice of counsel is subject to the reasonable satisfaction of the Indemnified Party; (ii) the Indemnified Party may retain separate co-counsel at the sole cost and expense of Indemnified Party; (iii) the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the matter without the written consent of the Indemnifying Party; and (iv) the Indemnifying Party will not consent to the entry of any judgment with respect to the matter, or enter into any settlement that does not include a provision whereby the plaintiff or claimant in the matter releases the Indemnified Party from all liability with respect thereto, without the written consent of the Indemnified Party. If, however, no Indemnifying Party notifies the Indemnified Party within 10 days after the Indemnified Party has given notice of the matter, that the Indemnifying Party is assuming the defense thereof, then the Indemnified Party shall defend against, or enter into any settlement with respect to the matter.

The Indemnified Party shall not settle such Third Party Claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed.

6.3.4 **Limitation on Liability for Indemnity** . The Parent Indemnified Parties shall not be entitled to indemnification pursuant to this Section 6.3 until the aggregate amount of Losses suffered by the Parent Indemnified Parties exceeds $250,000 (the "Indemnity Deductible") whereupon the Parent Indemnified Parties shall be entitled to indemnification hereunder for the aggregate amount of all of such Losses in excess of the Indemnity Deductible. The aggregate liability of the Stockholders for indemnification under this Section 6.3 shall not exceed $3,250,000 (the "Indemnity Cap"); provided that the several liability of each Stockholder shall be in proportion to, and not exceed, such Stockholder's pro rata share of the Indemnity Cap based on the percentages listed in the Stockholder List. Subject to compliance with all of the provisions of Section 6.3, any claim for indemnification made by a Parent Indemnified Party within 12 months after the Closing Date which is the subject of a Determination, shall be satisfied first from any amounts owing to the Stockholders pursuant to Section 2.6.

6.3.5 **Claims Period** . Any claim for indemnification by any Parent Indemnified Party under this Section 6.3 must be asserted by written notice on or before the date that is 18 months after the Closing Date.

6.3.6 **Losses Not to Include Amounts in Net Assets** . No claims for indemnification shall be made by Parent, Federal or the Surviving Corporation with respect to any amounts that are reflected as liabilities or reserves on the Closing Balance Sheet.

6.3.7 **Exclusive Remedy** . From and after the Closing, except as provided in the Consulting Agreement, the sole recourse and exclusive remedy of Parent, Federal, Merger Sub, the Company and the Stockholders against each other arising out of this Agreement or any certificate delivered in connection with this Agreement, or otherwise arising from the transactions contemplated hereby, shall be to assert a claim for indemnification under the indemnification provisions of Section 6.3. Except for claims against the Stockholders arising under this Agreement, none of Parent, Federal or Merger Sub shall assert and shall cause the Surviving Corporation not to assert any claim against any Stockholder (in their capacity as a stockholder of the Company), for or with respect to any matter relating to the Company arising prior to the Closing, it being understood that the foregoing limitation does not apply to claims against any Stockholder in his/her capacity as an employee of the Company or under any other agreements between the Company and such Stockholder in his/her capacity as an employee of the Company (such as the agreements described in Section 3.18.3 above).

6.3.8 **Express Waiver of Other Remedies** . Without limiting the generality or effect of Section 6.3.7, as a material inducement to the other parties hereto entering into this Agreement, each party to this Agreement, from and after the Closing and except as provided in the Consulting Agreement, hereby (i) waives, and forever releases and discharges the other parties and their respective representatives from, by reason of or relating to the execution and delivery of this Agreement and the transactions contemplated hereby, any claim or cause of action arising under this Agreement or the transactions contemplated hereby which it otherwise might assert (except for actual and willful fraud or as otherwise provided in Section 9.6 hereof), including without limitation under the common law or federal or state securities, trade

regulation, environmental or other laws, except for claims or causes of action for which contractual indemnification may be sought under and subject to the express terms and conditions of Section 6.3, (ii) agrees not to, and to cause its representatives controlled by it not to, directly or indirectly, institute, prosecute or aid in the prosecution of any claim, demand, cause of action, suit or other proceeding against any other party or representative thereof, which is the subject of clause (i) of this Section 6.3.8, and (iii) agrees that, regardless of the foregoing provisions, no party will have any liability or obligation in respect of any claim or cause of action arising under this Agreement or the transactions contemplated hereby that is or may be brought except in respect of Losses, and then only to the extent expressly provided in Section 6.3.

6.3.9 **Insurance** . Federal, Parent and the Surviving Corporation shall seek full recovery under all insurance policies covering any Loss to the same extent as they would if such Loss were not subject to indemnification hereunder, and Federal, Parent and the Surviving Corporation shall not terminate or cancel any insurance policies in effect for periods prior to the Closing. In the event that an insurance recovery is made by Federal, Parent, the Surviving Corporation or any of their Affiliates with respect to any Loss for which any such Person has been indemnified hereunder, then a refund equal to the aggregate amount of the recovery (net of all direct collection expenses) shall be made promptly to the Stockholders' Representative (on behalf of the Stockholders).

6.3.10 **Subrogation** . To the extent that an Indemnifying Party has discharged any claim for indemnification hereunder, the Indemnifying Party shall be subrogated to all rights of the Indemnified Party against any Person to the extent of the Losses that relate to such claim. Any Indemnified Party shall, upon written request by the Indemnifying Party following the discharge of such claim, execute an instrument reasonably necessary to evidence such subrogation rights.

6.3.11 **Merger Price** . Any payments made as indemnification under Section 6.3 shall be considered adjustments to the Merger Price.

6.3.12 **Effect of Notice** . Notwithstanding anything to the contrary in Section 6.3, none of the Company, the Stockholders, Federal, Parent or the Merger Sub shall be deemed to have breached any representation, warranty, or covenant if (i) the Stockholders' Representative shall have notified Federal, Parent or the Merger Sub or Federal, Parent or the Merger Sub shall have notified the Stockholders' Representative, as the case may be, in writing, on or prior to the Closing Date, of the breach of, or inaccuracy in, or of any facts or circumstances constituting or resulting in the breach of, or inaccuracy in, such representation, warranty or covenant and (ii) the party or parties receiving such notice shall have waived in writing such breach or inaccuracy.

6.3.13 **Overestimation of Loss** . In the event an Indemnified Party provides to the other party a Notice of Claim which estimates the damages grossly in excess of the damages actually settled, adjudicated or arbitrated, as the case may be, the Indemnifying Party may assert its expenses so incurred in a claim against the Indemnified Party.

6.3.14 **Certain Limitations** . In no event will Losses include claims for consequential, punitive or incidental damages, including consequential damages consisting of business interruption or lost profits.

6.4 **Disclosure Generally** . If and to the extent any information required to be furnished in any Schedule or Updated Schedule is contained in this Agreement or in any other Schedule or Updated Schedule attached hereto, such information shall be deemed to be included in all Schedules or Updated Schedules, respectively, in which the information is required to be included to the extent such disclosure is reasonably apparent on its face. The inclusion of any information in any Schedule or Updated Schedule attached hereto shall not be deemed to be an admission or acknowledgement by the Company or the Stockholders, in and of itself, that such information is material to or outside the ordinary course of the business of the Company.

6.5 **Disclaimer of Implied Warranties** . It is the explicit intent and understanding of each party hereto that no party hereto or any of such party's Affiliates, representatives or agents is making any representation or warranty whatsoever, oral or written, express or implied, other than those set forth in this Agreement, and neither party hereto is relying on any statement, representation or warranty, oral or written, express or implied, made by the other party hereto or such other party's Affiliates, representatives or agents, except for the representations and warranties set forth in this Agreement. EXCEPT AS OTHERWISE SPECIFICALLY SET FORTH IN THIS AGREEMENT, THE PARTIES EXPRESSLY DISCLAIM ALL OTHER REPRESENTATIONS AND WARRANTIES OF ANY KIND OR NATURE EXPRESSED OR IMPLIED (INCLUDING, BUT NOT LIMITED TO, ANY RELATING TO THE FUTURE OR HISTORICAL FINANCIAL CONDITION, RESULTS OF OPERATIONS, ASSETS OR LIABILITIES OF THE COMPANY).

6.6 **Access and Information** . Subject to existing confidentiality obligations and applicable law and privileges, the Company shall afford to Parent and to a reasonable number of its officers, employees, accountants, counsel and other authorized representatives reasonable access, upon reasonable advance telephone notice, during regular business hours, throughout the period prior to the earlier of the Closing Date or the termination of this Agreement pursuant to its terms, to its offices, properties, books and records, and shall use reasonable efforts to cause its representatives and independent public accountants to furnish to Parent such additional financial and operating data and other information as to its business, customers, vendors and properties as Parent may from time to time reasonably request. Notwithstanding the foregoing, all visits to any Company office will be coordinated and conducted so as to not be disruptive to the operations of the Company and to preserve the confidentiality of the transactions contemplated hereby. In addition, with the prior consent of the Company, Parent, Federal and Merger Sub shall be permitted to meet with the Company's significant customers.

6.7 **Public Disclosure** . Except as otherwise required by law, any press release or other public disclosure of information regarding the proposed transaction (including the negotiations or the termination of such negotiations with respect to the Merger and the terms and existence of this Agreement) shall be developed by Parent, subject to the Company's review. Notwithstanding the provisions of Section 9.3, the Company, the Major Stockholders and Parent agree that each party's non-disclosure obligations contained in Section 10 of the Letter of Intent shall remain in full force and effect in accordance with the terms thereof and hereof.

6.8 **No Solicitation of Employees** . Parent, Federal and Merger Sub agree that between the date of this Agreement and the Closing Date or the date two years after the date, if any, on which this Agreement is earlier terminated pursuant to its terms, whichever period is longer,

neither Parent, Federal, Merger Sub, nor any of their respective Affiliates shall solicit, induce or recruit any of the employees or consultants who provide services to the Company on the date hereof and whose names appear on the Employee List or are otherwise provided to Federal in writing before the Closing Date, or within five (5) business days of any termination of this Agreement to leave their employment, otherwise than in the course of engaging in general advertisements or solicitations not directed specially to such employees or consultants; *provided, however*, that nothing in this Section 6.8 shall prohibit Parent, Federal and Merger Sub from making general employment solicitations in the media or over the internet and hiring any person who responds to such general solicitation.

6.9 **Further Assurances.**

6.9.1 **Generally** . Subject to terms and conditions herein provided and to the fiduciary duties of the board of directors and officers or representatives of any party, each of the parties agrees to use its commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective this Agreement and the transactions contemplated hereby. In case at any time any further action, including, without limitation, the obtaining of waivers and consents under any agreements, material contracts or leases and the execution and delivery of any licenses or sublicenses for any software, is necessary, proper or advisable to carry out the purposes of this Agreement, the proper officers and directors or representatives of each party to this Agreement are hereby directed and authorized to use commercially reasonable efforts to effectuate all such required action.

6.9.2 **Novation of the Material Contracts** . For a reasonable period of time after Closing (not to exceed 9 months) each party agrees to use commercially reasonable efforts to effect the novation of each Material Contract with a Governmental Entity that may require novation under its terms or under applicable laws or regulations, and further agrees to provide all documentation necessary to effect each such novation, including, without limitation, all instruments, certifications, requests, legal opinions, audited financial statements, and other documents required by Part 42 of the Federal Acquisition Regulation to effect a novation of any contract with the Government of the United States; provided however, that this Section 6.9.2 shall not obligate the company or any stockholder to incur any expense or liability.

6.10 **Certain Tax Matters.**

6.10.1 **Tax Periods Ending on or before the Closing Date** . Federal shall prepare or cause to be prepared and file or cause to be filed all Tax Returns for the Company for all periods ending on or prior to the Closing Date which are filed after the Closing Date. Federal shall permit the Stockholders' Representative to review and comment on each such Tax Return described in the preceding sentence prior to filing and shall make such revisions to such Tax Returns as are reasonably requested by the Stockholders' Representative. Subject to all of the limitations set forth in Section 6.3, the Stockholders shall reimburse Federal for any Taxes of the Company with respect to such periods within fifteen (15) days after payment by Federal or the Company of such Taxes to the extent such Taxes are not reflected in the reserve for Tax Liability (rather than any reserve for deferred Taxes established to reflect timing differences between

book and Tax income) shown on the face of the Closing Balance Sheet or the Final Closing Balance Sheet.

6.10.2 **Tax Periods Beginning Before and Ending after the Closing Date** . Federal shall prepare or cause to be prepared and file or cause to be filed any separate Tax Returns of the Company for Tax periods which begin before the Closing Date and end after the Closing Date. Federal shall permit the Stockholders' Representative to review and comment on each such Tax Return and shall make such revisions to such Tax Returns as are reasonably requested by the Stockholders' Representative. Subject to all of the limitations set forth in Section 6.3, Sellers shall pay to Federal within fifteen (15) days after the date on which Taxes are paid with respect to such periods an amount equal to the portion of such Taxes which relates to the portion of such Taxable period ending on the Closing Date to the extent such Taxes are not reflected in the reserve for Tax Liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) shown on the face of the Closing Balance Sheet or Final Closing Balance Sheet. For purposes of this Section, in the case of any Taxes that are imposed on a periodic basis and are payable for a Taxable period that includes (but does not end on) the Closing Date, the portion of such Tax which relates to the portion of such Taxable period ending on the Closing Date shall (x) in the case of any Taxes other than Taxes based upon or related to income or receipts, be deemed to be the amount of such Tax for the entire Taxable period multiplied by a fraction the numerator of which is the number of days in the Taxable period ending on the Closing Date and the denominator of which is the number of days in the entire Taxable period, and (y) in the case of any Tax based upon or related to income or receipts be deemed equal to the amount which would be payable if the relevant Taxable period ended on the Closing Date. Any credits relating to a Taxable period that begins before and ends after the Closing Date shall be taken into account as though the relevant Taxable period ended on the Closing Date. All determinations necessary to give effect to the foregoing allocations shall be made in a manner consistent with prior practice of the Company.

6.10.3 **Cooperation on Tax Matters** .

(a) Federal, the Company and the Stockholders shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns pursuant to this Section and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Company and the Stockholders agree (A) to retain all books and records with respect to Tax matters pertinent to the Company relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by Federal or the Stockholders, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and (B) to give the other party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other party so requests, the Company or the Stockholders, as the case may be, shall allow the other party to take possession of such books and records.

(b) Federal and the Stockholders further agree, upon request, to use their best efforts to obtain any certificate or other document from any governmental authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby).

(c) Federal and the Stockholders further agree, upon request, to provide the other party with all information that either party may be required to report pursuant to section 6043 of the Code and all Treasury Department Regulations promulgated thereunder.

6.10.4 **Tax Sharing Agreements** . All tax sharing agreements or similar agreements with respect to or involving the Company shall be terminated as of the Closing Date and, after the Closing Date, the Company shall not be bound thereby or have any liability thereunder.

6.10.5 **Certain Taxes** . All transfer, documentary, sales, use, stamp, registration and other such Taxes and fees (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement (including any corporate-level transfer gains tax triggered by the sale of the Company stock, and any transfer or similar tax imposed by any governmental authority), shall be borne equally by Federal and the Stockholders. The parties hereto will jointly file all necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, use, stamp, registration and other Taxes and fees.

6.10.6 **Tax Treatment of the Merger** . The parties to this Agreement acknowledge that the Merger is intended to be treated for United States federal income tax purposes as the purchase by Federal, and the sale by each of the Stockholders, of all of the issued and outstanding shares of Company Common Stock. Each of the parties to this Agreement shall file all Tax Returns in a manner consistent with such treatment.

6.10.7 **Section 338 Election** . Notwithstanding anything to the contrary in this Agreement, the Stockholders shall have no liability under any provision of this Section 6.10 in connection with any election made under Section 338 of the Code with respect to the transactions contemplated under this Agreement.

6.11 **Notification** . From the date hereof until the Closing Date, the Company shall promptly disclose to Parent, Federal and Merger Sub in writing any material variances from the representations and warranties contained in Article 3 promptly upon discovery thereof, in the form of "Updated Schedules" delivered to Parent, Federal and Merger Sub. From the date hereof until the Closing Date, Parent, Federal and Merger Sub shall promptly disclose to the Company and the Stockholders' Representative in writing any material variances from Parent, Federal and Merger Sub representations and warranties contained in Article 4, and Parent, Federal and Merger Sub shall promptly disclose to the Stockholders' Representative if any of Parent, Federal and Merger Sub obtains actual knowledge that any of the representations and warranties of the

Company in this Agreement and the Schedules hereto are not true and correct in all material respects, or if any of Parent, Federal and Merger Sub obtains actual knowledge of any material errors in, or omissions from, the Exhibits or Schedules to this Agreement, except that Parent, Federal and Merger Sub shall not be required to disclose anything that the Company has disclosed on the Updated Schedules.

6.12 **Amendment of Charter Documents** . For a period of six (6) years after the Closing Date, neither Parent nor Federal shall (and shall cause the Surviving Corporation not to) amend the corporate charter or by-laws of the Surviving Corporation, if the effect of doing so would be to reduce or narrow the scope of the Company's obligations to indemnify its officers and directors who served in such capacities prior to the Closing Date or to reduce or narrow the scope of any exculpatory provision in favor of any such person. Parent acknowledges that the intent of this provision is to give such persons the benefits of indemnity and exculpation to the fullest extent permitted by applicable law.

6.13 **Employee Matters** . For a period of at least one year following the Closing, the employees of the Surviving Corporation shall be eligible to receive employee benefits that in the aggregate are substantially comparable to the employee benefits currently provided to them by the Company.

6.14 **Payment of Bonuses to Company Employees** . Parent acknowledges that the Company has accrued bonuses in the amount of approximately $298,500 for certain employees of the Company designated in a list to be provided by the Company to Parent at Closing, and Parent agrees that it will cause the Surviving Corporation to pay out all such bonuses accrued on the Closing Balance Sheet to such employees, to the extent not previously distributed, no later than one-hundred twenty (120) days following the Closing Date. In the event a listed employee is terminated by the Company (or an affiliate) without cause, Parent will cause the Surviving Corporation to pay the applicable bonus to such employee on the date of termination.

6.15 **Books and Records** . The Parent agrees that it will cause the Surviving Corporation to preserve all books and records of the Company received from the Stockholders, or held by the Surviving Corporation immediately after the Closing, and provide the Stockholders or their agents reasonable access to such books and records for a period of six (6) years following the Closing Date, or until such later date as preservation of and access to those books and records is no longer required by any governmental or similar body.

6.16 **Stockholders' Meeting** . In order to consummate the Merger, the Company, acting through its board of directors shall in accordance with its charter and bylaws and applicable law: (i) duly call, give notice of and hold a meeting of its Stockholders as soon as practicable following the date hereof; and (ii) include in such notice the recommendation of its board of directors that the Stockholders vote in favor of the Agreement.

Article 7
C ONDITIONS P RECEDENT

7.1 **Conditions Precedent to the Obligations of Each Party** . The obligations of the parties hereto to effect the Merger shall be subject to the fulfillment at or prior to the Closing of

the following conditions, any of which conditions may be waived in writing prior to Closing by the party for whose benefit such condition is imposed:

7.1.1 **No Illegality** . There shall not have been any action taken, and no statute, rule or regulation shall have been enacted, by any state, federal or other (including foreign) government agency since the date of this Agreement that would prohibit or materially restrict the Merger or any other material transaction contemplated hereby.

7.1.2 **Government Consents** . All filings with and notifications to, and all approvals and authorizations of, third parties (including, without limitation, Governmental Entities) required for the consummation of the Merger and the other material transactions contemplated hereby shall have been made or obtained and all such approvals and authorizations obtained shall be effective and shall not have been suspended, revoked or stayed by action of any Governmental Entity.

7.1.3 **No Injunction** . No injunction or restraining or other order issued by a court of competent jurisdiction that prohibits or materially restricts the consummation of the Merger contemplated hereby shall be in effect (each party agreeing to use all reasonable efforts to have any injunction or other order immediately lifted), and no action or proceeding shall have been commenced or threatened in writing seeking any injunction or restraining or other order that seeks to prohibit, restrain, invalidate or set aside consummation of the transactions contemplated hereby.

7.2 **Conditions Precedent to Obligation of Parent, Federal and Merger Sub to Consummate the Merger** . The obligation of Parent, Federal and Merger Sub to consummate the Merger shall be subject to the fulfillment at or prior to the Closing of the following additional conditions, any of which conditions may be waived by Parent, Federal or Merger Sub prior to Closing:

7.2.1 **Representations and Warranties** . The representations and warranties of the Company contained in Article 3 of this Agreement shall be true and correct in all material respects on and as of the Closing Date, other than changes contemplated by this Agreement and other than those representations and warranties which address matters only as of a particular date (which shall remain true and correct as of such date), with the same force and effect as if made on and as of the Closing Date, except, in all such cases, for such breaches, inaccuracies or omissions of such representations and warranties as have neither had nor reasonably would be expected to have a Company Material Adverse Effect (it being understood that, for purposes of determining the accuracy of such representations and warranties, any update of or modification to the Schedules made or purported to have been made after execution of this Agreement, including the Updated Schedules, shall be disregarded); and the Company and the Stockholders shall have delivered to Parent a certificate to that effect, dated the Closing Date and signed on behalf of the Company by the President and Chief Financial Officer of the Company and signed on behalf of the Stockholders by the Stockholders' Representative.

7.2.2 **Agreements and Covenants** . The Company shall have performed in all material respects all of its agreements and covenants set forth herein that are required to be performed at or prior to the Closing Date; and the Company and the Stockholders shall have

delivered to Parent a certificate to that effect, dated as of the Closing Date and signed on behalf of the Company by the President and Chief Financial Officer of the Company and signed on behalf of the Stockholders by the Stockholders' Representative.

7.2.3 **Legal Opinion** . Parent, Federal and Merger Sub shall have received an opinion from Dickstein Shapiro Morin & Oshinsky LLP, counsel to the Company, in substantially the form attached hereto as Exhibit B.

7.2.4 **Closing Documents** . The Company and the Stockholders shall have delivered to Parent the Company closing certificate described hereafter in this paragraph and such closing documents as the Parent shall reasonably request (other than additional opinions of counsel). The Company closing certificate, dated as of the Closing Date, duly executed by the Company's secretary, shall certify as to (i) the signing authority, incumbency and specimen signature of the signatories of this Agreement and other documents signed on behalf of the Company in connection herewith, (ii) the resolutions adopted by the board of directors of the Company authorizing and approving the execution, delivery and performance of this Agreement and the other documents executed in connection herewith and the consummation of the transactions contemplated hereby and thereby and state that such resolutions have not been modified, amended, revoked or rescinded and remain in full force and effect, and (iii) the certificate of incorporation and by-laws of the Company.

7.2.5 **Third Party Consents** . All third party consents or approvals listed in Schedule 7.2.5 hereto shall have been obtained by the Company and shall be effective and shall not have been suspended, revoked, or stayed by action of any such third party.

7.2.6 **Diligence Review** . Parent shall have conducted a diligence investigation of all matters related to the business of the Company set forth on Schedule 7.2.6 in the manner and scope set forth on Schedule 7.2.6, and the results of such diligence investigation shall have been reasonably satisfactory to Parent.

7.2.7 **Employment Agreements** . The Company shall have entered into the Parent's standard written employment agreement with substantially all of the previously identified employees of the Company, in the form attached hereto as Exhibit H.

7.2.8 **Consulting, Non-Compete, Non-Solicitation and Non-Disturbance Agreement** . The Company shall have entered into a written consulting, non-compete, non-solicitation and non-disturbance agreement with Stan Ecton substantially in the form attached hereto as Exhibit G (the "Consulting Agreement").

7.2.9 **Material Adverse Effect** . Since the date of this Agreement, the Company shall not have suffered a Company Material Adverse Effect.

Notwithstanding the failure of any one or more of the foregoing conditions, Parent, Federal and Merger Sub may proceed with the Closing without satisfaction, in whole or in part, of any one or more of such conditions and without written waiver.

7.3 **Conditions to Obligations of the Company and the Stockholders to Consummate the Merger** . The obligation of the Company and the Stockholders to consummate the Merger

shall be subject to the fulfillment at or prior to the Closing of the following additional conditions, any of which may be waived in writing by the Company or the Stockholders' Representative prior to Closing:

7.3.1 **Representations and Warranties** . The representations and warranties of Parent, Federal and Merger Sub contained in Article 4 of this Agreement shall be true and correct in all material respects on and as of the Closing Date, except for changes contemplated by this Agreement and except for those representations and warranties which address matters only as of a particular date (which shall remain true and correct as of such date), with the same force and effect as if made on and as of the Closing Date, except in all such cases, for such breaches, inaccuracies or omissions of such representations and warranties which have neither had nor reasonably would be expected to have a Parent Material Adverse Effect; and Parent shall have delivered to the Company a certificate to that effect, dated the date of the Closing and signed on behalf of Parent by the Chief Executive Officer and Chief Financial Officer of Parent.

7.3.2 **Agreements and Covenants** . Parent, Federal and Merger Sub shall have performed in all material respects all of their agreements and covenants set forth herein that are required to be performed at or prior to the Closing Date; and Parent shall have delivered to the Company a certificate to that effect, dated as of the Closing Date and signed on behalf of Parent by the Chief Executive Officer and Chief Financial Officer of Parent.

7.3.3 **Legal Opinion** . The Company shall have received an opinion from Parent in substantially the form attached hereto as Exhibit C.

7.3.4 **Closing Documents** . Parent, Federal and Merger Sub shall have delivered to the Company closing certificates of Parent, Federal and Merger Sub and such other closing documents as the Company shall reasonably request (other than additional opinions of counsel). Each of the closing certificates of Parent, Federal and Merger Sub, dated as of the Closing Date, duly executed by the secretary of Parent, Federal and Merger Sub, respectively, shall certify as to (i) the signing authority, incumbency and specimen signature of the signatories of this Agreement and other documents signed on behalf of Parent, Federal and Merger Sub in connection herewith, (ii) the resolutions adopted by the board of directors of Parent, Federal and Merger Sub authorizing and approving the execution, delivery and performance of this Agreement and the other documents executed in connection herewith and the consummation of the transactions contemplated hereby and thereby and state that such resolutions have not been modified, amended, revoked or rescinded and remain in full force and effect, and (iii) the Certificate of Incorporation and By-Laws of the Parent and Certificate of Incorporation and By-Laws of Federal.

7.3.5 **Material Adverse Effect** . Since the date of this Agreement, Parent shall not have suffered a Parent Material Adverse Effect.

7.3.6 **Payment of Merger Price** . The Parent shall have tendered the aggregate First Payment and the Holdback Amount pursuant to the provisions of Section 2.6.3 hereof.

7.3.7 **Written Waiver** . To the extent that Parent, Federal and Merger Sub agree to proceed with the Closing without satisfaction, in whole or in part, of any one or more of the

conditions in Section 7.2, if the Company has requested that Parent, Federal and Merger Sub deliver to the Company a written waiver of any rights or remedies any of them may have against the Company and the Stockholders by reason of the specific failure of any such conditions then it shall be a condition to the obligations of the Company and the Stockholders to consummate the Merger that, Parent, Federal and Merger Sub shall have delivered such written waiver.

Notwithstanding the failure of any one or more of the foregoing conditions, the Company and the Major Stockholders may proceed with the Closing without satisfaction, in whole or in part, of any one or more of such conditions and without written waiver.

Article 8
SURVIVAL OF REPRESENTATIONS

8.1 **The Company's Representations** . All representations and warranties made by the Company in Article 3 of this Agreement or the certificate delivered by the Company pursuant to Section 7.2.1 hereof shall survive the Closing and any investigation at any time made by or on behalf of Parent and shall terminate on the date which is 18 months after the Closing Date (except that Parent Indemnified Party claims pending on such date continue until resolved). The covenants made by the Company or the Stockholders in this Agreement or any certificate or other writing delivered by the Company or any of its Affiliates pursuant hereto or in connection herewith shall survive the Closing and any investigation at any time made by or on behalf of Parent.

8.2 **Parent's Representations** . All representations and warranties made by Parent, Federal and Merger Sub in this Agreement or any certificate or other writing delivered by Parent, Federal, Merger Sub or any of their respective Affiliates pursuant hereto or in connection herewith shall survive the Closing and any investigation at any time made by or on behalf of the Company and shall terminate on the date when all amounts due pursuant to Section 2.6.4 are paid in full (except that Stockholder Indemnified Party claims pending on such date shall continue until resolved).

Article 9
OTHER PROVISIONS

9.1 **Termination Events** . This Agreement may be terminated and the Merger abandoned at any time prior to the Closing Date, provided however that upon any such termination the surviving obligations of the Parties under the Letter of Intent, including the obligations of confidentiality and non-solicitation, shall continue in full force and effect in accordance with the terms of the Letter of Intent:

(a) by mutual written consent of Parent and the Company;

(b) by Parent if there has been a breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of the Company or the Major Stockholders and such breach has not been cured within ten business days after written notice to the Company (provided, that neither Parent nor Federal is in material

breach of the terms of this Agreement, and provided further, that no cure period shall be required for a breach which by its nature cannot be cured) such that the conditions set forth in Section 7.2.1 or Section 7.2.2 hereof, as the case may be, will not be satisfied;

(c) by Parent, if the Company, its board of directors or the Major Stockholders shall have (*i*) withdrawn, modified or amended in any material respect the approval of this Agreement or the transactions contemplated herein, or (*ii*) taken any public position inconsistent with its approval or recommendation, including, without limitation, having failed (without the consent of Parent) after a reasonable period of time to reject or disapprove any Acquisition Proposal (or after a reasonable period of time to recommend to its shareholders such rejection or disapproval);

(d) by the Company if there has been a breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of Parent, Federal or Merger Sub and such breach has not been cured within ten business days after written notice to Parent (provided, that the Company is not in material breach of the terms of this Agreement, and provided further, that no cure period shall be required for a breach which by its nature cannot be cured) such that the conditions set forth in Section 7.3.1 or Section 7.3.2 hereof, as the case may be, will not be satisfied;

(e) by the Company, if the Company accepts an Acquisition Proposal for any reason, including pursuant to a good-faith determination by its Board of Directors, after consulting with counsel, that not to accept the Acquisition Proposal would constitute a breach of the Directors' fiduciary duty under the CV; *provided, however*, that in that event the Company shall pay to Parent the amount pursuant to Section 6.1;

(f) by any party hereto if: (i) there shall be a final, non-appealable order of a federal or state court in effect preventing consummation of the Merger; (ii) there shall be any final action taken, or any statute, rule, regulation or order enacted, promulgated or issued or deemed applicable to the Merger by any Governmental Entity which would make consummation of the Merger illegal; or

(g) by any party hereto if the Merger shall not have been consummated by November 16, 2002 , provided that the right to terminate this Agreement under this Section 9.1(f) shall not be available to any party whose failure to fulfill any material obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing Date to occur on or before such date.

9.2 **Notices** . All notices and other communications hereunder shall be in writing and shall be deemed given if delivered by hand sent via a reputable nationwide courier service or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice) and shall be deemed given on the date on which so hand-delivered or on the third business day following the date on which so mailed or sent:

To Parent, Federal and Merger Sub :

CACI International Inc
1100 North Glebe Road
Arlington, VA 22201
Attention: Dr. J. P. London, Chairman

with copies to:

Jeffrey P. Elefante
Executive Vice President, General Counsel and Secretary
CACI International Inc
1100 North Glebe Road
Arlington, VA 22201

David W. Walker, Esq.
Foley Hoag LLP
155 Seaport Boulevard
Boston, MA 02210

To the Company :

Stan Ecton
Chief Executive Officer
Acton Burnell, Inc.
1500 N. Beauregard Street, Suite 210
Alexandria, VA 22311-1715

with copies to:

Ira H. Polon, Esq.
Dickstein Shapiro Morin & Oshinsky LLP
2101 L Street NW
Washington, DC 20037-1526

To any of the Major Stockholders or the Stockholders' Representative : at the addresses set forth in Schedule A.

with copies to:

Ira H. Polon, Esq.
Dickstein Shapiro Morin & Oshinsky LLP
2101 L Street NW
Washington, DC 20037-1526

9.3 **Entire Agreement** . Unless otherwise herein specifically provided, this Agreement and the documents and instruments and other agreements among the parties hereto as contemplated by or referred to herein constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, including the Letter of Intent. Each party hereto acknowledges that, in entering this Agreement and completing the transactions contemplated hereby, such party is not relying on any representation, warranty, covenant or agreement not expressly stated in this Agreement or in the agreements among the parties contemplated by or referred to herein.

9.4 **Assignability** . This Agreement is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder, except as otherwise expressly provided herein. Neither this Agreement nor any of the rights and obligations of the parties hereunder shall be assigned or delegated, whether by operation of law or otherwise, without the written consent of all parties hereto.

9.5 **Validity** . The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, each of which shall remain in full force and effect.

9.6 **Specific Performance** . The parties hereto acknowledge that damages alone may not adequately compensate a party for violation by another party of this Agreement. Accordingly, in addition to all other remedies that may be available hereunder or under applicable law, any party shall have the right to any equitable relief that may be appropriate to remedy a breach or threatened breach by any other party hereunder, including the right to enforce specifically the terms of this Agreement by obtaining injunctive relief in respect of any violation or non-performance hereof.

9.7 **Governing Law** . This Agreement shall take effect and shall be construed as a contract under the laws of the Commonwealth of Virginia.

9.8 **Counterparts** . This Agreement may be executed in one or more counterparts, all of which together shall constitute one and the same agreement.

9.9 **Jurisdiction** . The parties hereto consent to personal jurisdiction in the Commonwealth of Virginia and agree that the exclusive venue and place of trial for the resolution of any disputes arising in connection with the interpretation or enforcement of this Agreement shall be either the federal or state court in the Commonwealth of Virginia.

9.10 **Legal Representation** . It is understood and agreed that the firm of Dickstein Shapiro Morin & Oshinsky LLP (“DSMO”) has represented the Stockholders in connection with the negotiation and execution of this Agreement and has not represented any interest of Parent, Federal, or Merger Sub. It is further understood that DSMO has represented and advised the Company in connection with this Agreement and in connection with other matters during the period before the Closing when the Company’s interest has been consistent with the interests of the Stockholders. In any dispute or proceeding arising under or in connection with this Agreement, including without limitation under Article VI, the Stockholders shall have the right,

at their election, to retain DSMO to represent them in that matter, and each of Parent, Federal and Merger Sub, for itself, for the Surviving Corporation and for their respective successors and assigns, hereby consents to any such representation in any such matter. Each of Parent, Federal, Merger Sub, for itself, for the Surviving Corporation and for their respective successors and assigns, hereby acknowledges and agrees that all communications between the Stockholders and their counsel, including without limitation DSMO, made in connection with the negotiation, preparation, execution, delivery and closing under, or any dispute or proceeding arising under or in connection with, this Agreement, or any matter relating to any of the foregoing, are privileged communications between the Stockholders and such counsel; and none of Parent, Federal or the Surviving Corporation, nor any Person purporting to act on behalf of or through Parent, Federal or the Surviving Corporation, will seek to compel disclosure of the same by any process. Nothing in this section shall be construed as a waiver by or on behalf of the Company or the Surviving Corporation of any right to confidentiality, including any attorney-client privilege, with respect to communications made by or on behalf of the Company to DSMO in connection with DSMO's engagement as counsel to the Company with respect to matters not related to this Agreement.

9.11 **Amendment** . Subject to Section 13.1-718(I) of the CV, the board of directors of each corporation party to the Merger may amend the Agreement at any time prior to issuance of the certificate of merger. Such amendment shall be made by written agreement.

* * * * *

IN WITNESS WHEREOF, the parties have duly executed this Agreement and Plan of Merger under seal as of the date first above written.

CACI International Inc

By: _____

Title:

CACI, Inc. - Federal

By: _____

Title:

CACI Acquisition Corporation

By: _____

Title:

Acton Burnell, Inc.

By: _____

Title:

Major Stockholders:

Stan Ecton

Ronald Moreau

Charles F. Olsick, Jr.

James Clancy

Bill Betzner

List of Exhibits and Schedules

Exhibit	Description
A	Schedule of Liens
B	Form of Opinion of Company's Counsel
C	Form of Opinion of Parent
D	Form of Closing Certificate
E	Paying Agent Agreement
F	Principles and Procedures
G	Form of Consulting, Non-Compete, Non-Solicitation and Non-Disturbance Agreement
H	Form of Parent's Standard Employment Agreement
2.1	Articles of Merger

Schedule	Description
A	List of Major Stockholders
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3.2	Capital Stock.
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3.11	Employee Benefit Plans.
3.12	Employment-Related Matters.
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3.15	Assets Other Than Real Property.
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CACI INTERNATIONAL INC
CACI, INC. – FEDERAL
APPLIED TECHNOLOGY SOLUTIONS OF NORTHERN VA, INC.

STOCK PURCHASE AGREEMENT
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STOCK PURCHASE AGREEMENT

S TOCK P URCHASE A GREEMENT , dated as of February 20, 2003 (the " *Agreement* "), by and among **CACI International Inc** , a Delaware corporation (" *Parent* "), **CACI, INC. – FEDERAL** , a Delaware corporation and wholly-owned subsidiary of Parent (" *Federal* "), **Applied Technology Solutions of Northern VA, Inc.,** a Virginia corporation (" *ATS* "), **Donna K. Alligood** , a stockholder and Vice President and Director of Operations of ATS (" *Alligood* "), **Carol Carlson** , a stockholder and the President, Treasurer, and Secretary of ATS (" *Carlson* ") and **Robert D. Walp** , a stockholder and Contracts and Finance Officer of ATS (" *Walp* ") (Alligood, Carlson and Walp are sometimes hereinafter referred to individually a " *Stockholder* " and collectively, the " *Stockholders* ").

W I T N E S S E T H

WHEREAS, as of the date hereof, Carlson owns 630,000 shares of common stock, $0.01 par value per share, of ATS (" *ATS Common Stock* ");

WHEREAS, as of the date hereof, Alligood owns 70,000 shares of ATS Common Stock and holds an option to purchase an additional 14,824 shares of ATS Common Stock for an exercise price of $1.10 per share (the " *Alligood Option* "), which Alligood will exercise immediately prior to the closing of the transactions contemplated by this Agreement;

WHEREAS, as of the date hereof, Walp holds an option to purchase 26,356 shares of ATS Common Stock for an exercise price of $1.10 per share (the " *Walp Option* "), which Walp will exercise immediately prior to the closing of the transactions contemplated by this Agreement;

WHEREAS, as of the date hereof, Carlson and Alligood own all of the issued and outstanding shares of ATS Common Stock, and as of the date of the closing of the transactions contemplated by this Agreement, the Stockholders will own all of the issued and outstanding shares of ATS Common Stock;

WHEREAS, at the closing of the transactions contemplated by this Agreement, the Stockholders desire to sell all of their shares of ATS Common Stock (the " *Shares* ") and Federal wishes to purchase all (but not less than all) of the Shares (the " *Transaction* "); and

WHEREAS, Parent, Federal, the Stockholders and ATS desire to make certain representations and warranties and other agreements in connection with the Transaction;

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

Article 1
DEFINITIONS

1.1 **Certain Matters of Construction.** A reference to an article, section, exhibit or schedule shall mean an Article of, a Section in, or Exhibit or Schedule to, this Agreement unless otherwise expressly stated. The titles and headings herein are for reference purposes only and shall not in any manner limit the construction of this Agreement, which shall be considered as a whole. The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation." All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms. Any agreement, instrument, law or regulation defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or law or regulation as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of laws and regulations) by succession of comparable successor laws or regulations and references to all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

1.2 **Cross References.** The following terms defined elsewhere in this Agreement in the Sections set forth below shall have the respective meanings therein defined:

Term	*Definition*
338(h)(10) Amount	Section 3.10.5
Acquisition Proposals	Section 6.1
Agreement	Preamble
Alligood	Preamble
Alligood Option	Recitals
Alligood Withholdings	Section 6.9.1
ATS	Preamble
ATS Balance Sheet	Section 3.5
ATS Common Stock	Recitals
ATS Demand Notice	Section 6.1
ATS Financial Statements	Section 3.5
ATS Insurance Contracts	Section 3.19
ATS Plans	Section 3.11.1
ATS Proprietary Rights	Section 3.18.1
ATS	Preamble
ATS's Accountant	Section 2.2.2
ATS's Counsel	Section 2.2.2
Auditor	Section 2.5.3
Broker	Section 2.2.2
Carlson	Preamble
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Direct Payment	Section 2.2.2
Employee List	Section 3.12.2
Encumbrances	Section 3.15.1
Escrow Agent	Section 2.2.3
Escrow Agreement	Section 2.2.3
Escrow Payment	Section 2.2.3
Escrow	Section 2.2.3
Expenses	Section 6.2.1
Federal	Preamble
Final Closing Balance Sheet	Section 2.5.4
First Payment	Section 2.2.2
GAAP	Section 2.5.1
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Indemnified Party	Section 6.3.1
Indemnifying Party	Section 6.3.1
Indemnity Deductible	Section 6.3.3
Initial Balance Sheet	Section 2.5.1
Notice of Claim	Section 6.3.1
Objection	Section 2.5.2
Parent Balance Sheet	Section 4.3
Parent Indemnified Parties	Section 6.3
Parent Indemnifying Parties	Section 6.3.1
Parent Indemnity Deductible	Section 6.3.3
Parent Reports	Section 4.3
Parent	Preamble
Permits	Section 3.8
Purchase Price	Section 2.2.1
Section 338(h)(10) Election	Section 6.7.1
Shares	Recitals
Stockholders	Recitals
Stockholder Indemnified Parties	Section 6.3
Stockholder Indemnifying Parties	Section 6.3
Stockholder Indemnity Deductible	Section 6.3.3
Third Party Claim	Section 6.3.2
Transaction	Recitals
Walp	Preamble
Walp Option	Recitals
Walp Withholdings	Section 6.9.2
Welfare Plan	Section 3.11.6

1.3 **Certain Definitions.** As used herein, the following terms shall have the following meanings:

Affiliate : with respect to any Person, any Person which, directly or indirectly, controls, is controlled by, or is under common control with, such Person.

Affiliated Group : any affiliated group within the meaning of Code section 1504(a).

ATS Leases : each lease, sublease, license or other agreement under which ATS uses, occupies or has the right to occupy any real property or interest therein.

ATS Material Adverse Effect : any materially adverse change in or effect on ATS's financial condition, business, operations, assets, properties, results of operations or prospects.

COBRA : the provisions of Section 4980B of the Code and Part 6 of Title I of ERISA.

Code : the United States Internal Revenue Code of 1986, as amended from time to time.

Commercial Software : packaged commercial software programs generally available to the public through retail dealers in computer software or directly from the manufacturer which have been licensed to ATS and which are used in ATS's business but are in no way a component of or incorporated in or specifically required to develop any of ATS's products and related trademarks and technology.

Control : (including with correlative meaning, controlled by and under common control with): as used with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

Environmental Claim : any actual notice alleging potential liability (including, without limitation, potential liability for investigatory costs, cleanup costs, response or remediation costs, natural resources damages, property damages, personal injuries, fines or penalties) arising out of, based on or resulting from (a) the presence, or release of any Material of Environmental Concern at any location, or (b) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

Environmental Laws : any and all Federal, state, local or foreign statutes, regulations and ordinances relating to the protection of public health, safety or the environment.

ERISA : the Employee Retirement Income Security Act of 1974, as amended.

ERISA Affiliate : with respect to a party, any member (other than that party) of a controlled group of corporations, group of trades or businesses under common control or affiliated service group that includes that party (as defined for purposes of Section 414(b), (c) and (m) of the Code).

Exchange Act : the Securities Exchange Act of 1934, as amended.

Knowledge of ATS : shall mean the actual knowledge of Carlson, Alligood and Walp.

Letter of Intent : the letter dated January 22, 2003 from J.P. London, Chairman of the Board, President and Chief Executive Officer of Parent, to Carlson, President of ATS,

expressing the companies' intention to effect the stock purchase and related transactions, subject to execution of this Agreement and other matters.

Liability : any liability or obligation, known or unknown, asserted or unasserted, accrued or unaccrued, absolute or contingent, liquidated or unliquidated, or otherwise, and whether due or to become due, including any liability for Taxes.

Losses : the amount of any actual damages, liabilities, obligations, deficiencies, losses (including without limitation any actual diminution in value), expenditures, costs or expenses (including without limitation reasonable attorneys' fees and disbursements). For purposes of determining the amount of any Loss, the amount of any Loss shall be reduced by any insurance proceeds received or receivable in respect thereof (in each case net of costs of recovery). For purposes of determining the amount of any Loss incurred by reason of any breach of any representation or warranty made by ATS under this Agreement, each such representation or warranty would read as if all qualifications as to materiality and knowledge were deleted therefrom.

Materials of Environmental Concern : petroleum and its by-products and any and all other substances or constituents to the extent that they are regulated by, or form the basis of liability under, any Environmental Law.

Net Worth : ATS's total assets less total liabilities as of the Closing Date determined in accordance with GAAP.

Parent Material Adverse Effect : any change in or effect on the financial condition, business, operations, assets, properties, results of operations of Parent and Federal considered on a consolidated basis that might reasonably be expected to impair the ability of Parent to provide funds for payment of the entire Purchase Price in accordance with the terms of this Agreement.

Paying Agent Agreement : the paying agent agreement, substantially in the form attached hereto as Exhibit H .

Permitted Encumbrances : (a) liens for current taxes and other statutory liens and trusts not yet due and payable or that are being contested in good faith, (b) liens incurred in the ordinary course of business, such as carriers', warehousemen's, landlords' and mechanics' liens and other similar liens arising in the ordinary course of business, (c) liens on personal property leased under operating leases, (d) liens, pledges or deposits incurred or made in connection with workmen's compensation, unemployment insurance and other social security benefits, or securing the performance of bids, tenders, leases, contracts (other than for the repayment of borrowed money), statutory obligations, progress payments, surety and appeal bonds and other obligations of like nature, in each case incurred in the ordinary course of business, (e) pledges of or liens on manufactured products as security for any drafts or bills of exchange drawn in connection with the importation of such manufactured products in the ordinary course of business, (f) liens under Article 2 of the Uniform Commercial Code that are special property interests in goods identified as goods to which a contract refers, (g) liens under Article 9 of the

Uniform Commercial Code that are purchase money security interests, (h) those liens disclosed on Exhibit I hereto, and (i) such imperfections or minor defects of title, easements, rights-of-way and other similar restrictions (if any) as are insubstantial in character, amount or extent, do not materially detract from the value or interfere with the present or proposed use of the properties or assets of the party subject thereto or affected thereby, and do not otherwise adversely affect or impair the business or operations of such party. Permitted liens do not in any event include any security interests granted by ATS to Millennium Bank or United Bank.

Person : an individual, a corporation, an association, a partnership, an estate, a trust or any other entity or organization.

SEC : the United States Securities and Exchange Commission, or any Governmental Entity succeeding to its functions.

Securities Act : the Securities Act of 1933, as amended.

Security Interest : any mortgage, pledge, lien, encumbrance, charge, or other security interest, other than (a) mechanic's, materialman's, and similar liens, (b) liens for Taxes not yet due and payable, (c) purchase money liens and liens securing rental payments under capital lease arrangements, and (d) other liens arising in the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency) and not incurred in connection with the borrowing of money.

Subsidiary : any corporation, association, or other business entity a majority (by number of votes on the election of directors or persons holding positions with similar responsibilities) of the shares of capital stock (or other voting interests) of which is owned directly or indirectly by ATS.

Tax : any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code section 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

Tax Return : any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

Treasury Regulation : a regulation promulgated by the United States Treasury Department under one or more provisions of the Code.

Article 2
THE PURCHASE AND SALE OF SHARES

2.1 **Purchase of the Shares from the Stockholders.** Subject to and upon the terms and conditions of this Agreement, and on the basis of the representations, warranties, covenants, and agreements herein contained, at the closing of the transactions contemplated by this Agreement (the " *Closing* "), the Stockholders shall sell, transfer, convey or assign and deliver to Federal, and Federal shall purchase, acquire and accept from the Stockholders, the Shares, free and clear of any and all liens, claims, encumbrances or rights of any third party. At the Closing, the Stockholders shall deliver to Federal certificates evidencing the Shares duly endorsed in blank or with stock powers or other appropriate instruments of transfer duly executed, with signatures guaranteed. The Closing shall take place at the offices of Parent in Arlington, Virginia, commencing at 2 p.m. local time on February 28, 2003 or on such other date as the parties may agree after the satisfaction or waiver of all conditions to the obligations of the parties to consummate the transactions contemplated hereby, but shall be effective as of February 28, 2003 at 11:59pm. (the " *Closing Date* ").

2.2 **Purchase Price.**

2.2.1 **The Aggregate Purchase Price.** The aggregate purchase price (the " *Purchase Price* ") to be paid by Federal for the Shares shall be [$12,500,000 (Twelve Million Five Hundred Thousand Dollars), subject to adjustment as provided below in Section 2.5. Notwithstanding the number of Shares owned by the Stockholders at Closing, the Purchase Price shall be allocated among the Stockholders in accordance with the allocations set forth on Schedule 2.2.1 hereto, which schedule also indicates the following share prices negotiated with each of the Shareholders: (1) $15.91 per Share for Carlson, (2) $22.76 per Share for Alligood, and (c) $20.66 per Share for Walp. The Stockholders agree to accept the respective amounts set forth in Schedule 2.2.1 (subject to adjustment as provided below in Section 2.5) in full payment for their Share interests, notwithstanding any provision of any existing agreement among them or between any of them and ATS. All payments of the Purchase Price under this Section 2.2 shall be made in immediately available funds wired to one or more accounts designated by the Stockholders' Representative, by a certified check or by such other method as may be agreed by the Stockholders' Representative and Federal.

2.2.2 The Purchase Price Paid at the Closing. The Purchase Price, less the Escrow Payment (the " *Direct Payment* "), less

(a) the amount of the fees owed by ATS or the Stockholders (or any of them) to The McLean Group, LLC (" *Broker* ") which will be paid by Federal directly to Broker pursuant to Section 6.2.2,
(b) the amount of the fees owed by ATS or the Stockholders (or any of them) to Squire, Sanders & Dempsey L.L.P. (" *ATS's Counsel* ") which will be paid by Federal directly to ATS's Counsel pursuant to Section 6.2.3
(c) the amount of the fees owed by ATS or the Stockholders (or any of them) to Aronson & Company (" *ATS's Accountant* ") which will be paid by Federal directly to ATS's Accountant pursuant to Section 6.3.4, and
(d) the Alligood Withholdings and the Walp Withholdings, pursuant to Section 6.9,

shall be paid to the Stockholders by Federal on the Closing Date on the basis of the allocations set forth on Schedule 2.2.1 hereto.

2.2.3 The Escrowed Portion of the Purchase Price. For the purpose of securing the Stockholders' obligations pursuant to Section 6.3, $1,500,000 (One Million Five Hundred Thousand Dollars) of the total Purchase Price (the " *Escrow Payment* ") shall be delivered to an account (the " *Escrow* ") to be administered by Riggs Bank NA (the " *Escrow Agent* ") pursuant to an escrow agreement substantially in the form of Exhibit A (the " *Escrow Agreement* ").

2.3 **Additional Actions.** If, at any time after the Closing Date, any further action is necessary or desirable to carry out the purposes of this Agreement or to vest, perfect or confirm in Federal title to or ownership or possession of the Shares acquired pursuant to this Agreement, the Stockholders, as well as the officers and directors of ATS and Federal, are fully authorized in their name and in the name of their respective corporations or otherwise to take, and will take, all such lawful and necessary action to so vest, perfect or confirm in Federal title to or ownership of the Shares, so long as such action is consistent with this Agreement.

2.4 **Stockholders' Representative.** The Stockholders hereby appoint Carlson as the true and lawful agent and attorney-in-fact (the " *Stockholders' Representative* ") of the Stockholders with full power of substitution to act in the name, place and stead of the Stockholders with respect to the surrender of the stock certificates owned by the Stockholders to Federal in accordance with the terms and provisions of this Agreement, and to act on behalf of the Stockholders in any litigation or arbitration involving this Agreement, act as the paying agent on behalf of the Stockholders, do or refrain from doing all such further acts and things, and execute all such documents as the Stockholders' Representative shall deem necessary or appropriate in connection with the transactions contemplated by this Agreement, including, without limitation, the power:

2.4.1 to act for the Stockholders with regard to matters pertaining to indemnification referred to in this Agreement, including the power to compromise any indemnity claim on behalf of the Stockholders and to transact matters of litigation;

2.4.2 to execute and deliver all ancillary agreements, certificates and documents that the Stockholders' Representative deems necessary or appropriate in connection with the consummation of the transactions contemplated by this Agreement;

2.4.3 to act as the paying agent and to receive funds and give receipts for funds, including in respect of any adjustments to the Purchase Price, and to do or refrain from doing the actions further described in the Paying Agent Agreement;

2.4.4 to do or refrain from doing any further act or deed on behalf of the Stockholders that the Stockholders' Representative deems necessary or appropriate in her sole discretion relating to the subject matter of this Agreement and the Paying Agent Agreement as fully and completely as the Stockholders could do if personally present; and

2.4.5 to receive service of process in connection with any claims under this Agreement.

The appointment of the Stockholders' Representative shall be deemed coupled with an interest and shall be irrevocable, and Parent, Federal and ATS may conclusively and absolutely rely, without inquiry, upon any action of the Stockholders' Representative in all matters referred to herein.

If Carlson resigns, dies or is otherwise unable to serve as the Stockholders' Representative, the successor Stockholders' Representative shall be designated in writing by the Stockholders who held a majority of the ATS Common Stock immediately prior to the Closing.

If any individual Stockholders should die or become incapacitated, if any trust or estate should terminate or if any other such event should occur, any action taken by the Stockholders' Representative pursuant to this Section 2.4 shall be as valid as if such death or incapacity, termination or other event had not occurred, regardless of whether or not the Stockholders' Representative or the Surviving Corporation shall have received notice of such death, incapacity, termination or other event.

All notices required to be made or delivered by Parent, Federal or ATS to the Stockholders shall be made to the Stockholders' Representative for the benefit of the Stockholders and shall discharge in full all notice requirements of Parent, Federal or the Surviving Corporation to the Stockholders with respect thereto. The Stockholders hereby confirm all that the Stockholders' Representative shall do or cause to be done by virtue of her appointment as the Stockholders' Representative of the Stockholders.

The Stockholders' Representative shall act for the Stockholders on all of the matters set forth in this Agreement in the manner the Stockholders' Representative believes to be in the best interest of the Stockholders and consistent with the obligations under this Agreement, but the Stockholders' Representative shall not be responsible to the Stockholders for any loss or damages the Stockholders may suffer by the performance by the Stockholders' Representative of her duties under this Agreement, other than loss or damage arising from willful violation of the law by the Stockholders' Representative of her duties under this Agreement. The Stockholders' Representative and her heirs and personal or legal representatives shall be held harmless by the Stockholders from, and indemnified against any loss or damages arising out of or in connection with the performance of her obligations in accordance with the provisions of this Agreement, except for any of the foregoing arising out of the willful violation of the law by the Stockholders' Representative of her duties hereunder. The foregoing indemnity shall survive the resignation or substitution of the Stockholders' Representative.

Notwithstanding anything to the contrary herein, the Stockholders' Representative shall have no liability or obligation to any Parent Indemnified Party otherwise than, and only to the extent of, her individual liability as a Stockholder as set forth in Section 6.3.

2.5 **Adjustment to Purchase Price.**

2.5.1 **Preparation of Closing Balance Sheet.** As soon as reasonably possible after the Closing Date (but not later than 60 days thereafter), Federal shall prepare or cause to be prepared and shall deliver to the Stockholders' Representative a Closing Balance Sheet for ATS as of the opening of business on the Closing Date (the " *Closing Balance Sheet* "). The Closing

Balance Sheet shall be prepared in accordance with United States generally accepted accounting principles (" *GAAP* ").

2.5.2 **Review of Closing Balance Sheet.** The Stockholders' Representative, upon receipt of the Closing Balance Sheet, shall (a) review the Closing Balance Sheet and (b) to the extent she may deem necessary, make reasonable inquiry of ATS, Federal and its accountants (if any are used), relating to the preparation of the Closing Balance Sheet. The Stockholders' Representative and her employees and advisors shall have full access upon prior written notice and during normal business hours to the books, papers and records of ATS and its accountants (if any are used), relating to the preparation of the Closing Balance Sheet in connection with such inquiry and the preparation of the Objection thereto. The Closing Balance Sheet shall be binding and conclusive upon, and deemed accepted by, the Stockholders' Representative on behalf of the Stockholders unless the Stockholders' Representative shall have notified Federal in writing of any objections thereto (the " *Objection* ") within 30 days after receipt of the Closing Balance Sheet.

2.5.3 **Disputes.** In the event of the Objection, Federal shall have 20 days to review and respond to the Objection, and Federal and the Stockholders' Representative shall attempt to resolve the differences underlying the Objection within 20 days following completion of Federal's review of the Objection. Disputes between Federal and the Stockholders' Representative which cannot be resolved by them within such 20-day period shall be referred no later than such 20th day for decision to a nationally-recognized independent public accounting firm mutually selected by the Stockholders' Representative and Federal (which firm shall not be either of (a) the independent public accountants of Federal or (b) the independent public accountants used by ATS prior to the Closing Date) (the " *Auditor* ") who shall act as arbitrator and determine, based solely on presentations by the Stockholders' Representative and Federal and only with respect to the remaining differences so submitted, whether and to what extent, if any, the Closing Balance Sheet requires adjustment. The Auditor shall deliver its written determination to Federal and the Stockholders' Representative no later than the 30th day after the remaining differences underlying the Objection are referred to the Auditor, or such longer period of time as the Auditor determines is necessary. The Auditor's determination shall be conclusive and binding upon the parties. The fees and disbursements of the Auditor shall be allocated equally between Federal and the Stockholders. Federal and the Stockholders shall make readily available to the Auditor all relevant information, books and records and any work papers relating to the Closing Balance Sheet and all other items reasonably requested by the Auditor. In no event may the Auditor's resolution of any difference be for an amount which is outside the range of Federal's and the Stockholders' Representative's disagreement.

2.5.4 **Final Closing Balance Sheet.** The Closing Balance Sheet shall become final and binding upon the parties upon the earlier of (a) the Stockholders' Representative's failure to object thereto within the period permitted under Section 2.5.2, (b) the agreement between Federal and the Stockholders' Representative with respect thereto and (c) the decision by the Auditor with respect to any disputes under Section 2.5.3. The Closing Balance Sheet, as adjusted pursuant to the agreement of the parties or decision of the Auditor, when final and binding is referred to herein as the " *Final Closing Balance Sheet* ."

2.5.5 **Adjustments to the Purchase Price.** As soon as practicable (but not more than five business days) after the date on which the Final Closing Balance Sheet shall have been determined in accordance with this Section 2.4, (a) the Stockholders' Representative, as paying agent, shall pay to Federal in immediately available funds in United States dollars the amount, if any, by which the Net Worth in the Final Closing Balance Sheet is less than $845,000, which shall constitute an immediate adjustment of the Purchase Price in such amount or (b) Federal shall pay to the Stockholders' Representative, as paying agent, in immediately available funds in United States Dollars the amount, if any, by which the Net Worth in the Final Closing Balance Sheet is greater than $845,000, which shall constitute an immediate adjustment of the Purchase Price in such amount. Any payment to the Stockholders' Representative pursuant to this section shall be reduced by an amount equal to 3%, which amount shall be paid by Federal to Broker.

Article 3
REPRESENTATIONS AND WARRANTIES OF ATS AND THE STOCKHOLDERS

ATS and each of the Stockholders jointly and severally represent and warrant to Parent and Federal as follows:

3.1 **Corporate Status of ATS.** Except as set forth on Schedule 3.1 hereto, ATS is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia, with the requisite corporate power to own, operate and lease its properties and to carry on its business as now being conducted. Except as set forth on Schedule 3.1 hereto, ATS is duly qualified or licensed to do business as a foreign corporation and is in good standing in all jurisdictions in which the character of the properties owned or held under lease by it or the nature of the business transacted by it makes qualification necessary, except where failure to be so qualified would not have an ATS Material Adverse Effect. All jurisdictions in which ATS is qualified to do business are set forth on Schedule 3.1 hereto.

3.2 **Capital Stock.**

3.2.1 **Authorized Stock of ATS.** The authorized capital stock of ATS consists of 1,000,000 shares of ATS Common Stock, of which 700,000 shares are issued and outstanding. All of the outstanding shares of ATS Common Stock have been duly authorized and validly issued, were not issued in violation of any Person's preemptive rights, and are fully paid and nonassessable. The Stockholders together own of record and beneficially all the outstanding shares of ATS Common Stock.

3.2.2 **Options and Convertible Securities of ATS.** Except as set forth on Schedule 3.2 , there are no outstanding subscriptions, options, warrants, conversion rights or other rights, securities, agreements or commitments obligating ATS to issue, sell or otherwise dispose of shares of its capital stock, or any securities or obligations convertible into, or exercisable or exchangeable for, any shares of its capital stock. There are no voting trusts or other agreements or understandings to which ATS or any Stockholder is a party with respect to the voting of the shares of ATS Common Stock, and ATS is neither a party to, nor bound by, any outstanding restrictions, options or other obligations, agreements or commitments to sell,

repurchase, redeem or acquire any outstanding shares of ATS Common Stock or any other securities of ATS.

3.3 **Subsidiaries.** ATS has no Subsidiaries. ATS has not acquired, sold, divested or liquidated any corporate entity or line of business.

3.4 **Authority for Agreement; Noncontravention.**

3.4.1 **Authority.** ATS has the corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby to the extent of its obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, to the extent of ATS's obligations hereunder, have been duly and validly authorized by the board of directors of ATS and no other corporate proceedings on the part of ATS are necessary to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, to the extent of ATS's obligations hereunder. This Agreement and the other agreements contemplated hereby to be signed by ATS have been duly executed and delivered by ATS and constitute valid and binding obligations of ATS, enforceable against ATS in accordance with their terms, subject to the qualifications that enforcement of the rights and remedies created hereby and thereby is subject to (a) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws of general application affecting the rights and remedies of creditors and (b) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

3.4.2 **No Conflict.** Except as set forth on Schedule 3.4 hereto, none of the execution, delivery or performance of this Agreement and the agreements referenced herein, nor the consummation of the transactions contemplated hereby or thereby will (a) conflict with or result in a violation of any provision of ATS's charter documents or by-laws or (b) with or without the giving of notice or the lapse of time, or both, conflict with, or result in any violation or breach of, or constitute a default under, or result in any right to accelerate or result in the creation of any lien, charge or encumbrance pursuant to, or right of termination under, any provision of any note, mortgage, indenture, lease, instrument or other agreement, permit, concession, grant, franchise, license, judgment, order, decree, statute, ordinance, rule or regulation to which ATS is a party or by which ATS or any of its assets or properties are bound or which is applicable to ATS or any of its assets or properties. Except to the extent that novation is required as further described in Section 6.6.2 below, no authorization, consent or approval of, or filing with or notice to, any United States or foreign governmental or public body or authority (each a " *Governmental Entity* ") is necessary for the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for such consents, authorizations, filings, approvals and registrations which if not obtained or made would not have an ATS Material Adverse Effect.

3.5 **Financial Statements.** ATS has previously furnished Parent with a copy of ATS's balance sheet as of December 31, 2002 and ATS's statements of operations, cash flows and changes in the stockholders' equity for the year then ended. Such financial statements were reviewed by ATS's Accountant. Collectively, the financial statements referred to in the first sentence of this Section 3.5 are sometimes referred to herein as the " *ATS Financial Statements* " and ATS's balance sheet as of December 31, 2002 is referred to herein as the " *ATS Balance*

Sheet ." The balance sheet included in the ATS Financial Statements (including any related notes) fairly presents in all material respects the financial position of ATS as of its date, and the other statements included in ATS Financial Statements (including any related notes) fairly present in all material respects the results of operations, cash flows and the stockholders' equity, as the case may be, of ATS for the periods therein set forth, in each case in accordance with GAAP consistently applied (all except as otherwise stated therein).

3.6 **Absence of Material Adverse Changes.** Except as set forth on Schedule 3. 6 hereto, since the date of the Letter of Intent, ATS has not suffered any ATS Material Adverse Effect, and there has not occurred or arisen any event, condition or state of facts of any character that could reasonably be expected to result in an ATS Material Adverse Effect. Since the date of the Letter of Intent, there have been no dividends or other distributions declared or paid in respect of, or any repurchase or redemption by ATS of, any of the shares of capital stock of ATS, or any commitment relating to any of the foregoing.

3.7 Absence of Undisclosed Liabilities. Except as set forth on Schedule 3.7 , ATS has no Liabilities that are not fully reflected or provided for on, or disclosed in the notes to, the balance sheets included in the ATS Financial Statements, except (a) Liabilities incurred in the ordinary course of business since the date of the ATS Balance Sheet, none of which individually or in the aggregate has had or could reasonably be expected to have an ATS Material Adverse Effect, (b) Liabilities permitted or contemplated by this Agreement, and (c) Liabilities expressly disclosed on the Schedules delivered hereunder.

3.8 **Compliance with Applicable Law, Charter and By-Laws.** ATS has all requisite licenses, permits and certificates from all Governmental Entities necessary to conduct its business as currently conducted, and to own, lease and operate its properties in the manner currently held and operated (collectively, " *Permits* "), except as set forth on Schedule 3.8 hereto and except for any Permits the absence of which, in the aggregate, do not and could not reasonably be expected to have an ATS Material Adverse Effect or prevent or materially delay the consummation of the transactions contemplated hereby. All of such Permits are in full force and effect. ATS is in compliance in all material respects with all the terms and conditions related to such Permits. There are no proceedings in progress, pending or, to the Knowledge of ATS, threatened, which may result in revocation, cancellation, suspension, or any materially adverse modification of any of such Permits. To the Knowledge of ATS, the business of ATS is not being conducted in violation of any applicable law, statute, ordinance, regulation, rule, judgment, decree, order, Permit, concession, grant or other authorization of any Governmental Entity. ATS is not in default or violation of any provision of its charter documents or its by-laws.

3.9 Litigation and Audits. Except for any claim, action, suit or proceeding set forth on Schedule 3.9 or Schedule 3.10 hereto, (a) there is no investigation by any Governmental Entity with respect to ATS pending or, to the Knowledge of ATS, threatened, nor has any Governmental Entity indicated to ATS an intention to conduct the same; (b) there is no claim, action, suit, arbitration or proceeding pending or, to the Knowledge of ATS, threatened against or involving ATS or any of its assets or properties, at law or in equity, or before any arbitrator or Governmental Entity, that, if adversely determined, either singly or in the aggregate, would have an ATS Material Adverse Effect or prevent or materially delay the consummation of the

transactions contemplated hereby; and (c) there are no judgments, decrees, injunctions or orders of any Governmental Entity or arbitrator outstanding against ATS.

3.10 **Tax Matters.**

3.10.1 **Filing of Returns.** ATS has filed all Tax Returns that it was required to file. All such Tax Returns were correct and complete in all respects. All Taxes owed by ATS (whether or not shown on any Tax Return) have been paid. Excluding any built-in gains tax, ATS is not currently the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made by an authority in a jurisdiction where ATS does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are no Security Interests on any of the assets of ATS that arose in connection with any failure (or alleged failure) to pay any Tax.

3.10.2 **Payment of Taxes.** ATS has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party.

3.10.3 **Assessments or Disputes.** Neither Carlson nor any director or officer (or employee responsible for Tax matters) of ATS expects any authority to assess any additional Taxes for any period for which Tax Returns have been filed. There is no dispute or claim concerning any Tax Liability of ATS either (a) claimed or raised by any authority or (b) as to which Carlson or any of the directors and officers (and employees responsible for Tax matters) of ATS has knowledge based upon personal contact with any agent of such authority. Schedule 3.10 lists all federal, state, local, and foreign income Tax Returns filed with respect to ATS for taxable periods ended on or after April 30, 2000, indicates those Tax Returns that have been audited and indicates those Tax Returns that currently are the subject of audit. ATS has delivered or made available to Federal correct and complete copies of all federal income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by ATS.

3.10.4 **Waiver of Statute of Limitations.** ATS has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

3.10.5 **Tax Basis.** Schedule 3.10.5 sets forth (a) the basis of ATS in its assets, (b) the value of each of ATS's assets on the day it became an S corporation, (c) ATS's adjusted tax basis in each such asset on the day it became an S corporation, and (d) the amount of Tax that will be imposed on ATS as a result of the Section 338(h)(10) Election (the "338(h)(10) Amount").

3.10.6 **Unpaid Taxes.** ATS's unpaid taxes (a) did not, as of the date of the ATS Balance Sheet, exceed the amount accrued for Tax liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the ATS Balance Sheet (rather than in any notes thereto) and (c) do not exceed that amount accrued as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of ATS in filing its Tax Returns.

3.10.7 **Unclaimed Property.** ATS has no assets that may constitute unclaimed property under applicable law. ATS has complied in all material respects with all applicable unclaimed property laws. Without limiting the generality of the foregoing, ATS has established and followed procedures to identify any unclaimed property and, to the extent required by applicable law, remit such unclaimed property to the applicable governmental authority. ATS's records are adequate to permit a governmental agency or authority or other outside auditor to confirm the foregoing representations.

3.10.8 **No Changes in Accounting, Closing Agreement, Installment Sale.** ATS will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any (a) change in method of accounting for a taxable period ending on or prior to the Closing Date under Code section 481(c) (or any corresponding or similar provision of state, local or foreign income Tax law); (b) "closing agreement" as described in Code section 7121 (or any corresponding or similar provision of state, local or foreign income Tax law) executed on or prior to the Closing Date; (c) deferred intercompany gain or any excess loss account described in Treasury Regulations under Code section 1502 (or any corresponding or similar provision of state, local or foreign income Tax law); (d) installment sale or open transaction disposition made on or prior to the Closing Date; or (e) prepaid amount received on or prior to the Closing Date.

3.10.9 **S Corporation.** ATS (and any predecessor of ATS) has been a validly electing S corporation within the meaning of Code sections 1361 and 1362 at all times since May 1, 2001, and ATS will be an S corporation up to and including the Closing Date. Since May 1, 2001, ATS has had only one class of stock within the meaning of section 1361(b)(1)(D) of the Code and the Treasury Regulations thereunder, and each outstanding share of ATS Common Stock confers identical rights to distributions and liquidation proceeds, taking into account the corporate charter, articles of incorporation, bylaws, applicable state law, and binding agreements relating to distribution and liquidation proceeds.

3.11 **Employee Benefit Plans.**

3.11.1 **List of Plans.** Schedule 3.11 hereto contains a correct and complete list of all pension, profit sharing, retirement, deferred compensation, welfare, legal services, medical, dental or other employee benefit or health insurance plans, life insurance or other death benefit plans, disability, stock option, stock purchase, stock compensation, bonus, vacation pay, severance pay and other similar plans, programs or agreements, and every material written personnel policy, relating to any persons employed by ATS or in which any person employed by ATS is eligible to participate and which is currently maintained or that was maintained at any time by ATS or any ERISA Affiliate of ATS (collectively, the " *ATS Plans* "). ATS has delivered to Parent (a) accurate and complete copies of all ATS Plan documents and all other material

documents relating thereto, including (if applicable) all documents establishing or constituting any related trust, annuity contract, insurance contract or other funding instruments, and summary plan descriptions relating to said ATS Plans, (b) accurate and complete copies of the most recent financial statements and actuarial reports with respect to all ATS Plans for which financial statements or actuarial reports are required or have been prepared, and (c) accurate and complete copies of all annual reports and summary annual reports for all ATS Plans (for which annual reports are required). ATS has also delivered to Parent complete copies of other current plan summaries, employee booklets, personnel manuals and other material documents or written materials concerning the ATS Plans that are in possession of ATS as of the date hereof. ATS has no "defined benefit plans" as defined in Section 3(35) of ERISA. ATS has no current or contingent obligation to contribute to any multiemployer plan (as defined in Section 3(37) of ERISA).

3.11.2 **ERISA.** Neither ATS nor any ERISA Affiliate of ATS has incurred any "withdrawal liability" calculated under Section 4211 of ERISA and there has been no event or circumstance which would cause any of them to incur any such liability. No ERISA Title IV plan previously maintained by ATS or any ERISA Affiliate of ATS which was subject to ERISA has been terminated; no proceedings to terminate any such plan have been instituted within the meaning of Subtitle C of Title IV of ERISA; and no reportable event within the meaning of Section 4043 of said Subtitle C of Title IV of ERISA with respect to which the requirement to file a notice with the Pension Benefit Guaranty Corporation has not been waived has occurred with respect to any such ATS Plan, and no liability to the Pension Benefit Guaranty Corporation has been incurred by ATS or any ERISA Affiliate of ATS. Except as set forth on Schedule 3.11 , with respect to all ATS Plans, ATS and ATS's ERISA Affiliates are in material compliance with all requirements prescribed by all statutes, regulations, orders or rules currently in effect, and have in all material respects performed all obligations required to be performed by them. All returns, reports and disclosure statements required to be made under ERISA and the Code with respect to all ATS Plans have been timely filed or delivered. Neither ATS nor any ERISA Affiliate of ATS, nor any of their directors, officers, employees or agents, nor any trustee or administrator of any trust created under the ATS Plans, has engaged in or been a party to any "prohibited transaction" as defined in Section 4975 of the Code or Section 406 of ERISA which could subject ATS or any Affiliate of ATS, or any director or employee of any ATS Plan or any trust relating to any ATS Plan, or any party dealing with any ATS Plan or trust relating thereto to any tax or penalty on "prohibited transactions" imposed by Section 4975 of the Code. Except as set forth on Schedule 3.11 , neither the ATS Plans nor any of the trusts created thereunder have incurred any "accumulated funding deficiency," as such term is defined in Section 412 of the Code and regulations issued thereunder, whether or not waived. ATS has not at any time had an ERISA Affiliate.

3.11.3 **Plan Determinations.** Each ATS Plan intended to qualify under Section 401(a) of the Code has been determined by the Internal Revenue Service to so qualify, and the trusts created thereunder have been determined to be exempt from tax under Section 501(a) of the Code; copies of all determination letters have been delivered to Parent, and, to the Knowledge of ATS, nothing has occurred since the date of such determination letters which might cause the loss of such qualification or exemption, or result in the imposition of any excise tax or income tax on unrelated business income under the Code or ERISA with respect to any ATS Plan.

3.11.4 **Funding.** Except as set forth on Schedule 3.11 :

(a) all contributions, premiums or other payments due or required to be made to ATS Plans as of the date hereof have been made as of the date hereof or are properly reflected on ATS Balance Sheet;

(b) there are no actions, liens, suits or claims (other than routine claims for benefits) pending or, to the Knowledge of ATS, threatened, with respect to any ATS Plan, nor is any ATS Plan the subject of any pending (or to the Knowledge of ATS, any threatened) investigation or audit by the Internal Revenue Service, Department of Labor or the Pension Benefit Guaranty Corporation;

(c) no event has occurred, and there exists no condition or set of circumstances, which presents a material risk of a partial termination (within the meaning of Section 411(d)(3) of the Code) of any ATS Plan; and

(d) with respect to any ATS Plan that is qualified under Section 401(k) of the Code, individually and in the aggregate, no event has occurred, and there exists no condition or set of circumstances in connection with which ATS could be subject to any liability (except liability for benefits claims and funding obligations payable in the ordinary course) that is reasonably likely to have an ATS Material Adverse Effect under ERISA, the Code or any other applicable law.

3.11.5 **Certain Other Matters.** Except as reserved for on the Closing Balance Sheet or the Final Closing Balance Sheet, ATS has no liability or potential liability in any form whatsoever, and ATS will not have liability or potential liability in any form whatsoever, with regard to any ATS Plan, as a result of the any failure to perform non-discrimination testing on an ATS Plan or any failure to amend an ATS Plan pursuant to the legislation commonly known as "GUST" or the legislation commonly known as "EGTRRA." All employee contributions, including elective deferrals, to ATS's 401(k) plan(s) have been segregated from ATS's general assets and deposited into the trust(s) established pursuant to such 401(k) plan(s) in a timely manner in accordance with the "plan asset" regulations of the Department of Labor.

3.11.6 **Welfare Plans.** With respect to any ATS Plan that is an employee welfare benefit plan (within the meaning of Section 3(1) of ERISA) (a " *Welfare Plan "*) and except as set forth on Schedule 3.11 , (a) each Welfare Plan for which contributions are claimed by ATS as deductions under any provision of the Code is in material compliance with all applicable requirements pertaining to such deduction, (b) with respect to any welfare benefit fund (within the meaning of Section 419 of the Code) related to a Welfare Plan, there is no disqualified benefit (within the meaning of Section 4976(b) of the Code) that would result in the imposition of a tax under Section 4976(a) of the Code, (c) any ATS Plan that is a group health plan (within the meaning of Section 4980B(g)(2) of the Code) complies, and in each and every case has complied, with all of the applicable material requirements of COBRA, the Family Medical Leave Act of 1993, the Health Insurance and Portability and Accountability Act of 1996, the Women's Health and Cancer Rights Act of 1996, the Newborns' and Mothers' Health Protection Act of 1996, and any similar provisions of state law or foreign law applicable to employees of ATS or any ERISA Affiliate of ATS. None of the ATS Plans promises or provides retiree medical or

other retiree welfare benefits to any person except as required by applicable law, and neither ATS nor any ERISA Affiliate of ATS has represented, promised or contracted (whether in oral or written form) to provide such retiree benefits to any employee, former employee, director, consultant or other person, except to the extent required by statute. Except with respect to Health Maintenance Organizations, no ATS Plan or employment agreement provides health benefits that are not insured through an insurance contract. Each ATS Plan is amendable and terminable unilaterally by ATS at any time without liability to ATS as a result thereof and no ATS Plan, plan documentation or agreement, summary plan description or other written communication distributed generally to employees by its terms prohibits ATS from amending or terminating any such ATS Plan.

3.12 **Employment-Related Matters.**

3.12.1 **Labor Relations.** Except to the extent set forth on Schedule 3.13 hereto: (a) ATS is not a party to any collective bargaining agreement or other contract or agreement with any labor organization or other representative of employees of ATS; (b) there is no labor strike, dispute, slowdown, work stoppage or lockout that is pending or, to the Knowledge of ATS, threatened against or otherwise affecting ATS, and ATS has not experienced the same; (c) ATS has not closed any plant or facility, effectuated any layoffs of employees or implemented any early retirement or separation program at any time, nor has ATS planned or announced any such action or program for the future with respect to which ATS has any material liability; and (d) all salaries, wages, vacation pay, bonuses, commissions and other compensation due from ATS before the date hereof have been paid or accrued as of the date hereof.

3.12.2 **Employee List.** ATS has heretofore delivered to Parent a list (the " *Employee List* ") dated as of the date of this Agreement containing the name of each person employed by ATS and each such employee's position, starting employment date and annual salary. The Employee List is correct and complete as of the date of the Employee List. No third party has asserted any claim or has any reasonable basis to assert any claim against ATS that either the continued employment by, or association with, ATS of any of the present officers or employees of, or consultants to, ATS contravenes any agreements or laws applicable to unfair competition, trade secrets or proprietary information.

3.13 **Environmental.**

3.13.1 **Environmental Laws.** Except as set forth on Schedule 3.13 hereto, (a) ATS is and has been in compliance with all applicable Environmental Laws in effect on the date hereof; (b) ATS has not received any written communication that alleges that it is or was not in compliance with all applicable Environmental Laws in effect on the date hereof; (c) there are no circumstances that may prevent or interfere with compliance in the future with all applicable Environmental Laws; (d) all Permits and other governmental authorizations currently held by ATS pursuant to the Environmental Laws are in full force and effect, ATS is in compliance with all of the terms of such Permits and authorizations, and no other Permits or authorizations are required by ATS for the conduct of its business on the date hereof; (e) such Permits will not be terminated or impaired or become terminable, in whole or in part, solely as a result of the transactions contemplated hereby; and (f) the management, handling, storage, transportation,

treatment, and disposal by ATS of all Materials of Environmental Concern is and has been in compliance with all applicable Environmental Laws.

3.13.2 **Environmental Claims.** Except as set forth on Schedule 3.13 hereto, there is no Environmental Claim pending or, to the Knowledge of ATS, threatened, against or involving ATS or against any Person whose liability for any Environmental Claim ATS has or may have retained or assumed either contractually or by operation of law.

3.13.3 **No Basis for Claims.** Except as set forth on Schedule 3.13 hereto, there are no past or present actions or activities by ATS, or any circumstances, conditions, events or incidents, including the storage, treatment, release, emission, discharge, disposal or arrangement for disposal of any Material of Environmental Concern, whether or not by ATS, that could reasonably form the basis of any Environmental Claim against ATS or against any Person whose liability for any Environmental Claim ATS may have retained or assumed either contractually or by operation of law, including, without limitation, the storage, treatment, release, emission, discharge, disposal or arrangement for disposal of any Material of Environmental Concern or any other contamination or other hazardous condition, related to the premises at any time occupied by ATS. Without limiting the generality of the foregoing, except as set forth on Schedule 3.13 hereto, ATS has not received any notices, demands, requests for information, investigations pertaining to compliance with or liability under Environmental Law or Materials of Environmental Concern, nor, to the Knowledge of ATS, are any such notices, demands, requests for information or investigations threatened.

3.13.4 **Disclosure of Information.** ATS has made, and during the period between the date of this Agreement and the Closing Date will continue to make, available to Parent and Federal all environmental investigations, studies, audits, tests, reviews and other analyses conducted in relation to Environmental Laws or Materials of Environmental Concern pertaining to ATS or any property or facility now or previously owned, leased or operated by ATS that are in the possession, custody, or control of ATS.

3.13.5 **Liens.** To the Knowledge of ATS, no lien imposed relating to or in connection with any Environmental Claim, Environmental Law, or Materials of Environmental concern has been filed or has been attached to any of the property or assets which are owned, leased or operated by ATS.

3.14 **No Broker's or Finder's Fees.** Except as provided for in Section 2.2.2, ATS has neither paid nor become obligated to pay any fee or commission to any broker, finder, financial advisor or intermediary in connection with the transactions contemplated by this Agreement.

3.15 **Assets Other Than Real Property.**

3.15.1 **Title.** ATS has good and marketable title to all of the tangible assets shown on the ATS Balance Sheet, and such title is in each case free and clear of any mortgage, pledge, lien, security interest, lease or other encumbrance (collectively, " *Encumbrances* "), except for (a) assets disposed of since the date of the ATS Balance Sheet in the ordinary course of business and in a manner consistent with past practices, (b) liabilities, obligations and Encumbrances reflected in the ATS Balance Sheet or otherwise in the ATS Financial Statements,

(c) Permitted Encumbrances, and (d) liabilities, obligations and Encumbrances set forth on Schedule 3.15 hereto. Each tangible asset of ATS that has a present value of $1,000.00 or more or that is otherwise material to the business of ATS is listed on Schedule 3.15 .

3.15.2 **Accounts Receivable.** Except as set forth on Schedule 3.15 all receivables shown on the ATS Balance Sheet and all receivables accrued by ATS since the date of the ATS Balance Sheet, have been collected or are collectible in all material respects in the aggregate amount shown, less any allowances for doubtful accounts reflected therein, and, in the case of receivables arising since the date of the ATS Balance Sheet, any additional allowance in respect thereof is consistent with the allowance reflected in the ATS Balance Sheet.

3.15.3 **Condition.** All material facilities, equipment and personal property owned by ATS and regularly used in its business are in good operating condition and repair, ordinary wear and tear excepted, and all such wear and tear taken in the aggregate is not material to ATS and does not affect ATS's obligations to perform under this Agreement.

3.16 **Real Property.**

3.16.1 **ATS Real Property.** ATS neither owns nor has owned any real property.

3.16.2 **ATS Leases.** Schedule 3.16 hereto lists all ATS Leases. Complete copies of the ATS Leases, and all material amendments thereto (which are identified on Schedule 3.16), have been made available by ATS to Parent. The ATS Leases grant leasehold estates free and clear of all Encumbrances (except Permitted Encumbrances) and no Encumbrances (except permitted Encumbrances) have been granted by or caused by the actions of ATS. The ATS Leases are in full force and effect and are binding and enforceable against each of the parties thereto in accordance with their respective terms subject to (a) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws of general application affecting the rights and remedies of creditors and (b) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law). Except as set forth on Schedule 3.16 , neither ATS nor, to the Knowledge of ATS, any other party to an ATS Lease, has committed a material breach or default under any ATS Lease, nor, to the Knowledge of ATS, has there occurred any event that with the passage of time or the giving of notice or both would constitute such a breach or default, nor, to the Knowledge of ATS, are there any facts or circumstances that would reasonably indicate that ATS is likely to be in material breach or default under any ATS Lease. Schedule 3.16 correctly identifies each ATS Lease the provisions of which would be materially and adversely affected by the transactions contemplated hereby and each ATS Lease that requires the consent of any third party in connection with the transactions contemplated hereby. No material construction, alteration or other leasehold improvement work with respect to the real property covered by any ATS Lease remains to be paid for or to be performed by ATS. Except as set forth on Schedule 3.16 , no ATS Lease has an unexpired term which including any renewal or extensions of such term provided for in such ATS Lease could exceed ten years.

3.16.3 **Condition.** All buildings, structures, leasehold improvements and fixtures, or parts thereof, used by ATS in the conduct of its business are in good operating condition and repair, ordinary wear and tear excepted.

3.17 **Agreements, Contracts and Commitments.**

3.17.1 **ATS Agreements.** Except as set forth on Schedule 3.17 hereto or any other Schedule hereto, ATS is not a party to:

(a) any bonus, deferred compensation, pension, severance, profit-sharing, stock option, employee stock purchase or retirement plan, contract or arrangement or other employee benefit plan or arrangement;

(b) any employment agreement with any present employee, officer, director or consultant (or former employees, officers, directors and consultants to the extent there remain at the date hereof obligations to be performed by ATS);

(c) any agreement for personal services or employment with a term of service or employment specified in the agreement or any agreement for personal services;

(d) any agreement of guarantee or indemnification in an amount that is material to ATS taken as a whole;

(e) any agreement or commitment containing a covenant limiting or purporting to limit the freedom of ATS to compete with any Person in any geographic area or to engage in any line of business;

(f) any lease other than the ATS Leases under which ATS is lessee;

(g) any joint venture or profit-sharing agreement (other than with employees);

(h) except for trade indebtedness incurred in the ordinary course of business and equipment leases entered into in the ordinary course of business, any loan or credit agreements providing for the extension of credit to ATS or any instrument evidencing or related in any way to indebtedness incurred in the acquisition of companies or other entities or indebtedness for borrowed money by way of direct loan, sale of debt securities, purchase money obligation, conditional sale, guarantee, or otherwise that individually is in the amount of $25,000 or more;

(i) any license agreement, either as licensor or licensee, involving payments (including past payments) of $25,000 in the aggregate or more, or any distributor, dealer, reseller, franchise, manufacturer's representative, or sales agency or any other similar material contract or commitment;

(j) any agreement granting exclusive rights to, or providing for the sale of, all or any portion of the ATS Proprietary Rights;

(k) any agreement or arrangement providing for the payment of any commission based on sales other than to employees of ATS;

(l) any agreement for the sale by ATS of materials, products, services or supplies that involves future payments to ATS of more than $25,000;

(m) any agreement for the purchase by ATS of any materials, equipment, services, or supplies, that either (i) involves a binding commitment by ATS to make future payments in excess of $25,000 and cannot be terminated by it without penalty upon less than three months' notice or (ii) was not entered into in the ordinary course of business;

(n) any agreement or arrangement with any third party for such third party to develop any intellectual property or other asset expected to be used or currently used or useful in the business of ATS;

(o) any agreement or commitment for the acquisition, construction or sale of fixed assets owned or to be owned by ATS that involves future payments by ATS of more than $25,000;

(p) any agreement or commitment to which present or former directors, officers or Affiliates of ATS, or directors or officers of any Affiliate of any of the foregoing, are also parties;

(q) any agreement not described above (ignoring, solely for this purpose, any dollar amount thresholds in those descriptions) involving the payment or receipt by ATS of more than $25,000, other than the ATS Leases;

(r) any agreement not described above that was not made in the ordinary course of business and that is material to the financial condition, business, operations, assets, results of operations or prospects of ATS; or

(s) any agreement that provides for any continuing or future obligation of ATS, actual or contingent, including but not limited to any continuing representation or warranty or any indemnification obligation that arose in connection with the disposition of any business or assets of ATS.

3.17.2 **Validity.** Except as set forth on Schedule 3.17 , all contracts, leases, instruments, licenses and other agreements required to be set forth on Schedule 3.17 are valid and in full force and effect; neither ATS nor, to the Knowledge of ATS, any other party thereto, has breached any provision of, or defaulted under the terms of any such contract, lease, instrument, license or other agreement, except for any breaches or defaults that, in the aggregate, would not be expected to have an ATS Material Adverse Effect or have been cured or waived; and ATS has not received any "notice to cure" or a similar notice from any Governmental Entity requesting performance under any contract, instrument or other agreement between ATS and such Governmental Entity.

3.17.3 **Third-Party Consents.** Schedule 3.17 identifies each contract and other document set forth on Schedule 3.17 that requires the consent of a third party in connection with the transactions contemplated hereby.

3.18 **Intellectual Property.**

3.18.1 **Right to Intellectual Property.** Except as set forth on Schedule 3.18 hereto, ATS owns, or has perpetual, fully paid, worldwide rights to use, all patents, trademarks, trade names, service marks, copyrights, and any applications therefor, maskworks, net lists, schematics, technology, know-how, computer software programs or applications (in both source code and object code form), and tangible or intangible proprietary information or material (excluding Commercial Software) that are used in the business of ATS as currently conducted (the " *ATS Proprietary Rights* "). The Commercial Software used in the business of ATS in each case has been acquired and used by ATS on the basis of and in accordance with a valid license from the manufacturer or a dealer authorized to distribute such Commercial Software. A complete list of the Commercial Software used in the business of ATS is set forth on Schedule 3.18 . ATS is not in breach of any of the terms and conditions of any such license, and to the Knowledge of ATS, ATS has not been infringing upon any rights of any third parties in connection with its acquisition or use of the Commercial Software.

3.18.2 **No Conflict.** Set forth on Schedule 3.18 is a complete list of all patents, trademarks, registered copyrights, trade names and service marks, and any applications therefor, included in ATS Proprietary Rights, specifying, where applicable, the jurisdictions in which each such ATS Proprietary Right has been issued or registered or in which an application for such issuance and registration has been filed, including the respective registration or application numbers and the names of all registered owners. Except as set forth on Schedule 3.18 , no software product currently marketed by ATS has been registered for copyright protection with the United States Copyright Office or any foreign offices nor has ATS been requested to make any such registration. Set forth on Schedule 3.18 is a complete list of all domain names, Secure Socket Layer (SSL) certificates and other World Wide Web certificates owned by ATS, which list includes all domain names used by ATS in its business and respective registrars. Set forth on Schedule 3.18 is a complete list of all material licenses, sublicenses and other agreements as to which ATS is a party and pursuant to which ATS or any other Person is authorized to use any ATS Proprietary Right or trade secrets material to the business of ATS; such schedule includes the identity of all parties to such licenses, sublicenses and other agreements, a description of the nature and subject matter thereof, the applicable royalty and the term thereof. ATS is not in violation of any license, sublicense or agreement described on such list except such violations as do not materially impair ATS's rights under such license, sublicense or agreement. Except as disclosed in this Article 3, the execution and delivery of this Agreement by ATS, and the consummation of the transactions contemplated hereby, will neither cause ATS to be in violation or default under any such license, sublicense or agreement, nor entitle any other party to any such license, sublicense or agreement to terminate or modify such license, sublicense or agreement. Except as set forth on Schedule 3.18 , ATS is the sole and exclusive owner or licensee of, with all right, title and interest in and to (free and clear of any and all liens, claims and encumbrances), all rights included among the ATS Proprietary Rights, and ATS has sole and exclusive rights (and is not contractually obligated to pay any compensation to any third party in respect thereof) to the use thereof or the material covered thereby in connection with the services or products in respect of which ATS Proprietary Rights are being used or might reasonably be used. No claims with respect to ATS Proprietary Rights have been asserted or, to the Knowledge of ATS, are threatened by any Person nor are there any valid grounds for any bona fide claims (a) to the effect that the manufacture, sale, licensing or use of any of the products of ATS as now

manufactured, sold or licensed or used or proposed for manufacture, use, sale or licensing by ATS infringes on any copyright, patent, trademark, service mark, trade secret or other proprietary right, (b) against the use by ATS of any trademarks, service marks, trade names, trade secrets, copyrights, patents, technology, know-how or computer software programs and applications used in ATS's business as currently conducted or as proposed to be conducted, or (c) challenging the ownership by ATS, or the validity or effectiveness, of any of ATS Proprietary Rights. All material registered trademarks, service marks and copyrights held by ATS are valid and subsisting in the jurisdictions in which they have been filed. There is no material unauthorized use, infringement or misappropriation of any of ATS Proprietary Rights by any third party, including any employee or former employee of ATS. No ATS Proprietary Right or product of ATS is subject to any outstanding decree, order, judgment, or stipulation restricting in any manner the use, licensing or transfer thereof by ATS. Except as set forth in Schedule 3.18 , ATS has not entered into any agreement under which ATS is restricted from selling, licensing or otherwise distributing any of its products to any class of customers, in any geographic area, during any period of time or in any segment of the market. ATS's products, packaging and documentation contain copyright notices sufficient to maintain copyright protection on the copyrighted portions of the ATS Proprietary Rights.

3.18.3 **Employee Agreements.** Except as set forth on Schedule 3.18 , each employee, officer and consultant of ATS has executed a document entitled "Non-Disclosure of Applied Technology Solutions Confidential Information" in substantially the form attached hereto as Exhibit 3.18 . No employee, officer or consultant of ATS is in violation of any term of any employment or consulting contract, proprietary information and inventions agreement, non-competition agreement, or any other contract or agreement relating to the relationship of any such employee, officer or consultant with ATS or any previous employer.

3.19 **Insurance Contracts.** Schedule 3.19 hereto lists all contracts of insurance and indemnity in force at the date hereof with respect to ATS. Such contracts of insurance and indemnity and those shown in other Schedules to this Agreement (collectively, the " *ATS Insurance Contracts* ") insure against such risks, and are in such amounts, as are appropriate and reasonable considering ATS's property, business and operations. All of the ATS Insurance Contracts are in full force and effect, with no default thereunder by ATS which could permit the insurer to deny payment of claims thereunder. All premiums due and payable thereon have been paid and ATS has not received notice from any of its insurance carriers that any insurance premiums will be materially increased in the future or that any insurance coverage provided under any of the ATS Insurance Contracts will not be available in the future on substantially the same terms as now in effect. ATS has not received or given a notice of cancellation with respect to any of the ATS Insurance Contracts.

3.20 **Banking Relationships.** Schedule 3.20 hereto shows the name, location and respective account number of each account, line of credit, or safe deposit box that ATS has with any bank or trust company and the names of all Persons authorized to draw thereon or to have access thereto.

3.21 **No Contingent Liabilities.** ATS has no contingent or conditional liabilities or obligations of any kind arising from or relating to any acquisition of a Subsidiary or line of business.

3.22 **Absence of Certain Relationships.** Except as set forth on Schedule 3.22 , none of (a) ATS, (b) any executive officer of ATS, (c) any Stockholder, or (d) any member of the immediate family of the Persons listed in (a) through (c) of this sentence, has any financial or employment interest in any subcontractor, supplier, or customer of ATS (other than holdings in publicly held companies of less than two percent (2%) of the outstanding capital stock of any such publicly held company).

3.23 **Foreign Corrupt Practices.** Neither ATS, nor any Affiliate of ATS, nor any other Person associated with or acting for or on behalf of the any of the foregoing, has directly or indirectly taken any action which would cause ATS to be in violation of the United States Foreign Corrupt Practices Act of 1977, as amended, or any rules and regulations thereunder. Neither ATS, nor any Affiliate of ATS, nor, to the Knowledge of ATS, any other Person associated with or acting for or on behalf of any of the foregoing, has directly or indirectly (a) made any contribution, gift, bribe, rebate, payoff, influence payment, kick-back, or other payment to any Person, private or public, regardless of form, whether in money, property or services (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, (iii) to obtain special concessions or for special concessions already obtained, for or in respect of ATS or any Affiliate of ATS, or (iv) in violation of any law or regulation, or (b) established or maintained any fund or asset that has not been recorded in the books and records of ATS.

Article 4
REPRESENTATIONS AND WARRANTIES OF PARENT AND FEDERAL

Parent and Federal, jointly and severally, represent and warrant to ATS as follows:

4.1 **Corporate Status of Parent and Federal.** Each of Parent and Federal is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with the requisite corporate power to own, operate and lease its properties and to carry on its business as now being conducted.

4.2 **Authority for Agreement; Noncontravention.**

4.2.1 **Authority of Parent.** Each of Parent and Federal has the corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the boards of directors of Parent and Federal and no other corporate proceedings on the part of Parent or Federal are necessary to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby. This Agreement and the other agreements contemplated hereby to be signed by Parent or Federal have been duly executed and delivered by Parent and/or Federal, as the case may be, and constitute valid and binding obligations of Parent and/or Federal, as the case may be, enforceable against Parent and/or Federal in accordance with their terms, subject to the qualifications that enforcement of the rights and remedies created hereby and thereby are subject to (a) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws of general application affecting the rights and remedies of creditors and (b) general

principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

4.2.2 **No Conflict.** Neither the execution and delivery of this Agreement by Parent or Federal, nor the performance by Parent or Federal of its obligations hereunder, nor the consummation by Parent or Federal of the transactions contemplated hereby will (a) conflict with or result in a violation of any provision of the Certificate of Incorporation or by-laws of either Parent or Federal, or (b) with or without the giving of notice or the lapse of time, or both, conflict with, or result in any violation or breach of, or constitute a default under, or result in any right to accelerate or result in the creation of any lien, charge or encumbrance pursuant to, or right of termination under, any provision of any note, mortgage, indenture, lease, instrument or other agreement, Permit, concession, grant, franchise, license, judgment, order, decree, statute, ordinance, rule or regulation to which Parent, Federal or any of Parent's other Subsidiaries is a party or by which any of them or any of their assets or properties is bound or which is applicable to any of them or any of their assets or properties. No authorization, consent or approval of, or filing with or notice to, any Governmental Entity is necessary for the execution and delivery of this Agreement by Parent or Federal or the consummation by Parent or Federal of the transactions contemplated hereby, except for such consents, authorizations, filings, approvals and registrations which if not obtained or made would not have a Parent Material Adverse Effect.

4.3 **SEC Statements, Reports and Documents.** Parent has filed all required forms, reports, statements and documents with the SEC since July 1, 1999. The documents so filed by Parent and available in the public records of the SEC include (a) its Annual Reports on Form 10-K for its fiscal years ended June 31, 2001 and June 31, 2002, respectively, (b) its Quarterly Report on Forms 10-Q for its fiscal quarter ended September 30, 2002, (c) all other forms, reports, statements and documents filed or required to be filed by it with the SEC since July 1, 1999, and (d) all amendments and supplements to all such reports and registration statements filed by Parent with the SEC (the documents referred to in clauses (a), (b), (c) and (d) being hereinafter referred to as the " *Parent Reports* "). The consolidated balance sheet of Parent and its subsidiaries at September 30, 2002 including the notes thereto is hereinafter referred to as the " *Parent Balance Sheet* ." Parent shall continue to cause all required forms, reports, statements and documents to be filed with the SEC and to cause such filings to be true and complete in all material respects, to and through the Closing.

4.4 **Absence of Material Adverse Changes.** Since the date of the Parent Balance Sheet, Parent has not suffered any Parent Material Adverse Effect, nor has there occurred or arisen any event, condition or state of facts of any character that would result in a Parent Material Adverse Effect.

Article 5
CONDUCT PRIOR TO THE CLOSING DATE

5.1 **Conduct of Business of ATS.** Except as set forth on Schedule 5.1 hereto, between the date of this Agreement and the Closing Date or the date, if any, on which this Agreement is earlier terminated pursuant to its terms, ATS shall, except to the extent that Parent shall otherwise consent in writing (such consent not to be unreasonably withheld), (a) carry on its

business in the usual, regular and ordinary course in substantially the same manner as heretofore conducted, pay its debts and taxes when due subject to good faith disputes over such debts or taxes, pay or perform other material obligations when due, except when subject to good faith disputes over such obligations, and use all commercially reasonable efforts consistent with past practices and policies to preserve intact its present business organizations, keep available the services of its present officers and employees and preserve its relationships with customers, suppliers and others having business relationships with it, to the end that ATS's goodwill and ongoing business shall be unimpaired at the Closing Date, and (b) promptly notify Parent of any event or occurrence which will have or could reasonably be expected to have an ATS Material Adverse Effect. In addition, between the date of this Agreement and the Closing Date or the date, if any, on which this Agreement is earlier terminated pursuant to its terms, ATS shall not, except as set forth on Schedule 5.1 hereto or to the extent that Parent shall otherwise consent in writing (such consent not to be unreasonably withheld):

(a) amend its charter documents or by-laws;

(b) declare or pay any dividends or distributions (except for a $278,435.70 distribution to Shareholders to cover the built-in gains tax from the Subchapter S election which ATS will make prior to the Closing) on its outstanding shares of capital stock or purchase, redeem or otherwise acquire for consideration any shares of its capital stock or other securities except in accordance with agreements existing as of the date hereof;

(c) issue or sell any shares of its capital stock (except pursuant to the exercise of the Alligood Option and the Walp Option), effect any stock split or otherwise change its capitalization as it exists on the date hereof, or issue, grant, or sell any options, stock appreciation or purchase rights, warrants, conversion rights or other rights, securities or commitments obligating it to issue or sell any shares of its capital stock, or any securities or obligations convertible into, or exercisable or exchangeable for, any shares of its capital stock;

(d) borrow or agree to borrow any funds or voluntarily incur, or assume or become subject to, whether directly or by way of guaranty or otherwise, any obligation or Liability, except obligations incurred in the ordinary course of business consistent with past practices;

(e) pay, discharge or satisfy any claim, obligation or Liability in excess of $25,000 (in any one case) or $50,000 (in the aggregate), other than the payment, discharge or satisfaction in the ordinary course of business of obligations reflected on or reserved against in the ATS Balance Sheet, or incurred since the date of the ATS Balance Sheet in the ordinary course of business consistent with past practices or in connection with this transaction;

(f) except as required by applicable law, adopt or amend in any material respect, any agreement or plan (including severance arrangements) for the benefit of its employees;

(g) sell, mortgage, pledge or otherwise encumber or dispose of any of its assets which are material, individually or in the aggregate, to the business of ATS, except in the ordinary course of business consistent with past practices;

(h) acquire by merging or consolidating with, or by purchasing any equity interest in or a material portion of the assets of, any business or any corporation, partnership interest, association or other business organization or division thereof, or otherwise acquire any assets which are material, individually or in the aggregate, to the business of ATS, except in the ordinary course of business consistent with past practices;

(i) increase the following amounts payable or to become payable: (i) the salary of any of its directors or officers, other than increases in the ordinary course of business consistent with past practices and not exceeding, in any case, five percent (5%) of the director's or officer's salary on the date hereof, (ii) any other compensation of its directors or officers, including any increase in benefits under any bonus, insurance, pension or other benefit plan made for or with any of those persons, other than increases that are provided in the ordinary course of business consistent with past practices to broad categories of employees and do not discriminate in favor of the aforementioned persons, and (iii) the compensation of any of its other employees, consultants or agents except in the ordinary course of business consistent with past practices;

(j) dispose of, permit to lapse, or otherwise fail to preserve its rights to use the ATS Proprietary Rights or enter into any settlement regarding the breach or infringement of, all or any part of the ATS Proprietary Rights, or modify any existing rights with respect thereto, other than in the ordinary course of business consistent with past practices, and other than any such disposal, lapse, failure, settlement or modification that does not have and could not reasonably be expected to have an ATS Material Adverse Effect;

(k) sell, or grant any right to exclusive use of, all or any part of the ATS Proprietary Rights;

(l) enter into any contract or commitment or take any other action that is not in the ordinary course of its business or could reasonably be expected to have an adverse impact on the transactions contemplated hereunder or that would have or could reasonably be expected to have an ATS Material Adverse Effect;

(m) amend in any material respect any agreement to which it is a party, the amendment of which will have or could reasonably be expected to have an ATS Material Adverse Effect;

(n) waive, release, transfer or permit to lapse any claim or right (i) that has a value, or involves payment or receipt by it, of more than $25,000 or (ii) the waiver, release, transfer or lapse of which would have or could reasonably be expected to have an ATS Material Adverse Effect;

(o) take any action that would materially decrease ATS's Net Worth;

(p) make any change in any method of accounting or accounting practice other than changes required to be made in order that ATS's financial statements comply with GAAP; or

(q) agree, whether in writing or otherwise, to take any action described in this Section 5.1.

5.2 **Conduct of Business of Parent.** Between the date of this Agreement and the Closing Date or the date, if any, on which this Agreement is earlier terminated pursuant to its terms, Parent and Federal shall not, except to the extent that ATS shall otherwise consent in writing (such consent not to be unreasonably withheld), take any action that would materially impair Federal's ability to pay the aggregate Purchase Price or otherwise to perform its obligations under this Agreement. Further, between the date of this Agreement and the Closing Date or the date, if any, on which this Agreement is earlier terminated pursuant to its terms, Parent and Federal shall, except to the extent that ATS shall otherwise consent in writing (such consent not to be unreasonably withheld) promptly notify ATS and the Stockholders' Representative of any event or occurrence which will have or could reasonably be expected to have an adverse effect on the ability of Federal and Parent to pay the aggregate Purchase Price and otherwise to perform their respective obligations hereunder.

Article 6
ADDITIONAL AGREEMENTS

6.1 **Exclusivity and Failure to Complete Transaction**

6.1.1 **Exclusivity.** From and after the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement in accordance with Article 9 hereof, neither of ATS nor any Stockholder will, directly or indirectly, through their respective affiliates, agents, officers and directors, directly or indirectly, solicit, initiate, or participate in discussions or negotiations or otherwise cooperate in any way with, or provide any information to, any Person or group concerning any tender offer, exchange offer, merger, business combination, sale of substantial assets, sale of shares of capital stock, or similar transaction involving ATS (all such transactions being referred to herein as " *Acquisition Proposals* ").

6.1.2 **ATS's Failure to Complete Transaction.** Notwithstanding Section 6.1.1 in the event that ATS at any time after the date of the Letter of Intent and before the earlier of the Closing Date or the termination of this Agreement in accordance with Article 9 hereof, accepts an Acquisition Proposal from any Person other than Parent, or the board of directors of ATS fails, for any reason, to authorize the entering into this Agreement and the consummation of the transactions contemplated hereby, or the board of directors of ATS withdraws or modifies such authorization, Parent shall be entitled, providing that Parent is not in a material breach of any of its obligations hereunder, upon demand submitted in a form of a notice to ATS (the " *Demand Notice* ") to the payment of the sum of $150,000. ATS shall make such payment within ten (10) days of the receipt of the Demand Notice.

6.1.3 **Parent's and Federal's Failure to Complete Transaction.** In the event that Parent and Federal shall refuse to complete the transactions contemplated hereby on or

before the Closing Date and, *provided* , that (a) this Agreement shall not have been sooner terminated pursuant to Section 9.1, (b) all of the closing conditions set forth in Sections 7.1 and 7.2 shall have been satisfied and (c) neither ATS nor the Stockholders shall be in material breach of any of their respective obligations hereunder, then upon a demand submitted in a form of a notice to Parent and Federal (the " *ATS Demand Notice* "), Federal shall pay to ATS the sum of $150,000. Federal shall make such payment within ten (10) days of the receipt of the ATS Demand Notice.

6.2 **Expenses.**

6.2.1 **General.** Except as provided in this Section 6.2, each party hereto shall be responsible for its own costs and expenses in connection with the Transaction, including fees and disbursements of consultants, brokers, finders, investment bankers and other financial advisors, counsel and accountants (" *Expenses* ").

6.2.2 **Broker Fees.** At the Closing, Federal shall pay $410,000, plus unpaid reimbursable expenses pursuant to the Financial Advisory Services Agreement between ATS and Broker to Broker, which amount shall be deducted from the Direct Payment due to the Stockholders at the Closing.

6.2.3 **Attorney Fees.** At the Closing, Federal shall pay $90,000 to ATS's Counsel, which amount shall be deducted from the Direct Payment due the Stockholders at the Closing.

6.2.4 **Accountant Fees.** At the Closing, Federal shall pay $34,000 to ATS's Accountant, which amount shall be deducted from the Direct Payment due the Stockholders at the Closing.

6.2.5 **Uncovered Expenses.** ATS and the Stockholders shall ensure that either: (a) any Expenses incurred by ATS or the Stockholders are paid at or before the Closing from the aggregate Purchase Price so that such Expenses do not continue to be or do not become the liability of ATS after the Closing or (b) provision is made for any such Expenses on ATS's books for payment after the Closing (it being understood that in such event the Net Worth on the Closing Balance Sheet shall be reduced by any such Expenses).

6.3 **Indemnification.** Subject to the terms of this Section 6.3, from and after the Closing Date, Parent, Federal, ATS, each of their respective Subsidiaries and Affiliates and their respective directors, officers, employees, Affiliates, representatives, successor and assigns (collectively " *Parent Indemnified Parties* ") shall be entitled to payment and reimbursement from the Stockholders and their respective successors (the " *Parent Indemnifying Parties* "), jointly and severally, of the amount of any Loss suffered, incurred or paid by any Parent Indemnified Party (subject to subsection 6.3.3), by reason of, in whole or in part, (i) any misrepresentation or inaccuracy in, or breach of, any representation or warranty made by ATS in this Agreement or any Exhibits or Schedules hereto or the certificates delivered pursuant to this Agreement or (ii) any claim relating to a violation of obligations regarding non-competition, non-solicitation, confidentiality or the like in any agreement entered into prior to Closing by any person named on the Employee List that might arise out of the employment of any such person by any of ATS,

Parent, Federal or any of their respective Subsidiaries. Subject to the terms of this Section 6.3, from and after the Closing Date, the Stockholders and each of their respective successors (collectively the " *Stockholder Indemnified Parties* ") shall be entitled to payment and reimbursement from Parent, Federal and ATS (the " *Stockholder Indemnifying Parties* ") of the amount of Loss suffered, incurred or paid by any Stockholder Indemnified Party by reason of any breach of any representation or warranty made by Parent or Federal in this Agreement, the breach or nonperformance of any covenant or obligation to be performed by Parent, Federal hereunder (or ATS hereunder after the Closing Date) or under any agreement executed in connection herewith, or any matter arising out of the business of ATS after the Closing.

6.3.1 **Claims for Indemnification.** Upon obtaining knowledge of any facts, claim or demand which has given rise to, or could reasonably give rise to, a claim for indemnification hereunder (referred to herein as an " *Indemnification Claim* "), the party seeking indemnification hereunder, the Parent Indemnified Party or the Stockholder Indemnified Party, as the case may be (the " *Indemnified Party* "), shall promptly give written notice of such facts, claim or demand (" *Notice of Claim* ") to the party from whom indemnification is sought, the Parent Indemnifying Party or the Stockholder Indemnified Party, as the case may be (the " *Indemnifying Party* "). So long as the Notice of Claim is given by the Indemnified Party in the Claims Period specified in Section 6.3.4, no failure or delay by the Indemnified Party in the giving of a Notice of Claim shall reduce or otherwise affect the Indemnified Party's right to indemnification except to the extent that the Indemnifying Party has been prejudiced thereby.

6.3.2 **Defense by Indemnifying Party.** In the event of a claim or demand asserted by a third party (a " *Third Party Claim* "), the Indemnifying Party shall have the right, but not the obligation, exercisable by written notice to the Indemnified Party within 10 days of the date of the Notice of Claim concerning the commencement or assertion of any Third Party Claim, to participate in the defense of such Third Party Claim. If the Indemnifying Party gives such notice of intent to defend, the Indemnifying Party shall assume the defense thereof as follows: (a) the Indemnifying Party will defend the Indemnified Party against the matter with counsel compensated by and chosen by the Indemnifying Party, which choice of counsel shall be subject to the reasonable satisfaction of the Indemnified Party; (b) the Indemnified Party may retain separate co-counsel at the sole cost and expense of Indemnified Party; (c) the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the matter without the written consent of the Indemnifying Party; and (d) the Indemnifying Party will not consent to the entry of any judgment with respect to the matter, or enter into any settlement that does not include a provision whereby the plaintiff or claimant in the matter releases the Indemnified Party from all liability with respect thereto, without the written consent of the Indemnified Party. If, however, (y) no Indemnifying Party notifies the Indemnified Party within 10 days after the Indemnified Party has given notice of the matter, that the Indemnifying Party is assuming the defense thereof, or (z) , the maximum liability under such Third Party Claim is greater than the available indemnification amount for the Indemnifying Party (after taking into account the amount of all other claims for which the Indemnifying Party may be or may be claimed to be liable and any limitations contained in Section 6.3.3 hereof), then the Indemnified Party shall defend against, or enter into any settlement with respect to the matter. The Indemnified Party shall not settle such Third Party Claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed.

6.3.3 **Limitation on Liability for Indemnity.** The Parent Indemnified Parties shall not be entitled to indemnification pursuant to this Section 6.3 until the aggregate amount of all Losses suffered by the Parent Indemnified Parties exceed $150,000 (the " *Parent Indemnity Deductible* ") whereupon the Parent Indemnified Parties shall be entitled to indemnification hereunder for the aggregate amount of all of such Losses. The Parent Indemnity Deductible shall be determined without regard to any materiality qualification contained in any representation or warranty.

(b) The Stockholder Indemnified Parties shall not be entitled to indemnification pursuant to this Section 6.3 until the aggregate amount of all Losses, suffered by the Stockholder Indemnified Parties exceeds $150,000 (the " *Stockholder Indemnity Deductible* ") whereupon the Stockholder Indemnified Parties shall be entitled to indemnification hereunder for the aggregate amount of all of such Losses. The Stockholder Indemnity Deductible shall be determined without regard to any materiality qualification contained in any representation or warranty.

(c) The aggregate liability of the Seller Indemnifying Parties for indemnification under this Section 6.3 shall not exceed $1,500,000. The aggregate liability of the Parent Indemnifying Parties for indemnification under this Section 6.3 shall not exceed $1,500,000. Provided that Parent and Federal are not otherwise in default of their obligations under Section 2.2 above, then to the extent that the amount then held in the Escrow is sufficient, the amount that a Parent Indemnified Party is entitled receive in indemnification hereunder, or such lesser amount as is then held in the Escrow, shall be released from the Escrow and paid to such Parent Indemnified Party in partial (if the amount then held in the Escrow is less than the amount such Parent Indemnified Party is entitled receive in indemnification hereunder) or full satisfaction of the Parent Indemnifying Parties' obligation hereunder, as the case may be.

6.3.4 **Claims Period.** Any claim for indemnification under this Section 6.3 must be asserted by written notice on or before the date that is 24 months after the Closing Date.

6.4 **Access and Information.** ATS shall afford to Parent, Federal, and to a reasonable number of their respective officers, employees, accountants, counsel and other authorized representatives full and complete access, upon reasonable advance telephone notice, during regular business hours, throughout the period prior to the earlier of the Closing Date or the termination of this Agreement pursuant to its terms, to ATS's offices, properties, books and records, and ATS shall use reasonable efforts to cause its representatives and independent public accountants to furnish to Parent such additional financial and operating data and other information as to its business, customers, vendors and properties as Parent may from time to time reasonably request. Notwithstanding the foregoing, all visits to any office of ATS will be coordinated and conducted so as to not be disruptive to the operations of ATS and to preserve the confidentiality of the transactions contemplated hereby. In connection with the diligence investigation contemplated by Section 7.2.6, Parent and Federal may employ the services of a third party to provide document management and database services. As one of the last matters of the diligence investigation contemplated by Section 7.2.6, Parent and Federal shall be permitted to meet with ATS's significant customers, provided however, that Parent and Federal agree that no such customer meetings shall be held without Carlson's advance written approval of the

meeting format, discussion items and timing, which approval shall not be unreasonably withheld. Parent and Federal also agree that the timing of access by Parent and Federal to ATS's employees, in addition to Alligood, Carlson and Walp, shall be subject to Carlson's prior written approval, which approval shall not be unreasonably withheld.

6.5 **Public Disclosure.** Except as otherwise required by law, the content and timing of any press release or other public disclosure of information regarding the proposed transaction (including the negotiations with respect to the Transaction and the terms and existence of this Agreement) shall be subject to the mutual approval of Carlson and Parent, which approval shall not be unreasonably withheld. ATS, the Stockholders and Parent agree that the non-disclosure obligations contained in Section 12 of the Letter of Intent shall remain in full force and effect in accordance with the terms thereof and hereof.

6.6 **Further Assurances.**

6.6.1 **Generally.** Subject to terms and conditions herein provided and to the fiduciary duties of the board of directors and officers or representatives of any party, each of the parties agrees to use its commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective this Agreement and the transactions contemplated hereby. In case at any time any further action, including, without limitation, the obtaining of waivers and consents under any agreements, material contracts or leases and the execution and delivery of any licenses or sublicenses for any software, is necessary, proper or advisable to carry out the purposes of this Agreement, the proper officers and directors or representatives of each party to this Agreement are hereby directed and authorized to use commercially reasonable efforts to effectuate all required action.

6.6.2 **Novation of Contracts.** Each party agrees to use commercially reasonable efforts to effect the novation of each contract with a Governmental Entity that may require novation under its terms or under applicable laws or regulations, and further agrees to provide all documentation necessary to effect each such novation, including, without limitation, all instruments, certifications, requests, legal opinions, audited financial statements, and other documents required by Part 42 of the Federal Acquisition Regulation to effect a novation of any contract with the Government of the United States. In particular and without limiting the generality of the foregoing, ATS shall continue to communicate with responsible officers of the Government of the United States from time to time as may be appropriate and permissible, to request speedy action on any and all requests for consent to novation.

6.7 **Certain Tax Matters.**

6.7.1 **338(h)(10) Election.** ATS and the Stockholders will join with Federal in making an election under Section 338(h)(10) of the Code (and any corresponding election under state, local, and foreign tax law) with respect to the purchase and sale of the Shares hereunder (a "Section 338(h)(10) Election"). Each Stockholder will include any income, gain, loss, deduction, or other tax item resulting from the Section 338(h)(10) Election on his or her Tax Returns to the extent required by applicable law. Stockholders shall also pay any Tax imposed on ATS attributable to the making of the 338(h)(10) Election, including (i) any Tax imposed

under Code section 1374, (ii) any Tax imposed under Treas. Reg. section 1.338(h)(10)-1(e)(5), or (iii) any state, local or foreign Tax imposed on ATS's gain, and Stockholders shall indemnify Federal against any Losses arising out of any failure to pay any such Taxes.

6.7.2 **Allocation of Purchase Price.** Federal, the Stockholders and ATS agree that the Purchase Price and the liabilities of ATS (plus other relevant items) will be allocated to the assets of ATS for all purposes (including Tax and financial accounting purposes) in a manner consistent with an allocation schedule to be prepared by Parent after the Closing. Federal shall prepare such allocation schedule in accordance with Temporary Treasury Regulation section 1.338(b)-2T(b) (T.cdD. 8711, January 9, 1997). Such allocation schedule shall be subject to approval by the Stockholders' Representative, which approval shall not be unreasonably withheld. Federal, ATS and the Stockholders will file all Tax Returns (including amended returns and claims for refund) and information reports in a manner consistent with the approved allocation schedule.

6.7.3 **S Corporation Status.** ATS and the Stockholders will not revoke ATS's election to be taxed as an S corporation within the meaning of Code sections 1361 and 1362. ATS and the Stockholders will not take or allow any action other than the sale of ATS's stock pursuant to this Agreement that would result in the termination of ATS's status as a validly electing S corporation within the meaning of Code sections 1361 and 1362.

6.7.4 **Tax Periods Ending on or before the Closing Date.** The Stockholders shall at their expense prepare or cause to be prepared and file or cause to be filed (and Federal shall cooperate to the extent necessary in such preparation and filing) all income Tax Returns (including any amended Tax Returns) for ATS for all periods ending on or prior to the Closing Date that are filed after the Closing Date. All such Tax Returns shall be prepared in a manner consistent with the past practice of ATS. Such Tax Returns shall be subject to the approval of Federal, not to be unreasonably withheld. To the extent permitted by applicable law, each Stockholder shall include any income, gain, loss, deduction or other tax items for such periods on the Stockholder's Tax Return in a manner consistent with the Schedule K-1s furnished by ATS to the Stockholder for such periods. The Stockholders shall pay Federal for all Taxes of ATS with respect to such periods within fifteen (15) days after payment by Federal of such Taxes.

6.7.5 **Cooperation on Tax Matters.**

(a) Parent, Federal, ATS and the Stockholders shall cooperate fully, as and to the extent reasonably requested by any party, in connection with the filing of Tax Returns pursuant to this Section and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. ATS and the Stockholders agree (i) to retain all books and records with respect to Tax matters pertinent to ATS relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by Federal or the Stockholders' Representative, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into

with any taxing authority, and (ii) to give the other party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other so requests, ATS or the Stockholders, as the case may be, shall allow the other to take possession of such books and records.

(b) Federal and the Stockholders further agree, upon request, to use their best efforts to obtain any certificate or other document from any governmental authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby).

(c) Federal and the Stockholders further agree, upon request, to provide the other party with all information that either party may be required to report pursuant to section 6043 of the Code and all Treasury Department Regulations promulgated thereunder.

6.7.6 **Tax Sharing Agreements.** All tax sharing agreements or similar agreements with respect to or involving ATS shall be terminated as of the Closing Date and, after the Closing Date, ATS shall not be bound thereby or have any liability thereunder.

6.7.7 **Certain Taxes.** All transfer, documentary, sales, use, stamp, registration and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement (including any corporate-level gains tax triggered by the sale of ATS Common Stock, and any transfer or similar tax imposed by any governmental authority), shall be paid by the Stockholders when due, and each Stockholder will, at his or her own expense, file all necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, use, stamp, registration and other Taxes and fees, and, if required by applicable law, Federal will, and will cause its affiliates to, join in the execution of any such Tax Returns and other documentation.

6.8 **Notification**

6.8.1 **By ATS.** From the date hereof until the Closing Date, ATS shall promptly disclose to Parent and Federal in writing any material variances from the representations and warranties contained in Article 3 promptly upon discovery thereof, in the form of "Updated Schedules" delivered to Parent and Federal.

6.8.2 **By Parent and Federal.** From the date hereof until the Closing Date, Parent and Federal shall promptly disclose to ATS in writing any material variances from Parent and Federal representations and warranties contained in Article 4. In addition, Parent agrees to notify ATS promptly if Parent decides, based upon the results of the diligence investigation contemplated by Section 7.2.6, that Parent and Federal are no longer interested in purchasing all of the Shares upon the terms and conditions set forth in this Agreement. Parent further agrees that from time to time and at any time from the date hereof until the Closing Date, ATS may request in writing that Parent confirm in writing, within the earlier of (i) 3 business days after receipt by Parent's CEO of such request or (ii) 6 business days after Parent's receipt of such

request, that Parent then has no reason to conclude that the condition to Closing set forth in Section 7.2.6 will not be fulfilled at or prior to the Closing.

6.9 **Exercise of Alligood and Walp Options**

6.9.1 **Alligood Option.** Alligood hereby agrees to exercise fully the Alligood Option at Closing and authorizes Federal (i) to withhold from the amounts payable to Alligood pursuant to this Agreement the total exercise price payable upon exercise of the Alligood Option and any and all sums required to satisfy the federal, state, local and foreign tax withholding obligations of ATS, if any, which arise in connection with the Alligood Option, including, without limitation, obligations arising upon the exercise of the Alligood Option (together, the " *Alligood Withholdings* ") and (ii) to pay on her behalf such Alligood Withholdings over to ATS to satisfy her obligation to pay to ATS such exercise price and to satisfy ATS's tax withholding obligations, which amount ATS shall pay to the appropriate tax authority.

6.9.2 **Walp Option.** Walp hereby agrees to exercise fully the Walp Option at Closing and authorizes Federal (i) to withhold from the amounts otherwise payable to Walp pursuant to this Agreement the total exercise price payable upon exercise of the Walp Option and any and all sums required to satisfy the federal, state, local and foreign tax withholding obligations of ATS, if any, which arise in connection with the Walp Option, including, without limitation, obligations arising upon the exercise of the Walp Option (together, the " *Walp Withholdings* ") and (ii) to pay on his behalf such Walp Withholdings over to ATS to satisfy his obligation to pay to ATS such exercise price and to satisfy ATS's tax withholding obligations, which amount ATS shall pay to the appropriate tax authority.

Article 7
C ONDITIONS P RECEDENT

7.1 **Conditions Precedent to the Obligations of Each Party.** The obligations of the parties hereto to effect the Transaction shall be subject to the fulfillment at or prior to the Closing of the following conditions, any of which conditions may be waived in writing prior to Closing by the party for whose benefit such condition is imposed:

7.1.1 **No Illegality.** There shall not have been any action taken, and no statute, rule or regulation shall have been enacted, by any state, federal or other (including foreign) government agency since the date of this Agreement that would prohibit or materially restrict the Transaction or any other material transaction contemplated hereby.

7.1.2 **Government Consents.** Other than contract novations referenced in Section 6.6.2 hereof, all filings with and notifications to, and all approvals and authorizations of, third parties (including, without limitation, Governmental Entities) required for the consummation of the Transaction and the other material transactions contemplated hereby shall have been made or obtained and all such approvals and authorizations obtained shall be effective and shall not have been suspended, revoked or stayed by action of any Governmental Entity.

7.1.3 **No Injunction.** No injunction or restraining or other order issued by a court of competent jurisdiction that prohibits or materially restricts the consummation of the

Transaction contemplated hereby shall be in effect (each party agreeing to use all reasonable efforts to have any injunction or other order immediately lifted), and no action or proceeding shall have been commenced or threatened in writing seeking any injunction or restraining or other order that seeks to prohibit, restrain, invalidate or set aside consummation of the transactions contemplated hereby.

7.1.4 **Escrow Agreement.** Each of the parties hereto, together with the Escrow Agent, shall have entered into the Escrow Agreement.

7.1.5 **Paying Agent Agreement.** Each of the parties thereto shall have entered into the Paying Agent Agreement.

7.2 **Conditions Precedent to Obligation of Parent and Federal to Consummate the Transaction.** The obligation of Parent and Federal to consummate the Transaction shall be subject to the fulfillment at or prior to the Closing of the following additional conditions, any of which conditions may be waived in writing by Parent or Federal prior to Closing:

7.2.1 **Representations and Warranties.** The representations and warranties of ATS contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date, except for changes contemplated by this Agreement and except for those representations and warranties which address matters only as of a particular date (which shall remain true and correct as of such date), with the same force and effect as if made on and as of the Closing Date, except, in all such cases, for such breaches, inaccuracies or omissions of such representations and warranties which have neither had, nor reasonably would be expected to have, an ATS Material Adverse Effect (it being understood that, for purposes of determining the accuracy of such representations and warranties, any update of or modification to the Schedules made or purported to have been made after execution of this Agreement, including the Updated Schedules, shall be disregarded); and ATS and the Stockholders shall have delivered to Parent a certificate to that effect, dated the Closing Date and signed on behalf of ATS by the President, Treasurer, and Secretary of ATS as well as by Stockholders in their respective individual capacities.

7.2.2 **Agreements and Covenants.** ATS shall have performed in all material respects all of its agreements and covenants set forth herein that are required to be performed at or prior to the Closing Date; and ATS and the Stockholders shall have delivered to Parent a certificate to that effect, dated as of the Closing Date and signed on behalf of ATS by the President, Treasurer, and Secretary of ATS as well as by Stockholders in their respective individual capacities.

7.2.3 **Legal Opinion.** Parent and Federal shall have received an opinion from Squire, Sanders & Dempsey LLP, counsel to ATS, in substantially the form attached hereto as Exhibit B .

7.2.4 **Closing Documents.** ATS and the Stockholders shall have delivered to Parent the closing certificate described hereafter in this paragraph and such closing documents as the Parent shall reasonably request (other than additional opinions of counsel), including a good standing certificate from Virginia with respect to ATS. The closing certificate, dated as of the

Closing Date, duly executed by ATS's President, Treasurer, and Secretary, shall certify as to (a) the signing authority, incumbency and specimen signature of the signatories of this Agreement and other documents signed on behalf of ATS in connection herewith, (b) the resolutions adopted by the board of directors of ATS authorizing and approving the execution, delivery and performance of this Agreement and the other documents executed in connection herewith and the consummation of the transactions contemplated hereby and thereby and state that such resolutions have not been modified, amended, revoked or rescinded and remain in full force and effect, and (c) the charter documents and by-laws of ATS.

7.2.5 **Third Party Consents.** All third party consents or approvals listed in Schedule 7.2.5 hereto shall have been obtained by ATS and shall be effective and shall not have been suspended, revoked, or stayed by action of any such third party.

7.2.6 **Diligence Review.** Parent and its accountants and attorneys shall have conducted a diligence investigation of all matters related to the business of ATS deemed relevant by Parent or its accountants and attorneys to such diligence investigation, and the results of such diligence investigation shall have been satisfactory to Parent in its sole discretion.

7.2.7 **Consulting, Non-Compete, Non-Solicitation, and Non-Disturbance Agreement.** Federal shall have entered into a Consulting, Non-Compete, Non-Solicitation, and Non-Disturbance Agreement with Carlson in substantially the form of Exhibit C .

7.2.8 **Employment Agreements.** Federal shall have entered into an employment agreement with Alligood in substantially the Form of Exhibit D and, with Walp in substantially the form of Exhibit E ; as well as Employment Agreements in substantially the form of Exhibit F with Shanta Sims, Tony Jones and at least 95% of the other direct billable, full and part time, persons listed on the Employee List, excluding such persons who are on LWOP or are corporate administrative staff.

7.2.9 **Updated Employee List.** ATS shall have delivered to Federal a list dated as of the Closing Date containing the name of each person then employed by ATS and each such employee's position and annual salary.

7.2.10 **Material Adverse Effect.** Since the date of this Agreement, ATS shall not have suffered an ATS Material Adverse Effect, it being understood for the purpose of this Section 7.2.10 that conditions that generally affect the industries in which ATS participates or the economy of the United States as a whole resulting from the initiation of hostilities between Iraq and the United States (including without limitation a correction in the public stock markets or a general loss of consumer confidence) shall neither constitute nor be taken into account in determining whether there has occurred an ATS Material Adverse Effect, *provided, however* , that an adverse change in the financial or legal condition, business or prospects of ATS that results from the initiation of hostilities between Iraq and the United States and is specific to ATS (including without limitation the actual or threatened cancellation or reduction of a program) may be taken into account in determining whether there has occurred an ATS Material Adverse Effect.

7.2.11 **No Outstanding Options, Warrants, etc..** There shall be no outstanding subscriptions, options, warrants, conversion rights or other rights, securities, agreements or commitments obligating ATS to issue, sell or otherwise dispose of shares of its capital stock, or any securities or obligations convertible into, or exercisable or exchangeable for, any shares of its capital stock.

7.2.12 **Broker Agreement.** The Stockholders will, prior to Closing, cause the Financial Advisory Services Agreement dated August 28, 2002, between ATS and Broker to be modified to provide that: (1) the Stockholders will assume all rights and obligations of ATS under the Financial Advisory Services Agreement in the form of a novation, and (2) Broker shall release ATS from any and all liability of any kind associated with the Financial Advisory Services Agreement. Said modification shall be in a form satisfactory to Parent in its sole discretion.

7.3 **Conditions to Obligations of ATS and the Stockholders to Consummate the Transaction .** The obligation of ATS and the Stockholders to consummate the Transaction shall be subject to the fulfillment at or prior to the Closing of the following additional conditions, any of which may be waived in writing by ATS or the Stockholders' Representative prior to Closing:

7.3.1 **Representations and Warranties.** The representations and warranties of Parent and Federal contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date, except for changes contemplated by this Agreement and except for those representations and warranties which address matters only as of a particular date (which shall remain true and correct as of such date), with the same force and effect as if made on and as of the Closing Date, except in all such cases, for such breaches, inaccuracies or omissions of such representations and warranties which have neither had nor reasonably would be expected to have a Parent Material Adverse Effect; and Parent shall have delivered to ATS a certificate to that effect, dated the date of the Closing and signed on behalf of Parent by the President and Chief Financial Officer of Parent.

7.3.2 **Agreements and Covenants.** Parent and Federal shall have performed in all material respects all of their agreements and covenants set forth herein that are required to be performed at or prior to the Closing Date; and Parent shall have delivered to ATS a certificate to that effect, dated as of the Closing Date and signed on behalf of Parent by the Chief Executive Officer and Chief Financial Officer of Parent.

7.3.3 **Legal Opinion.** ATS shall have received an opinion from Parent in substantially the form attached hereto as Exhibit G .

7.3.4 **Closing Documents.** Parent and Federal shall have delivered to ATS closing certificates of Parent and Federal and such other closing documents as ATS shall reasonably request (other than additional opinions of counsel). Each of the closing certificates of Parent and Federal, dated as of the Closing Date, duly executed by the secretary of Parent and Federal, respectively, shall certify as to (a) the signing authority, incumbency and specimen signature of the signatories of this Agreement and other documents signed on behalf of Parent and Federal in connection herewith, (b) the resolutions adopted by the board of directors of Parent and Federal authorizing and approving the execution, delivery and performance of this

Agreement and the other documents executed in connection herewith and the consummation of the transactions contemplated hereby and thereby and state that such resolutions have not been modified, amended, revoked or rescinded and remain in full force and effect, and (c) the Certificate of Incorporation and By-Laws of Parent and Certificate of Incorporation and By-Laws of Federal as currently in effect.

7.3.5 **Material Adverse Effect.** Since the date of this Agreement, Parent shall not have suffered a Parent Material Adverse Effect, it being understood for the purpose of this Section 7.3.5 that conditions that generally affect the industries in which Parent participates or the economy of the United States as a whole resulting from the initiation of hostilities between Iraq and the United States (including without limitation a correction in the public stock markets or a general loss of consumer confidence) shall neither constitute nor be taken into account in determining whether there has occurred an Parent Material Adverse Effect, *provided, however* , that an adverse change in the financial or legal condition, business or prospects of Parent that results from the initiation of hostilities between Iraq and the United States and is specific to Parent (including without limitation the actual or threatened cancellation or reduction of a program) may be taken into account in determining whether there has occurred an Parent Material Adverse Effect.

7.3.6 **Payment of Purchase Price.** Parent shall have tendered the aggregate Purchase Price to the Stockholders pursuant to the provisions of Section 2.2.2 hereof and shall have delivered the Escrow Payment to the Escrow Agent pursuant to the provisions of Section 2.2.3 hereof.

7.3.7 **Termination of 401(k) Plan** ATS shall, at its expense, terminate the Applied Technology Solutions of Virginia 401(k) Plan (the "ATS 401(k) Plan") prior to the Closing Date, by resolution adopted by the Board of Directors of ATS, on terms acceptable to Parent; and shall simultaneously amend the ATS 401(k) Plan to the extent necessary to comply with all applicable laws, including the so-called "GUST" and "EGTRRA" legislation, to the extent not previously amended. Said termination shall provide that all participants in the ATS 401(k) Plan shall be fully vested in their account balances under said Plan. ATS shall further notify participants in the ATS 401(k) of its termination prior to the Closing Date.

Article 8
S URVIVAL OF R EPRESENTATIONS

8.1 **ATS's Representations.** All representations and warranties made by ATS and the Stockholders in this Agreement, or any certificate or other writing delivered by ATS or any of its Affiliates pursuant hereto or in connection herewith shall survive the Closing and any investigation at any time made by or on behalf of Parent and shall terminate on the date which is 24 months after the Closing Date (except that Indemnified Party claims pending on such date continue until resolved). The covenants made by ATS or the Stockholders in this Agreement or any certificate or other writing delivered by ATS or any of its Affiliates pursuant hereto or in connection herewith shall survive the Closing and any investigation at any time made by or on behalf of Parent.

8.2 **Parent's Representations.** All representations and warranties made by Parent and Federal in this Agreement or any certificate or other writing delivered by Parent, Federal or any of their respective Affiliates pursuant hereto or in connection herewith shall terminate at the Closing. The covenants made by Parent or Federal in this Agreement or any certificate or other writing delivered by Parent or Federal or any of their respective Affiliates pursuant hereto or in connection herewith shall survive the Closing and any investigation at any time made by or on behalf of ATS or the Stockholders.

Article 9
OTHER PROVISIONS

9.1 **Termination Events.** This Agreement may be terminated and the Transaction abandoned at any time prior to the Closing Date, provided however that upon any such termination the obligations of the Parties under the Non-Disclosure Agreement dated January 31, 2003, shall continue in full force and effect in accordance with the terms of the Letter of Intent and Non-Disclosure Agreement, as if set forth in full in this Agreement:

(a) by mutual written consent of Parent and ATS;

(b) by Parent if there has been a breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of ATS or any Stockholder and such breach has not been cured within ten business days after written notice to ATS (provided, that neither Parent nor Federal is in material breach of the terms of this Agreement, and provided further, that no cure period shall be required for a breach which by its nature cannot be cured) such that the conditions set forth in Section 7.2.1 or Section 7.2.2 hereof, as the case may be, will not be satisfied;

(c) by Parent, if ATS, its board of directors or any Stockholder shall have (i) withdrawn, modified or amended in any material respect the approval of this Agreement or the transactions contemplated herein, or (ii) taken any public position inconsistent with its approval or recommendation, including, without limitation, having failed (without the consent of Parent) after a reasonable period of time to reject or disapprove any Acquisition Proposal (or after a reasonable period of time to recommend to its shareholders such rejection or disapproval), and in that event ATS shall pay to Parent the amount specified in Section 6.1.2, provided that neither Parent nor Federal is in material breach of the terms of this Agreement;

(d) by ATS, if there has been a breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of Parent or Federal and such breach has not been cured within ten business days after written notice to Parent (provided, that ATS is not in material breach of the terms of this Agreement, and provided further, that no cure period shall be required for a breach which by its nature cannot be cured) such that the conditions set forth in Section 7.3.1 or Section 7.3.2 hereof, as the case may be, will not be satisfied, and in that event Parent shall pay to ATS the amount specified in Section 6.1.3, provided that neither ATS nor any Stockholder is in material breach of the terms of this Agreement;

(e) by ATS, if ATS accepts an Acquisition Proposal for any reason, including pursuant to a good-faith determination by its board of directors, after consulting with counsel, that not to accept the Acquisition Proposal would constitute a breach of the directors' fiduciary duty under the law of the Commonwealth of Virginia; *provided, however* , that in that event ATS shall, providing that neither Parent nor Federal is in material breach of the terms of this Agreement, pay to Parent the amount pursuant to Section 6.1.2;

(f) by ATS, if Parent (i) notifies ATS pursuant to Section 6.8.2 that Parent and Federal are no longer interested in purchasing all of the Shares upon the terms and conditions set forth in this Agreement or (ii) fails to confirm in writing pursuant to Section 6.8.2 that Parent then has no reason to conclude that the condition to Closing set forth in Section 7.2.6 will not be fulfilled at or prior to the Closing;

(g) by any party hereto if: (i) there shall be a final, non-appealable order of a federal or state court in effect preventing consummation of the Transaction; or (ii) there shall be any final action taken, or any statute, rule, regulation or order enacted, promulgated or issued or deemed applicable to the Transaction by any Governmental Entity which would make consummation of the Transaction illegal or which would prohibit Parent's or Federal's ownership or operation of all or a material portion of the stock or assets of ATS, or compel Parent or Federal to dispose of or hold separate all or a material portion of the business or assets of ATS or Parent or Federal as a result of the Transaction; or

(h) by any party hereto if the Transaction shall not have been consummated by March 31, 2003 , provided that the right to terminate this Agreement under this Section 9.1(h) shall not be available to any party whose failure to fulfill any material obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing Date to occur on or before such date.

9.2 **Notices.** All notices and other communications hereunder shall be in writing and shall be deemed given if delivered by hand sent via a reputable nationwide courier service or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice) and shall be deemed given on the date on which so hand-delivered or on the third business day following the date on which so mailed or sent:

To Parent and Federal:

CACI International Inc
1100 North Glebe Road
Arlington, VA 22201
Attention: Dr. J. P. London, Chairman

with copies to:

Jeffrey P. Elefante
Executive Vice President, General Counsel and Secretary
CACI International Inc
1100 North Glebe Road
Arlington, VA 22201

and

David W. Walker
Foley Hoag LLP
155 Seaport Boulevard
Boston, MA 02210

To ATS:

Carol Carlson
President
Applied Technology Solutions of Northern VA, Inc.
1452 Dolley Madison Boulevard, Suite 310
McLean, VA 22101

with a copy to:

Robert E. Gregg
Squire, Sanders & Dempsey LLP
8000 Towers Crescent Drive, 14th Floor
Tysons Corner, VA 22182

To any Stockholder or the Stockholders' Representative : at the addresses set forth on Schedule 9.2 .

9.3 **Entire Agreement.** Unless otherwise herein specifically provided, this Agreement and the documents and instruments and other agreements among the parties hereto as contemplated by or referred to herein constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, including the Letter of Intent but excluding the Non-Disclosure Agreement dated January 31, 2003. Each party hereto acknowledges that, in entering this Agreement and completing the transactions contemplated hereby, such party is not relying on any representation, warranty, covenant or agreement not expressly stated in this Agreement or in the agreements among the parties contemplated by or referred to herein.

9.4 **Assignability.** This Agreement is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder, except as otherwise expressly provided herein. Neither this Agreement nor any of the rights and obligations of the parties hereunder

shall be assigned or delegated, whether by operation of law or otherwise, without the written consent of all parties hereto.

9.5 **Validity.** The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, each of which shall remain in full force and effect.

9.6 **Specific Performance.** The parties hereto acknowledge that damages alone may not adequately compensate a party for violation by another party of this Agreement. Accordingly, in addition to all other remedies that may be available hereunder or under applicable law, any party shall have the right to any equitable relief that may be appropriate to remedy a breach or threatened breach by any other party hereunder, including the right to enforce specifically the terms of this Agreement by obtaining injunctive relief in respect of any violation or non-performance hereof.

9.7 **Governing Law** This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Virginia, without regard to its principles of conflicts of laws.

9.8 **Counterparts.** This Agreement may be executed in one or more counterparts, all of which together shall constitute one and the same agreement.

* * * * *

IN WITNESS WHEREOF, the parties have duly executed this Stock Purchase Agreement under seal as of the date first above written.

CACI International Inc

By: _____

Title:

CACI, INC.-FEDERAL

By: _____

Title:

Applied Technology Solutions of Northern VA, Inc.

By: _____

Carol Carlson, President

_____

Carol Carlson, *as the Stockholders' Representative*

_____

Carol Carlson (individually)

_____

Donna K. Alligood

_____

Robert D. Walp

List of Exhibits and Schedules

Exhibit	Description
A	Escrow Agreement
B	Form of Opinion of ATS's Counsel
C	Form of Non-Compete, Non-Solicitation, and Non-Disturbance Agreements
D	Form of Employment Agreement (Alligood)
E	Form of Employment Agreement (Walp)
F	Form of Parent Employment Agreements
G	Form of Opinion of Counsel to CACI International Inc
H	Form of Paying Agent Agreement
I	Schedule of Liens
3.18	Form of Confidentiality and Non-Competition Agreement

Schedule	Description
2.2.1	Allocation of Purchase Price
3.1	Corporate Status of ATS
3.2	Options and Convertible Securities of ATS
3.4	No Conflict
3.6	Absence of Material Adverse Changes
3.7	Absence of Undisclosed Liabilities
3.8	Compliance with Applicable Law, Charter and By-Laws
3.9	Litigation and Audits
3.10	Tax Returns; Basis of Assets
3.10.5	Tax Basis
3.11	Employee Benefit Plans.
3.12	Labor Relations
3.13	Environmental.
3.15	Assets Other Than Real Property.
3.16	Real Property Leases
3.17	Agreements, Contracts and Commitments.
3.18	Intellectual Property.
3.19	Insurance Contracts
3.20	Banking Relationships
3.22	Absence of Certain Relationships
5.1	Conduct of Business of ATS
7.2.5	Third Party Consents
9.2	List of ATS Stockholders and Allocations

Exhibit 10.15

CACI INTERNATIONAL INC
CACI, INC. - FEDERAL
CACI PREMIER TECHNOLOGY, INC.
PREMIER TECHNOLOGY GROUP, INC.

ASSET PURCHASE AGREEMENT

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ASSET PURCHASE AGREEMENT

A SSET P URCHASE A GREEMENT , dated as of April 23, 2003 (the " *Agreement* "), by and among **CACI International Inc** , a Delaware corporation (" *Parent* "), **CACI, INC. - FEDERAL** , a Delaware corporation and wholly-owned subsidiary of Parent (" *Federal* "), **CACI Premier Technology, Inc.** (" *Acquisition Sub* "), a Delaware corporation and wholly-owned subsidiary of Federal, **Premier Technology Group, Inc.,** a Virginia corporation (" *Premier* ") and Rajiv Bajwa, a stockholder of Premier (" *Bajwa* ").

W I T N E S S E T H

WHEREAS, Premier has heretofore conducted a federal government information technology consulting business (the "Business");

WHEREAS, Acquisition Sub wishes to purchase certain assets and assume certain liabilities related to the Business, and Premier wishes to sell such assets and assign such liabilities to Acquisition Sub; and

WHEREAS, to induce Acquisition Sub to enter into this Agreement and to consummate the transactions contemplated hereby, Premier and Bajwa are agreeing to make certain representations and warranties, perform certain covenants and provide certain indemnities in connection herewith;

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

Article 1
D EFINITIONS

1.1 **Certain Matters of Construction** . A reference to an article, section, exhibit or schedule shall mean an Article of, a Section in, or Exhibit or Schedule to, this Agreement unless otherwise expressly stated. The titles and headings herein are for reference purposes only and shall not in any manner limit the construction of this Agreement which shall be considered as a whole. The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation." All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms. Any agreement, instrument, law or regulation defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or law or regulation as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of laws and regulations) by succession of comparable successor laws or regulations and references to all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

1.2 **Cross References** . The following terms defined elsewhere in this Agreement in the Sections set forth below shall have the respective meanings therein defined:

Term	*Definition*
Acquisition Proposals	Section 6.1
Acquisition Sub	Preamble
Agreement	Preamble
Auditor	Section 2.8.4
Bajwa	Preamble
Broker	Section 2.4.2
Business	Recitals
Closing	Section 2.5
Closing Balance Sheet	Section 2.8.1
Closing Date	Section 2.5
Direct Payment	Section 2.4.2
Escrow	Section 2.4.3
Escrow Agent	Section 2.4.3
Escrow Agreement	Section 2.4.3
Escrow Payment	Section 2.4.3
Employee List	Section 3.12.2
Encumbrances	Section 3.15.1
Estimated Closing Balance Sheet	Section 2.8.1
Excluded Assets	Section 2.2
Expenses	Section 6.2.1
Federal	Preamble
Final Closing Balance Sheet	Section 2.8.5
First Payment	Section 2.4.2
GAAP	Section 2.8.1
Governmental Entity	Section 3.4.2
Indemnification Claim	Section 6.3.1
Indemnified Party	Section 6.3.1
Indemnifying Party	Section 6.3.1
Indemnity Deductible	Section 6.3.3
Initial Balance Sheet	Section 2.8.1
Notice of Claim	Section 6.3.1
Objection	Section 2.8.3
Parent	Preamble
Parent Balance Sheet	Section 4.3
Parent Demand Notice	Section 6.1
Parent Indemnified Parties	Section 6.3
Parent Indemnifying Group	Section 6.3
Parent Indemnity Deductible	Section 6.3(b)
Parent Reports	Section 4.3
Permits	Section 3.8
Premier	Preamble
Premier Assets	Section 2.1
Premier Balance Sheet	Section 3.5

Premier Contracts	Section 2.1.3
Premier Common Stock	Section 3.2.1
Premier Demand Notice	Section 6.1
Premier Engagements	Section 2.1.2
Premier Financial Statements	Section 3.5
Premier Indemnified Parties	Section 6.3
Premier Indemnifying Group	Section 6.3
Premier Indemnity Deductible	Section 6.3(c)
Premier Insurance Contracts	Section 3.19
Premier Inventory	Section 2.1.11
Premier Licensed Rights	Section 3.18.1
Premier Obligations	Section 2.3
Premier Proprietary Rights	Section 3.18.1
Premier Plans	Section 3.11.1
Premier Receivables	Section 2.1.8
Premier Work-In-Process	Section 2.1.8
Premier's Accountant	Section 2.4.2
Premier's Counsel	Section 2.4.2
Purchase Price	Section 2.4
Selling Group	Section 6.7
Shares	Recitals
Third Party Claim	Section 6.3.2
Transaction	Recitals
Welfare Plan	Section 3.11.1

1.3 **Certain Definitions** . As used herein, the following terms shall have the following meanings:

Affiliate : with respect to any Person, any Person which, directly or indirectly, controls, is controlled by, or is under common control with, such Person.

Affiliated Group : any affiliated group within the meaning of Code section 1504(a).

COBRA : the provisions of Section 4980B of the Code and Part 6 of Title I of ERISA.

Code : the United States Internal Revenue Code of 1986, as amended from time to time.

Commercial Software : packaged commercial software programs generally available to the public through authorized dealers or directly from the manufacturer which have been licensed to Premier and which are used in Premier's business but are in no way a component of or incorporated in Premier Proprietary Rights.

Control : (including with correlative meaning, controlled by and under common control with): as used with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

Environmental Claim : any actual notice alleging potential liability (including, without limitation, potential liability for investigatory costs, cleanup costs, response or remediation costs, natural resources damages, property damages, personal injuries, fines or penalties) arising out of, based on or resulting from (a) the presence, or release of any Material of Environmental Concern at any location, or (b) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

Environmental Laws : any and all Federal, state, local or foreign statutes, regulations and ordinances relating to the protection of public health, safety or the environment in effect on the Closing Date and that are binding on Premier.

ERISA : the Employee Retirement Income Security Act of 1974, as amended.

ERISA Affiliate : with respect to a party, any member (other than that party) of a controlled group of corporations, group of trades or businesses under common control or affiliated service group that includes that party (as defined for purposes of Section 414(b), (c) and (m) of the Code).

Exchange Act : the Securities Exchange Act of 1934, as amended.

Knowledge of Premier : shall mean the actual, current knowledge of Bajwa (with respect to all matters regarding Premier set forth in this Agreement), Bruce E. Jesson (with respect to the matters regarding Premier set forth in Articles 3, 5, 6 of this Agreement), Glenn Birch (with respect to the financial matters regarding Premier set forth in Articles 2 – 6 of this Agreement), Chuck Mudd (with respect to the operational matters regarding Premier set forth in Articles 3, 5, 6 of this Agreement), Harry Thornsvard (with respect to the matters regarding Premier set forth in Section(s) Articles 3, 5, 6 of this Agreement), John Davis (with respect to the operational matters regarding Premier set forth in Section(s) Articles 3, 5, 6 of this Agreement) and William “Norm” Benninghoff (with respect to the operational matters regarding Premier set forth in Articles 3, 5, 6 of this Agreement).

Letter of Intent : the letter dated December 19, 2002 from J.P. London, Chairman of the Board, President and Chief Executive Officer of Parent, to Bajwa, President and CEO of Premier, expressing the companies’ intention to effect the purchase and related transactions, subject to execution of this Agreement and other matters, as such letter has been amended from time to time.

Liability : any liability or obligation, known or unknown, asserted or unasserted, accrued or unaccrued, absolute or contingent, liquidated or unliquidated, or otherwise, and whether due or to become due, including any liability for Taxes.

Losses : the amount of any actual damages, liabilities, obligations, deficiencies, losses (including without limitation any actual diminution in value), expenditures, costs or expenses (including without limitation reasonable attorneys’ fees and disbursements). For purposes of determining the amount of any Loss, the amount of any Loss shall be reduced by any insurance proceeds received in respect thereof (in each case net of costs of recovery).

Materials of Environmental Concern : petroleum and its by-products and any and all other substances or constituents to the extent that they are regulated by, or form the basis of liability under, any Environmental Law.

Net Assets : The Premier Assets less the Premier Obligations as of the Closing Date, each as determined in accordance with GAAP.

Parent Material Adverse Effect : any change in or effect on the financial condition, business, operations, assets, properties, results of operations of Parent and its Subsidiaries considered on a consolidated basis that might reasonably be expected to impair the ability of Parent to provide funds for payment of the entire Purchase Price in accordance with the terms of this Agreement.

Permitted Encumbrances : (a) liens for current taxes, water and sewer charges and other statutory liens and trusts not yet due and payable or that are being contested in good faith, (b) liens incurred in the ordinary course of business, such as carriers', warehousemen's, landlords' and mechanics' liens and other similar liens arising in the ordinary course of business, (c) liens on personal property leased under operating leases, (d) liens, pledges or deposits incurred or made in connection with workmen's compensation, unemployment insurance and other social security benefits, or securing the performance of bids, tenders, leases, contracts (other than for the repayment of borrowed money), statutory obligations, progress payments, surety and appeal bonds and other obligations of like nature, in each case incurred in the ordinary course of business, (e) pledges of or liens on manufactured products as security for any drafts or bills of exchange drawn in connection with the importation of such manufactured products in the ordinary course of business, (f) liens under Article 2 of the Uniform Commercial Code that are special property interests in goods identified as goods to which a contract refers, (g) liens under Article 9 of the Uniform Commercial Code that are purchase money security interests, (h)those liens disclosed on Exhibit J hereto, and (i) such imperfections or minor defects of title, easements, rights-of-way and other similar restrictions (if any) as are insubstantial in character, amount or extent, do not materially detract from the value or interfere with the present or proposed use of the properties or assets of the party subject thereto or affected thereby, and do not otherwise adversely affect or impair the business or operations of such party.

Person : an individual, a corporation, an association, a partnership, an estate, a trust or any other entity or organization.

Premier Business Affiliates : Premier Technology International, Inc. and/or Capital Technology, Inc.

Premier Credit Facilities : the line of credit loan to Premier from Wachovia Bank, N.A..

Premier Leases : each lease, sublease, license or other agreement under which Premier uses, occupies or has the right to occupy any real or personal property or interest therein.

Premier Material Adverse Effect : any materially adverse change in or effect on Premier's financial condition, business, operations, assets, properties, results of

operations or prospects. Changes in general industry or economic conditions, consequences of acts of war or terrorism, or adverse effects arising from the announcement or consummation of the transactions contemplated hereby shall not be deemed to have caused a Premier Material Adverse Effect.

SEC : the United States Securities and Exchange Commission, or any Governmental Entity succeeding to its functions.

Securities Act : the Securities Act of 1933, as amended.

Security Interest : any mortgage, pledge, lien, encumbrance, charge, or other security interest, other than (a) mechanic's, materialman's, and similar liens, (b) liens for Taxes not yet due and payable, (c) purchase money liens and liens securing rental payments under capital lease arrangements, and (d) other liens arising in the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency) and not incurred in connection with the borrowing of money.

Subsidiary : any corporation, association, or other business entity a majority (by number of votes on the election of directors or persons holding positions with similar responsibilities) of the shares of capital stock (or other voting interests) of which is owned by Parent, Premier or their respective Subsidiaries, as the case may be.

Subcontract Agreement : that certain Subcontract Agreement in substantially the form attached hereto as Exhibit I.

Tax : any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code section 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

Tax Return : any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

Treasury Regulation : a regulation promulgated by the United States Treasury Department under one or more provisions of the Code.

Article 2
THE PURCHASE AND SALE OF ASSETS

2.1 **Purchase and Sale of Assets** . Upon and subject to the terms and conditions hereof, at the Closing, Premier shall sell, transfer and assign to Acquisition Sub, and Acquisition Sub shall purchase and acquire from Premier, all right, title and interest in and to the following assets (the " *Premier Assets* "), in each case free and clear of all liens, charges, security interests,

restrictions and other encumbrances except (a) Permitted Encumbrances and (b) Premier Obligations:

2.1.1 the name “Premier Technology Group, Inc.” and all goodwill of Premier; provided, however, that Premier shall be able to retain and use the name “Premier Technology Group, Inc.” during the term of the Subcontract Agreement;

2.1.2 all contracts and other arrangements pursuant to which Premier or any Premier Business Affiliate is providing services and all proposals, bids and offers for future such contracts and arrangements (the “ *Premier Engagements* ”), such including without limitation the Premier Engagements listed on Schedule 2.1.2;

2.1.3 all other contracts relating to the Business specifically identified on Schedule 2.1.3 (the “ *Premier Contracts* ”), including without limitation the Premier Leases, regardless of whether Premier has obtained any necessary consents to the assignment of such Premier Contracts;

2.1.4 all prepaid expenses, deposits, advances, other prepayments and related rights paid or obtained by Premier (other than those, if any, which constitute Excluded Assets under Section 2.2) that exist as of the Closing with respect to the Business as identified on Schedule 2.1.4;

2.1.5 all Premier Proprietary Rights and all other rights of Premier in intellectual property;

2.1.6 all training materials, speaking materials and sales or promotional materials;

2.1.7 all tangible assets of Premier as of the Closing (other than those tangible assets, if any, which constitute Excluded Assets under Section 2.2), including without limitation all furniture, fixtures, machinery, office and other equipment and leasehold improvements as listed on Schedule 2.1.7;

2.1.8 all of Premier’s accounts receivable and unbilled accounts receivable to the extent reflected on the Final Closing Balance Sheet (the “ *Premier Receivables* ”) and work-in-process and unbilled accounts receivable to the extent reflected on the Final Closing Balance Sheet (the “ *Premier Work-In-Process* ”) (other than accounts receivable and unbilled accounts receivable and work-in-process due to Premier from the Premier Business Affiliates) as listed on Schedule 2.1.8;

2.1.9 all books, papers, ledgers, documents and records relating to the Premier Assets, including without limitation all records and documents relating to the Premier Engagements, the Premier Contracts, the Premier Receivables, the Premier Work-In-Process and the Premier Assumed Obligations;

2.1.10 all cash, cash equivalents and marketable securities of Premier on hand at the time of the Closing, including but not limited to those certain Premier commercial checking

and money market accounts (other than cash, cash equivalents or marketable securities that would cause the Net Assets of Premier to exceed $11,000,000) as set forth Schedule 2.1.10;

2.1.11 all of Premier's inventory and supplies (the " *Premier Inventory* ") on hand at the time of the Closing;

2.1.12 all Permits; and

2.1.13 all other tangible and intangible assets of Premier (other than those which constitute Excluded Assets under Section 2.2).

2.2 **Excluded Assets** . Notwithstanding Section 2.2, no interest of Premier in or to the assets listed on Schedule 2.2 (the " *Excluded Assets* ") is being sold, assigned or otherwise transferred to Acquisition Sub.

2.3 **Assumption of Specified Obligations** . At the Closing, Acquisition Sub shall agree to assume and perform after the Closing when and as they become due the following obligations of Premier directly related to the Business (the " *Premier Obligations* "):

2.3.1 Premier's accounts payable, accrued expenses and advance billings to customers as set forth on Schedule 2.3.1, as increased or decreased in the ordinary course of business, and in amounts normal and reasonable for the Business and consistent with past experience of the Business, through the Closing Date (other than accounts payable, accrued expenses and advance billings to the Premier Business Affiliates by Premier);

2.3.2 Premier's obligations of payment or performance after the Closing with respect to the Premier Assets, including without limitation the Premier Engagements and the Premier Contracts;

2.3.3 Premier's obligations of payment or performance after the Closing to the employees and consultants of Premier and the Premier Business Affiliates who become employees and consultants of Acquisition Sub as of the Closing.

2.3.4 Premier's obligations of payment or performance under the Premier Credit Facilities, which amounts will be paid in full, terminated and closed concurrently with the Closing;

2.3.5 All liabilities or obligations for Taxes arising out of or relating to the Premier Assets and/or Premier Obligations for all periods commencing after the Closing Date; and

2.3.6 All acts or omissions of Parent, Federal and/or Acquisition Sub relating to the Premier Assets and/or the Premier Obligations arising after the Closing Date.

Except for the Premier Obligations, Acquisition Sub is assuming no liabilities or obligations of Premier in connection with this transaction, including without limitation (a) any liability or obligation of Premier to any Premier Business Affiliate, (b) any personal liability or obligation of Bajwa incurred in any capacity (including without limitation as a director or officer

of Premier), (c) any liability or obligation of Premier under any contract, agreement or arrangement to which Premier is a party relating to the Business or the conduct thereof other than the Premier Engagements or the Premier Contracts, (d) any trade or practice liabilities or obligations of Premier, (e) any liability or obligation to any current, former or deceased employee of Premier or Premier Business Affiliates with respect to the period of time before the Closing Date, or (f) any liability or obligation for or arising under any "Employee Benefit Plan." "Employee Benefit Plan" means any "employee pension benefit plan" (as defined in Section 3(2) of ERISA), "employee benefit plan" (as defined in Section 3(1) of ERISA, and any other written or oral plan, agreement or arrangement involving direct or indirect compensation, including without limitation insurance coverage, severance benefits, disability benefits, deferred compensation, bonuses, stock options, stock purchase, phantom stock, stock appreciation or other forms of incentive compensation or post-retirement compensation, (g) any liability for Taxes. Without limiting the generality of the foregoing, Premier shall be solely responsible for payment and performance of all liabilities, obligations and amounts at any time owing by Premier before or after the Closing Date, whether direct or indirect, fixed or contingent, known or unknown, other than the Premier Obligations.

2.4 **Purchase Price.**

2.4.1 **The Aggregate Purchase Price** . The aggregate purchase price (the " *Purchase Price* ") to be paid by Acquisition Sub for the Premier Assets shall be $49,000,000 (Forty-Nine Million Dollars), assuming the satisfaction of the conditions set forth in Section 2.4.4 and subject to adjustment as provided below in Section 2.8. All payments of the Purchase Price under this Section 2.4 shall be made in immediately available funds wired to one or more accounts designated by Premier, by a certified check or by such other method as may be agreed by Premier and Acquisition Sub.

2.4.2 **The Purchase Price Paid at the Closing** . $41,000,000 (Forty-One Million Dollars) of the total Purchase Price (the " *Direct Payment* "), (i) less (a) the amount of the fees owed by Premier to Windsor (" *Broker* ") which will be paid by Acquisition Sub directly to Broker pursuant to Section 6.2.2, (b) the amount of the fees owed by Premier to Holland & Knight LLP (" *Premier's Counsel* ") which will be paid by Acquisition Sub directly to Premier's Counsel pursuant to Section 6.2.3, (c) the amount of the fees owed by Premier to Cherry, Bekart, and Holland, LLP (" *Premier's Accountant* ") which will be paid by Acquisition Sub directly to Premier's Accountant pursuant to Section 6.2.4 and (d) the amount, if any, by which the Net Assets in the Estimated Closing Balance Sheet are less than $11,000,000 shall be paid to Premier by Acquisition Sub on the Closing Date pursuant to Section 2.8.1, and (ii) plus the amount, if any, by which the Net Assets in the Estimated Closing Balance Sheet are greater than $11,000,000.

2.4.3 **The Escrowed Portion of the Purchase Price** . For the purpose of securing Premier's obligations pursuant to Section 6.3, $3,000,000 (Three Million Dollars) of the total Purchase Price (the " *Escrow Payment* ") shall be delivered to an account (the " *Escrow* ") to be administered by Riggs Bank NA (the " *Escrow Agent* ") pursuant to an escrow agreement substantially in the form of Exhibit A (the " *Escrow Agreement* ").

2.4.4 **The Earn-Out** . Up to $5,000,000 (Five Million Dollars) in earn-out payments to be paid as follows:

(a) DCSINT Work. $4.0 million in earn-out payments tied to the continuation of existing efforts presently being performed under Contract No. DABT63-98-A-0009, Delivery Orders 15, 22, 44, 45, 46, 47, & 49 (the " *Target Business* ") for similar work for the same customer through at least February 28, 2005, either (i) through the existing contract vehicle or (ii) through any other full and open contract vehicle awarded previously or in the future, to Parent or any of its Subsidiaries. The earn-out shall be paid on a pro rata basis according to the number of positions associated with the Target Business that receive funding through at least February 28, 2005. The full earn-out of $4.0 million shall be earned if 100% of the current level of effort of 95 positions (as employees) is fully funded through at least February 28, 2005, and the earn-out shall be paid on a sliding scale outlined in the table below:

	Earn-Out Based on Number of Positions				
Employees	**0**	**24**	**48**	**72**	**95**
	0%	25.3%	50.5%	75.8%	100%
Earn-Out Achieved ($M)	$0.0	$1.012	$2.020	$3.032	$4.0

Payment of the earn-out for the Target Business shall be consistent with the timing of the funding received by the government (i.e., if the government funds various levels of positions or delivery orders in stages, then the earn-out should be paid in stages based on the % of Target achieved.) Parent shall pay the proportional share of the earn-out for the Target Business within 45 days of receipt of authorization of the Funding.

(b) CASCOM Work. Up to $1.0 million in earn-out payments tied to the continuation of existing efforts presently being performed under U.S. Army Combined Arms Support Command, Contract No. DABT60-98-D-0003, either (a) through a full and open competition vehicle awarded to Parent or any of its Subsidiaries; (b) to a subcontract or other vehicle awarded to Parent or any of its Subsidiaries; or (c) through the existing contract vehicle. The earn-out shall be based on achieving an annual gross margin (defined as recognized revenue less total direct costs excluding all indirect elements, including, without limitation, fringe benefits, overhead and general and administrative costs and any fees to affiliates of Parent) of $1,371,000, for this contract for the twelve months ended December 31, 2003. The earn-out shall be paid proportionately within 45 days in accordance with the example below:

	Payment Milestone Cumulative Gross Margin for the 12 Months ending December 31, 2003
Earn-out Potential	$1,000,000
Target Gross Margin	$1,371,000
Actual Gross Margin (Example)	$1,200,000
% of Target Achieved (Example)	87.5%
Earn-Out Achieved (Example)	$875,274

2.5 **Closing** . The closing of the purchase and sale of the Premier Assets (the " *Closing* ") shall take place at the offices of Parent in Arlington, Virginia, commencing at 9 a.m. local time on May 15, 2003 or on such other date as the parties may agree after the satisfaction or waiver of all conditions to the obligations of the parties to consummate the transactions contemplated hereby (the " *Closing Date* "). The effective date of the transaction shall be 12:01 a.m. May 16, 2003.

2.6 **Instruments of Transfer and Assumption** . Premier shall effect the transfer of the Premier Assets to Acquisition Sub at the Closing by such bills of sale, assignments and other instruments of transfer as Acquisition Sub or its counsel and Premier or its counsel mutually deem reasonably necessary or appropriate to transfer full legal and beneficial title to the Premier Assets free and clear of all liens, charges, security interests, restrictions and other encumbrances whatsoever except the Permitted Encumbrances and the Premier Obligations, all of which documents shall contain appropriate and customary warranties and covenants of title and shall be in form and substance reasonably acceptable to Acquisition Sub and its counsel and Premier and its counsel. Premier shall also effect the transfer of the Premier Obligations to and assumption by Acquisition Sub at the Closing by such assignments, assumptions and other instruments of assignment, assumption and transfer as Acquisition Sub or its counsel and Premier or its counsel mutually deem reasonably necessary or appropriate to transfer full legal and beneficial obligation with respect to the Premier Obligations, all of which documents shall contain appropriate and customary warranties and covenants and shall be in form and substance reasonably acceptable to Acquisition Sub and its counsel and Premier and its counsel.

2.7 **Additional Actions** . If, at any time after the Closing Date, any further action is necessary or desirable to carry out the purposes of this Agreement or to vest, perfect or confirm in Acquisition Sub title to or ownership or possession of the Premier Assets and assumption of the Premier Obligations, Bajwa, as well as the officers and directors of Premier and Acquisition Sub, are fully authorized in their name and in the name of their respective corporations or otherwise to take, and will use commercially reasonable efforts to take all such lawful and necessary action to so vest, perfect or confirm in Acquisition Sub title to or ownership of the Premier Assets and assumption of the Premier Obligations, so long as such action is consistent with this Agreement.

2.8 **Adjustment to Purchase Price.**

2.8.1 **Preparation of Estimated Closing Balance Sheet** . At least three (3) days before the Closing Date, Premier's Accountant shall prepare or cause to be prepared and

shall deliver to Premier and Acquisition Sub a projected Closing Balance Sheet for Premier as of the opening of business on the Closing Date (the " *Estimated Closing Balance Sheet"*). The Estimated Closing Balance Sheet shall be prepared in accordance with United States generally accepted accounting principles as consistently applied by Premier if such consistent application is properly in accordance with United States generally accepted accounting principles (collectively, " *GAAP "*).

2.8.2 **Preparation of Closing Balance Sheet** . As soon as reasonably possible after the Closing Date (but not later than 60 days thereafter), Acquisition Sub shall prepare or cause to be prepared and shall deliver to Premier a Closing Balance Sheet for Acquisition Sub as of the opening of business on the Closing Date (the " *Closing Balance Sheet "*). The Closing Balance Sheet shall be prepared in accordance with GAAP provided, however, that based upon the representation and warranty by Premier in Section 3.15.2 that all of the Premier Receivables, less any allowances for doubtful accounts reflected in the Estimated Closing Balance Sheet, are collectible, the Closing Balance Sheet shall not in any manner increase in the Closing Balance Sheet the allowances for doubtful accounts reflected in the Estimated Closing Balance Sheet.

2.8.3 **Review of Closing Balance Sheet** . Premier, upon receipt of the Closing Balance Sheet, shall (a) review the Closing Balance Sheet and (b) to the extent it may deem necessary, make reasonable inquiry of Acquisition Sub and its accountants (if any are used), relating to the preparation of the Closing Balance Sheet. Premier and its employees and advisors shall have full access upon prior written notice and during normal business hours to the books, papers, work papers, schedules, calculations and records relating to the preparation of the Closing Balance Sheet in connection with such inquiry and the preparation of any objections thereto. The Closing Balance Sheet shall be binding and conclusive upon, and deemed accepted by, Premier unless Premier shall have notified Acquisition Sub in writing of any objections thereto (the " *Objection "*) within 30 days after receipt of the Closing Balance Sheet.

2.8.4 **Disputes** . In the event of the Objection, Acquisition Sub shall have 20 days to review and respond to the Objection, and Acquisition Sub and Premier (and/or their respective employees and/or advisors) shall attempt to resolve the differences underlying the Objection within 20 days following completion of Acquisition Sub's review of the Objection. Disputes between Acquisition Sub and Premier which cannot be resolved by them within such 20-day period shall be referred no later than such 20 th day for decision to KPMG or such other nationally-recognized independent public accounting firm mutually selected by Premier and Acquisition Sub (which firm shall not be either of (a) the independent public accountants of Parent or (b) the independent public accountants of Premier (the " *Auditor "*) who shall act as arbitrator and determine, based solely on presentations by Premier and Acquisition Sub (and/or their respective employees and/or advisors) and only with respect to the remaining differences so submitted, whether and to what extent, if any, the Closing Balance Sheet requires adjustment. Acquisition Sub and Premier each agree to execute a reasonable engagement letter proposed by the Auditor. The Auditor shall deliver its written determination to Acquisition Sub and Premier no later than the 30 th day after the remaining differences underlying the Objection are referred to the Auditor, or such longer period of time as the Auditor determines is necessary. The Auditor's determination shall be conclusive and binding upon the parties. The fees and disbursements of the Auditor shall be allocated equally between Acquisition Sub and Premier. Acquisition Sub and Premier shall make readily available to the Auditor all relevant information, books and

records and any work papers, schedules and calculations relating to the Closing Balance Sheet and all other items reasonably requested by the Auditor and the Auditor shall be required to maintain the confidentiality of the information and documents received by the Auditor. In no event may the Auditor's resolution of any difference be for an amount which is outside the range of Acquisition Sub's and Premier's disagreement.

2.8.5 **Final Closing Balance Sheet** . The Closing Balance Sheet shall become final and binding upon the parties upon the earlier of (a) Premier's failure to object thereto within the period permitted under Section 2.8.3, (b) the agreement between Acquisition Sub and Premier with respect thereto and (c) the decision by the Auditor with respect to any disputes under Section 2.8.4. The Closing Balance Sheet, as adjusted pursuant to the agreement of the parties or decision of the Auditor, when final and binding is referred to herein as the " *Final Closing Balance Sheet* ."

2.8.6 **Adjustments to the Purchase Price** . As soon as practicable (but not more than five business days) after the date on which the Final Closing Balance Sheet shall have been determined in accordance with this Section 2.5, (a) Premier shall pay to Acquisition Sub in immediately available funds in United States dollars the amount, if any, by which the Net Assets in the Final Closing Balance Sheet are less than the Net Assets in the Estimated Closing Balance Sheet, which shall constitute an immediate adjustment of the Purchase Price in such amount or (b) Acquisition Sub shall pay to Premier, in immediately available funds in United States Dollars the amount, if any, by which the Net Assets in the Final Closing Balance Sheet are greater the Net Assets in the Estimated Closing Balance Sheet, which shall constitute an immediate adjustment of the Purchase Price in such amount.

Article 3
REPRESENTATIONS AND WARRANTIES OF PREMIER AND BAJWA

Except for those representations and warranties expressly set forth in this Article 3, neither Premier nor Bajwa makes any representations or warranties, express or implied, at law or in equity, of any kind or nature whatsoever concerning the organization, business, assets, liabilities or operations of Premier, including by way of illustration but not limitation the fact that neither Premier nor Bajwa makes or shall be deemed to have made any representations or warranties, express or implied, at law or in equity, of any kind or nature whatsoever concerning or as to the accuracy or completeness of any projections, estimates, budgets, forecasts or other forward-looking information concerning the future revenue, income, profit or other financial results or consequences of Premier or any of its Affiliates, and any such other representations or warranties are hereby expressly disclaimed in full and for all time. Premier and Bajwa jointly and severally represent and warrant to Parent, Federal and Acquisition Sub as follows:

3.1 **Corporate Status of Premier** . Except as set forth on Schedule 3.1 hereto, Premier is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia, with the requisite corporate power to own, operate and lease its properties and to carry on its business as now being conducted. Except as set forth on Schedule 3.1 hereto, Premier is duly qualified or licensed to do business as a foreign corporation and is in good standing in all jurisdictions in which the character of the properties owned or held under

lease by it or the nature of the business transacted by it makes qualification necessary, except where failure to be so qualified would not have a Premier Material Adverse Effect. All jurisdictions in which Premier is qualified to do business are set forth on Schedule 3.1 hereto.

3.2 **Capital Stock.**

3.2.1 **Authorized Stock of Premier** . The authorized capital stock of Premier consists of 1,000 shares of common stock, no par value (" *Premier Common Stock* "), of which 1,000 shares are issued and outstanding and no shares are held in Treasury. All of the outstanding shares of Premier Common Stock have been duly authorized and validly issued, were not issued in violation of any person's preemptive rights, and are fully paid and nonassessable. Bajwa owns of record and beneficially all of the outstanding shares of Premier Common Stock.

3.2.2 **Options and Convertible Securities of Premier** . Except as set forth on Schedule 3.2, there are no outstanding subscriptions, options, warrants, conversion rights or other rights, securities, agreements or commitments obligating Premier to issue, sell or otherwise dispose of shares of its capital stock, or any securities or obligations convertible into, or exercisable or exchangeable for, any shares of its capital stock. Except as set forth on Schedule 3.2, there are no voting trusts or other agreements or understandings to which Premier or Bajwa is a party with respect to the voting of the shares of Premier Common Stock and Premier is neither a party to, nor bound by, any outstanding restrictions, options or other obligations, agreements or commitments to sell, repurchase, redeem or acquire any outstanding shares of Premier Common Stock or any other securities of Premier.

3.3 **Subsidiaries** . Premier has no Subsidiaries. Except as set forth on Schedule 3.3, Premier has not acquired, sold, divested or liquidated any Subsidiary or line of business.

3.4 **Authority for Agreement; Noncontravention.**

3.4.1 **Authority.** Premier has the corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby to the extent of its obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, to the extent of Premier's obligations hereunder, have been duly and validly authorized by the board of directors of Premier and no other corporate proceedings on the part of Premier are necessary to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, to the extent of Premier's obligations hereunder. This Agreement and the other agreements contemplated hereby to be signed by Premier have been duly executed and delivered by Premier and constitute valid and binding obligations of Premier, enforceable against Premier in accordance with their terms, subject to the qualifications that enforcement of the rights and remedies created hereby and thereby is subject to (a) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws of general application affecting the rights and remedies of creditors and (b) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

3.4.2 **No Conflict.** Except as set forth on Schedule 3.4 hereto, none of the execution, delivery or performance of this Agreement and the agreements referenced herein by Premier or Bajwa, nor the consummation by Premier or Bajwa of the transactions contemplated hereby or thereby will (a) conflict with or result in a violation of any provision of Premier's charter documents or by-laws, (b) with or without the giving of notice or the lapse of time, or both, conflict with, or result in any violation or breach of, or constitute a default under, or result in any right to accelerate or result in the creation of any lien, charge or encumbrance pursuant to, or right of termination under, any provision of any note, mortgage, indenture, lease, instrument or other agreement, permit, concession, grant, franchise, license, judgment, order, decree, statute, ordinance, rule or regulation to which Premier is a party or by which Premier or any of its assets or properties are bound or which is applicable to Premier or any of its assets or properties. Except as set forth on Schedule 3.4.2 and except to the extent that novation is required as further described in Section 6.6.2 below, no authorization, consent or approval of, or filing with or notice to, any United States or foreign governmental or public body or authority (each a " *Governmental Entity* ") is necessary for the execution and delivery of this Agreement by Premier or Bajwa or the consummation by Premier or Bajwa of the transactions contemplated hereby, except for such consents, authorizations, filings, approvals and registrations which if not obtained or made would not have a Premier Material Adverse Effect.

3.5 **Financial Statements** . Premier has previously furnished Parent with a copy of Premier's audited balance sheet as of December 31, 2002 and unaudited balance sheet as of February 28, 2003 which are attached as Schedule 3.5 and Premier's statement of operations, cash flows and changes in the stockholders' equity for the year then ended. The annual financial statements were audited by Cherry, Bekart, and Holland, LLP, certified public accountants. Collectively, the financial statements referred to in the immediately preceding sentence are sometimes referred to herein as the " *Premier Financial Statements* " and Premier's balance sheet as of February 28, 2003 is referred to herein as the " *Premier Balance Sheet* ." The balance sheet included in the Premier Financial Statements (including any related notes) fairly presents in all material respects the financial position of Premier as of its date, and the other statements included in Premier Financial Statements (including any related notes) fairly present in all material respects the results of operations, cash flows and the stockholders' equity, as the case may be, of Premier for the periods therein set forth, in each case in accordance with GAAP consistently applied (all except as otherwise stated therein).

3.6 **Absence of Material Adverse Changes** . Except as set forth on Schedule 3.6 hereto, since the date of the Letter of Intent, Premier has not suffered any Premier Material Adverse Effect, and there has not occurred or arisen any event, condition or state of facts of any character that could reasonably be expected to result in a Premier Material Adverse Effect. Except as set forth on Schedule 3.6 hereto and except for dividends or distributions that will not cause the Net Assets of Premier to be less than $11,000,000, since the date of the Letter of Intent, there have been no dividends or other distributions declared or paid in respect of, or any repurchase or redemption by Premier of, any of the shares of capital stock of Premier, or any commitment relating to any of the foregoing.

3.7 **Absence of Undisclosed Liabilities** . Except as set forth on Schedule 3.7, Premier has no Liabilities that are not fully reflected or provided for on, or disclosed in the notes to, the balance sheets included in the Premier Financial Statements, except (a) Liabilities

incurred in the ordinary course of business since the date of the Premier Balance Sheet, none of which individually or in the aggregate has had or could reasonably be expected to have a Premier Material Adverse Effect, (b) Liabilities, including but not limited to Liabilities arising under any agreement, contract, commitment or lease permitted or contemplated by this Agreement, and (c) Liabilities, including but not limited to Liabilities arising under any agreement, contract, commitment or lease expressly disclosed on the Schedules delivered hereunder.

3.8 **Compliance with Applicable Law, Charter and By-Laws** . Premier has all requisite licenses, permits and certificates from all Governmental Entities necessary to conduct its business as currently conducted, and to own, lease and operate its properties in the manner currently held and operated, except as set forth on Schedule 3.8 hereto and except for any licenses, permits and certificates the absence of which, in the aggregate, do not and could not reasonably be expected to have a Premier Material Adverse Effect (collectively, " *Permits* ") or prevent or materially delay the consummation of the transactions contemplated hereby. All of such Permits are in full force and effect. Premier is in compliance in all material respects with all the terms and conditions related to such Permits. There are no proceedings in progress, pending or, to the Knowledge of Premier, threatened, which may result in revocation, cancellation, suspension, or any materially adverse modification of any of such Permits. To the Knowledge of Premier, the business of Premier is not being conducted in violation of any applicable law, statute, ordinance, regulation, rule, judgment, decree, order, Permit, concession, grant or other authorization of any Governmental Entity, which violation, in the aggregate, could reasonably be expected to have a Premier Material Adverse Effect or prevent or materially delay the consummation of the transactions contemplated hereby. Premier is not in default or violation of any provision of its charter documents or its by-laws.

3.9 **Litigation and Audits** . Except for any claim, action, suit or proceeding set forth on Schedule 3.9 or Schedule 3.10 hereto, (a) Premier has received no notice that there is any investigation by any Governmental Entity with respect to Premier pending or, to the Knowledge of Premier, threatened, and no Governmental Entity has indicated to Premier an intention to conduct the same, which, if adversely determined, either singly or in the aggregate, could reasonably be expected to have a Premier Material Adverse Effect or materially delay the consummation of the transactions contemplated hereby; (b) there is no claim, action, suit, arbitration or proceeding pending or, to the Knowledge of Premier, threatened against or involving Premier or any of its assets or properties, at law or in equity, or before any arbitrator or Governmental Entity, that, if adversely determined, either singly or in the aggregate, would have a Premier Material Adverse Effect or prevent or materially delay the consummation of the transactions contemplated hereby; and (c) there are no judgments, decrees, injunctions or orders of any Governmental Entity or arbitrator outstanding against Premier.

3.10 **Tax Matters .**

3.10.1 **Filing of Returns.** Except as set forth on Schedule 3.10.1 Premier has filed all material Tax Returns that it was required to file. All such Tax Returns were correct and complete in all material respects. All Taxes owed by Premier (as shown on any such Tax Return) have been paid or have been adequately reserved for on the Premier Balance Sheet. Premier is not currently the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made by an authority in a jurisdiction where Premier does not

file Tax Returns that it is or may be subject to taxation by that jurisdiction. Premier has not received any notice that there are any Security Interests on any of the Premier Assets that arose in connection with any failure (or alleged failure) to pay any Tax. Schedule 3.10 lists all federal, state, local and foreign income Tax Returns filed with respect to Premier for taxable periods ended on or after December 31, 1999, and indicates those Tax Returns that have been audited and indicates those Tax Returns that currently are the subject of audit.

3.10.2 **Payment of Taxes.** Except as set forth on Schedule 3.10.2 Premier has accrued, withheld and/or paid all Taxes required to have been accrued, withheld and/or paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party.

3.10.3 **Premier Business Affiliates.** None of Parent, Federal or Acquisition Sub or Premier employees and Premier Business Affiliate employees will suffer any Loss due to the imposition of any tax, charge, penalty or the like imposed by the government of the Federal Republic of Germany or any subdivision thereof in connection with the employment of persons in the Federal Republic of Germany by Premier or any of its Affiliates prior to the Closing Date.

3.11 **Employee Benefit Plans.**

3.11.1 **List of Plans .** Schedule 3.11.1 hereto contains a correct and complete list of all pension, profit sharing, retirement, deferred compensation, welfare, legal services, medical, dental or other employee benefit or health insurance plans, life insurance or other death benefit plans, disability, stock option, stock purchase, stock compensation, bonus, vacation pay, severance pay and other similar plans, programs or agreements, and every material written personnel policy, relating to any persons employed by Premier or in which any person employed by Premier is eligible to participate and which is currently maintained or that was maintained at any time by Premier or any ERISA Affiliate of Premier (collectively, the " *Premier Plans* "), including without limitation any Premier Plan that is an employee welfare benefit plan (within the meaning of Section 3(1) of ERISA) (a " *Welfare Plan* ").

3.11.2 **ERISA.** Schedule 3.11.2 contains a complete list of all employee pension benefit plans (as defined in Section 3(2) of ERISA) which are intended to be qualified under Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code (the "Pension Plans"). Each Pension Plan has been determined by the Internal Revenue Service to be so qualified, and the trust created thereunder has been determined to be exempt from tax under Section 501(a) of the Code; copies of all determination letters have been delivered to the Purchaser. Any such determination remains in effect and has not been revoked, and nothing has occurred since the date of such determination letters which might cause the loss of such qualification or exemption.

Neither Premier not any ERISA Affiliate has incurred any liability under Title IV of ERISA which has not been paid in full prior to the Closing. There has been no "accumulated funding deficiency" (whether or not waived) with respect to any Pension Plan ever maintained by Premier or any ERISA Affiliate and subject to Code Section 412 or ERISA Section 302. With respect to any Pension Plan maintained by Premier or any ERISA Affiliate and subject to Title IV of ERISA, there has been no (nor will be any as a result of the transaction contemplated

by this Agreement) (i) "reportable event," within the meaning of ERISA Section 4043, or the regulations thereunder (for which notice the notice requirement is not waived under 29 C.F.R. Part 2615) and (ii) no event or condition which presents a material risk of plan termination or any other event that may cause Premier or any ERISA Affiliate to incur liability or have a lien imposed on its assets under Title IV of ERISA. No Pension Plan maintained by Premier or any ERISA Affiliate and subject to Title IV of ERISA has any "unfunded benefit liabilities" within the meaning of ERISA Section 4001(a)(18), as of the Closing Date, and, without any additional contributions being made to such Plan, the assets of such Plan are sufficient to satisfy all obligations of the Plan if the Plan were to terminate. Neither Premier nor any ERISA Affiliate currently maintains or has ever maintained a Multiemployer Plan.

3.12 **Employment-Related Matters** .

3.12.1 **Labor Relations .** Except to the extent set forth on Schedule 3.12 hereto: (a) Premier is not a party to any collective bargaining agreement or other contract or agreement with any labor organization or other representative of employees of Premier; (b) there is no labor strike, dispute, slowdown, work stoppage or lockout that is pending or, to the Knowledge of Premier, threatened against or otherwise affecting Premier, and Premier has not experienced the same; (c) Premier has not closed any plant or facility, effectuated any layoffs of employees or implemented any early retirement or separation program at any time, nor has Premier planned or announced any such action or program for the future with respect to which Premier has any material liability; and (d) all salaries, wages, vacation pay, bonuses, commissions and other compensation due from Premier before the date hereof have been paid or accrued as of the date hereof.

3.12.2 **Employee List .** Premier has heretofore delivered to Parent a list (the " *Employee List* ") dated as of April 18, 2003 containing the name of each person employed by Premier and Premier Business Affiliates and each such employee's position, starting employment date and annual salary. This list is attached on Schedule 3.12.2. The Employee List is correct and complete as of the date of the Employee List. No third party has asserted any claim or, to the Knowledge of Premier, has any reasonable basis to assert any claim against Premier that either the continued employment by, or association with, Premier of any of the present officers or employees of, or consultants to, Premier contravenes any agreements or laws applicable to unfair competition, trade secrets or proprietary information.

3.13 **Environmental Matters** .

3.13.1 **Environmental Laws .** Except as set forth on Schedule 3.13 hereto, (a) Premier is and has been in compliance with all applicable Environmental Laws in effect on the date hereof; (b) Premier has not received any written communication that alleges that it is or was not in compliance with all applicable Environmental Laws in effect on the date hereof; (c) there are no circumstances that may prevent or interfere with compliance in the future with all applicable Environmental Laws; (d) all Permits and other governmental authorizations currently held by Premier pursuant to the Environmental Laws are in full force and effect, Premier is in compliance with all of the terms of such Permits and authorizations, and no other Permits or authorizations are required by Premier for the conduct of its business on the date hereof; (e) such Permits will not be terminated or impaired or become terminable, in whole or in part, solely as a

result of the transactions contemplated hereby; and (f) the management, handling, storage, transportation, treatment, and disposal by Premier of all Materials of Environmental Concern is and has been in compliance with all applicable Environmental Laws.

3.13.2 **Environmental Claims .** Except as set forth on Schedule 3.13 hereto, there is no Environmental Claim pending or, to the Knowledge of Premier, threatened, against or involving Premier or against any Person whose liability for any Environmental Claim Premier has or may have retained or assumed either contractually or by operation of law.

3.13.3 **No Basis for Claims .** Except as set forth on Schedule 3.13 hereto, there are no past or present actions or activities by Premier, or any circumstances, conditions, events or incidents, including the storage, treatment, release, emission, discharge, disposal or arrangement for disposal of any Material of Environmental Concern, whether or not by Premier, that could reasonably form the basis of any Environmental Claim against Premier or against any person or entity whose liability for any Environmental Claim Premier may have retained or assumed either contractually or by operation of law, including, without limitation, the storage, treatment, release, emission, discharge, disposal or arrangement for disposal of any Material of Environmental Concern or any other contamination or other hazardous condition, related to the premises at any time occupied by Premier. Without limiting the generality of the foregoing, except as set forth on Schedule 3.13 hereto, Premier has not received any notices, demands, requests for information, investigations pertaining to compliance with or liability under Environmental Law or Materials of Environmental Concern, nor, to the Knowledge of Premier, are any such notices, demands, requests for information or investigations threatened.

3.13.4 **Disclosure of Information .** Premier has made, and during the period between the date of this Agreement and the Closing Date will continue to make, available to Parent, Federal and Acquisition Sub all environmental investigations, studies, audits, tests, reviews and other analyses conducted in relation to Environmental Laws or Materials of Environmental Concern pertaining to Premier or any property or facility now or previously owned, leased or operated by Premier that are in the possession, custody, or control of Premier.

3.13.5 **Liens** . No lien imposed relating to or in connection with any Environmental Claim, Environmental Law, or Materials of Environmental concern has been filed or has been attached to any of the property or assets which are owned, leased or operated by Premier.

3.14 **No Broker's or Finder's Fees** . Except as provided for in Section 2.4.2, Premier has neither paid nor become obligated to pay any fee or commission to any broker, finder, financial advisor or intermediary in connection with the transactions contemplated by this Agreement.

3.15 **Assets Other Than Real Property .**

3.15.1 **Title** . Premier has good and marketable title to all of the Premier Assets shown on the Premier Balance Sheet, and such title is in each case free and clear of any mortgage, pledge, lien, security interest, lease or other encumbrance (collectively, " *Encumbrances* "), except for (a) assets disposed of since the date of the Premier Balance Sheet

in the ordinary course of business and in a manner consistent with past practices, (b) liabilities, obligations and Encumbrances reflected in the Premier Balance Sheet or otherwise in the Premier Financial Statements, (c) Permitted Encumbrances, and (d) liabilities, obligations and Encumbrances set forth on Schedule 3.15 hereto.

3.15.2 **Accounts Receivable** . Except as set forth on Schedule 3.15, all Premier Receivables, shown on the Estimated Closing Balance Sheet as will be confirmed on the Final Closing Balance Sheet are good, valid and existing accounts and all represent an undisputed, *bona fide* sale and delivery of goods or services. The Premier Receivables are collectible in the amount shown have been collected or are collectible in all material respects in the aggregate amount shown.

3.15.3 **Condition** . All Premier Assets are in good operating condition and repair, ordinary wear and tear excepted, and all such wear and tear taken in the aggregate is not material to Premier and does not affect Premier's obligations to perform under this Agreement.

3.16 **Real Property** .

3.16.1 **Premier Real Property** . Premier neither owns nor has owned any real property.

3.16.2 **Premier Leases** . Schedule 3.16 hereto lists all Premier Leases. Complete copies of the Premier Leases, and all material amendments thereto (which are identified on Schedule 3.16), have been made available by Premier to Parent. The Premier Leases grant leasehold estates free and clear of all Encumbrances (except Permitted Encumbrances) and no Encumbrances (except permitted Encumbrances) have been granted by or caused by the actions of Premier. The Premier Leases are in full force and effect and are binding and enforceable against each of the parties thereto in accordance with their respective terms subject to (a) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws of general application affecting the rights and remedies of creditors and (b) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law). Except as set forth on Schedule 3.16, neither Premier nor, to the Knowledge of Premier, any other party to a Premier Lease, has committed a material breach or default under any Premier Lease, nor has there occurred any event that with the passage of time or the giving of notice or both would constitute such a breach or default, nor, to the Knowledge of Premier, are there any facts or circumstances that would reasonably indicate that Premier is likely to be in material breach or default under any Premier Lease. Schedule 3.16 correctly identifies each Premier Lease the provisions of which would be materially and adversely affected by the transactions contemplated hereby and each Premier Lease that requires the consent of any third party in connection with the transactions contemplated hereby. No material construction, alteration or other leasehold improvement work with respect to the real property covered by any of Premier Leases remains to be paid for or to be performed by Premier. Except as set forth on Schedule 3.16, no Premier Lease has an unexpired term which including any renewal or extensions of such term provided for in such Premier Lease could exceed ten years.

3.16.3 **Condition** . All buildings, structures, leasehold improvements and fixtures, or parts thereof, used by Premier in the conduct of its business are in good operating

condition and repair, ordinary wear and tear excepted.

3.17 **Agreements, Contracts and Commitments.**

3.17.1 **Premier Agreements** . Except as set forth on Schedule 3.17 hereto or any other Schedule hereto, Premier is not a party to:

(a) any bonus, deferred compensation, pension, severance, profit-sharing, stock option, employee stock purchase or retirement plan, contract or arrangement or other employee benefit plan or arrangement;

(b) any employment agreement with any present employee, officer, director or consultant (or former employees, officers, directors and consultants) to the extent there remain at the date hereof obligations to be performed by Premier;

(c) any agreement for personal services or employment with a term of service or employment specified in the agreement or any agreement for personal services;

(d) any agreement of guarantee or indemnification in an amount that is material to Premier taken as a whole;

(e) any agreement or commitment containing a covenant limiting or purporting to limit the freedom of Premier to compete with any person in any geographic area or to engage in any line of business;

(f) any lease other than Premier Leases under which Premier is lessee that involves, in the aggregate, payments of $25,000 or more per annum or is material to the conduct of the business of Premier;

(g) any joint venture or profit-sharing agreement (other than with employees);

(h) except for trade indebtedness incurred in the ordinary course of business and equipment leases entered into in the ordinary course of business, any loan or credit agreements providing for the extension of credit to Premier or any instrument evidencing or related in any way to indebtedness incurred in the acquisition of companies or other entities or indebtedness for borrowed money by way of direct loan, sale of debt securities, purchase money obligation, conditional sale, guarantee, or otherwise that individually is in the amount of $25,000 or more;

(i) any license agreement, either as licensor or licensee, involving payments (including past payments) of $25,000 in the aggregate or more, or any material distributor, dealer, reseller, franchise, manufacturer’s representative, or sales agency or any other similar material contract or commitment;

(j) any agreement granting exclusive rights to, or providing for the sale of, all or any portion of the Premier Proprietary Rights;

(k) any agreement or arrangement providing for the payment of any commission based on sales other than to employees of Premier;

(l) any agreement for the sale by Premier of materials, products, services or supplies that involves future payments to Premier of more than $25,000;

(m) any agreement for the purchase by Premier of any materials, equipment, services, or supplies, that either (i) involves a binding commitment by Premier to make future payments in excess of $25,000 and cannot be terminated by it without penalty upon less than three months' notice or (ii) was not entered into in the ordinary course of business;

(n) any agreement or arrangement with any third party for such third party to develop any intellectual property or other asset expected to be used or currently used or useful in the business of Premier;

(o) any agreement or commitment for the acquisition, construction or sale of fixed assets owned or to be owned by Premier that involves future payments by it of more than $25,000;

(p) any agreement or commitment to which present or former directors, officers or Affiliates of Premier, or directors or officers of any Affiliate of any of the foregoing, are also parties;

(q) any agreement not described above (ignoring, solely for this purpose, any dollar amount thresholds in those descriptions) involving the payment or receipt by Premier of more than $25,000, other than Premier Leases;

(r) any agreement not described above that was not made in the ordinary course of business and that is material to the financial condition, business, operations, assets, results of operations or prospects of Premier; or

(s) any agreement that provides for any continuing or future obligation of Premier, involving liability to Premier of more than $25,000, actual or contingent, including but not limited to any continuing representation or warranty and any indemnification obligation, in connection with the disposition of any business or assets of Premier.

3.17.2 **Validity** . Except as set forth on Schedule 3.17, all Premier Engagements and all Premier Contracts required to be set forth on Schedule 3.17 are valid and in full force and effect; neither Premier nor, to the Knowledge of Premier, any other party thereto, has breached any provision of, or defaulted under the terms of any such Premier Engagements of Premier Contracts, except for any breaches or defaults that, in the aggregate, would not be expected to have a Premier Material Adverse Effect or have been cured or waived; and Premier has not received any "notice to cure" or a similar notice from any Governmental Entity requesting performance under any Premier Engagements or Premier Contracts between Premier and such Governmental Entity.

3.17.3 **Third-Party Consents** . Schedule 3.17 identifies each of the Premier Engagements and Premier Contracts that requires the consent of a third party in connection with the transactions contemplated hereby.

3.18 **Intellectual Property.**

3.18.1 **Right to Intellectual Property** . Except as set forth on Schedule 3.18 hereto, Premier (a) owns all patents, trademarks, trade names, service marks, copyrights, and any applications therefor, maskworks, net lists, schematics, technology, know-how, computer software programs or applications (in both source code and object code form), and tangible or intangible proprietary information or material (excluding Commercial Software) that are used in the business of Premier as currently conducted (the " *Premier Proprietary Rights* "), or (b) has a valid, perpetual, fully-paid, worldwide right to use any other patents, trademarks, service marks, copyrights, and any applications therefor, maskworks, schematics, technology, know-how, computer software programs or applications (in both source code and object code form), and tangible or intangible proprietary information or material (the " *Premier Licensed Rights* "), that are used in the business of Premier as currently conducted. The Commercial Software used in the business of Premier in each case has been acquired and used by Premier on the basis of and in accordance with a valid license which, to Premier's knowledge was acquired from the manufacturer or the dealer authorized to distribute such Commercial Software. A complete list of the Commercial Software used in the business of Premier which costs in excess of $25,000 to license or is not generally commercially available is set forth on Schedule 3.18. Premier has not received notice that it (y) is in breach of any of the terms and conditions of any such license or (z) has been infringing upon any rights of any third parties in connection with its acquisition or use of the Commercial Software.

3.18.2 **No Conflict** . Set forth on Schedule 3.18 is a complete list of all patents, trademarks, registered copyrights, trade names and service marks, and any applications therefore, included in Premier Proprietary Rights, specifying, where applicable, the jurisdictions in which each such Premier Proprietary Right has been issued or registered or in which an application for such issuance and registration has been filed, including the respective registration or application numbers and the names of all registered owners. Except as set forth on Schedule 3.18, no software product included in Premier Proprietary Rights currently marketed by Premier has been registered for copyright protection with the United States Copyright Office or any foreign offices nor has Premier been requested to make any such registration. Set forth on Schedule 3.18 is a complete list of all domain names, secure socket layer certificates and other World Wide Web certificates held in the name of Premier, which list includes all domain names used by Premier in its business. Set forth on Schedule 3.18 is a complete list of all material licenses, sublicenses and other agreements as to which Premier is a party and pursuant to which Premier or any other person is authorized to use any Premier Proprietary Right or trade secrets material to the business of Premier; such schedule includes the identity of all parties to such licenses, sublicenses and other agreements, a description of the nature and subject matter thereof, the applicable royalty and the term thereof. Premier is not in violation of any license, sublicense or agreement described on such list except such violations as do not materially impair Premier's rights under such license, sublicense or agreement. Except as disclosed in this Article 3, the execution and delivery of this Agreement by Premier, and the consummation of the transactions contemplated hereby, will neither cause Premier to be in violation or default under any such license, sublicense

or agreement, nor entitle any other party to any such license, sublicense or agreement to terminate or modify such license, sublicense or agreement. Except as set forth on Schedule 3.18, Premier is the sole and exclusive owner of, with all right, title and interest in and to (free and clear of any and all liens, claims and encumbrances, other than license rights granted in the ordinary course of business), all rights included among the Premier Proprietary Rights, and Premier has sole and exclusive rights (other than license rights granted in the ordinary course of business and is not contractually obligated to pay any compensation to any third party in respect thereof) to the use thereof or the material covered thereby in connection with the services or products in respect of which Premier Proprietary Rights are being used. No claims with respect to Premier Proprietary Rights have been asserted or, to the Knowledge of Premier, are threatened by any Person nor are there any valid grounds for any *bona fide* claims (a) to the effect that the manufacture, sale, licensing or use of any of the products of Premier as now manufactured, sold or licensed or used or proposed for manufacture, use, sale or licensing by Premier infringes on any copyright, patent, trademark, service mark, trade secret or other proprietary right, (b) against the use by Premier of any trademarks, service marks, trade names, trade secrets, copyrights, patents, technology, know-how or computer software programs and applications used in Premier's business as currently conducted or as proposed to be conducted, or (c) challenging the ownership by Premier, or the validity or effectiveness, of any of the Premier Proprietary Rights. All material registered trademarks, service marks and copyrights registered in the name of Premier are valid and subsisting in the jurisdictions in which they have been filed. To the Knowledge of Premier, there is no material unauthorized use, infringement or misappropriation of any of Premier Proprietary Rights by any third party, including any employee or former employee of Premier. No Premier Proprietary Right or product of Premier is subject to any outstanding decree, order, judgment, or stipulation restricting in any manner the licensing thereof by Premier. Except as set forth in Schedule 3.18, Premier has not entered into any agreement under which Premier is restricted from selling, licensing or otherwise distributing any of its products to any class of customers, in any geographic area, during any period of time or in any segment of the market. Premier's products, packaging and documentation contain copyright notices sufficient to maintain copyright protection on the copyrighted portions of Premier Proprietary Rights.

3.18.3 **Employee Agreements** . Except as set forth on Schedule 3.18, each employee, officer and consultant of Premier has executed a confidentiality and non-competition agreement in substantially the form attached hereto as Exhibit 3.18. To the Knowledge of Premier, no employee, officer or consultant of Premier is in violation of any term of any employment or consulting contract, proprietary information and inventions agreement, non-competition agreement, or any other contract or agreement relating to the relationship of any such employee, officer or consultant with Premier, and Premier Business Affiliate or any previous employer.

3.19 **Insurance Contracts** . Schedule 3.19 hereto lists all contracts of insurance and indemnity in force at the date hereof with respect to Premier. Such contracts of insurance and indemnity and those shown in other Schedules to this Agreement (collectively, the " *Premier Insurance Contracts* ") insure against such risks, and, to the Knowledge of Premier, are in such amounts as are appropriate and reasonable considering Premier's property, business and operations.

3.20 **Banking Relationships** . Schedule 3.20 hereto shows the names and locations of all banks and trust companies in which Premier has accounts, lines of credit or safety deposit boxes and, with respect to each account, line of credit or safety deposit box, the names of all persons authorized to draw thereon or to have access thereto.

3.21 **Intentionally Left Blank** .

3.22 **Absence of Certain Relationships** . Except as set forth on Schedule 3.22, none of (a) Premier, (b) any executive officer of Premier, (c) Bajwa, or (d) any member of the immediate family of the persons listed in (a) through (c) of this sentence, has any financial or employment interest in any subcontractor, supplier, or customer of Premier (other than holdings in publicly held companies of less than two percent (2%) of the outstanding capital stock of any such publicly held company).

3.23 **Foreign Corrupt Practices** . Neither Premier, nor any Affiliate of Premier, nor any other Person associated with or acting for or on behalf of the any of the foregoing, has directly or indirectly taken any action which would cause Premier to be in violation of the United States Foreign Corrupt Practices Act of 1977, as amended, or any rules and regulations thereunder. Neither Premier, nor any Affiliate of Premier, nor any other Person associated with or acting for or on behalf of any of the foregoing, has directly or indirectly (a) made any contribution, gift, bribe, rebate, payoff, influence payment, kick-back, or other payment to any Person, private or public, regardless of form, whether in money, property or services (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, (iii) to obtain special concessions or for special concessions already obtained, for or in respect of Premier or any Affiliate of Premier, or (iv) in violation of any law or regulation, or (b) established or maintained any fund or asset that has not been recorded in the books and records of Premier.

Article 4
REPRESENTATIONS AND WARRANTIES OF PARENT, FEDERAL AND ACQUISITION SUB

Parent, Federal and Acquisition Sub, jointly and severally, represent and warrant to Premier as follows:

4.1 **Corporate Status of Parent, Federal and Acquisition Sub** . Each of Parent, Federal and Acquisition Sub is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with the requisite corporate power to own, operate and lease its properties and to carry on its business as now being conducted.

4.2 **Authority for Agreement; Noncontravention.**

4.2.1 **Authority .** Each of Parent, Federal and Acquisition Sub has the corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the boards of directors of Parent, Federal and Acquisition Sub and no other corporate proceedings on the part of Parent, Federal or Acquisition Sub are necessary to authorize the execution and delivery of

this Agreement and the consummation of the transactions contemplated hereby. This Agreement and the other agreements contemplated hereby to be signed by Parent, Federal or Acquisition Sub have been duly executed and delivered by Parent, Federal and/or Acquisition Sub, as the case may be, and constitute valid and binding obligations of Parent, Federal and/or Acquisition Sub, as the case may be, enforceable against Parent, Federal and/or Acquisition Sub in accordance with their terms, subject to the qualifications that enforcement of the rights and remedies created hereby and thereby are subject to (a) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws of general application affecting the rights and remedies of creditors and (b) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

4.2.2 **No Conflict.** Neither execution and delivery of this Agreement by Parent, Federal or Acquisition Sub, nor the performance by Parent, Federal or Acquisition Sub of its obligations hereunder, nor the consummation by Parent, Federal or Acquisition Sub of the transactions contemplated hereby will (a) conflict with or result in a violation of any provision of the Certificate of Incorporation or by-laws of Parent, Federal or Acquisition Sub, or (b) with or without the giving of notice or the lapse of time, or both, conflict with, or result in any violation or breach of, or constitute a default under, or result in any right to accelerate or result in the creation of any lien, charge or encumbrance pursuant to, or right of termination under, any provision of any note, mortgage, indenture, lease, instrument or other agreement, Permit, concession, grant, franchise, license, judgment, order, decree, statute, ordinance, rule or regulation to which Parent, Federal, Acquisition Sub or any of Parent's other Subsidiaries is a party or by which any of them or any of their assets or properties is bound or which is applicable to any of them or any of their assets or properties. No authorization, consent or approval of, or filing with or notice to, any Governmental Entity is necessary for the execution and delivery of this Agreement Parent, Federal or Acquisition Sub or the consummation by Parent, Federal or Acquisition Sub of the transactions contemplated hereby, except for such consents, authorizations, filings, approvals and registrations which if not obtained or made would not have a Parent Material Adverse Effect.

4.3 **SEC Statements, Reports and Documents** . Parent has filed all required forms, reports, statements and documents with the SEC since July 1, 1999. The documents so filed by Parent and available in the public records of the SEC include (a) its Annual Reports on Form 10-K for the fiscal years ended June 30, 2001 and June 30, 2002, respectively, (b) its Quarterly Report on Forms 10-Q for the fiscal quarters ended September 30 and December 31, 2002, (c) all other forms, reports, statements and documents filed or required to be filed by it with the SEC since July 1, 1999, and (d) all amendments and supplements to all such reports and registration statements filed by Parent with the SEC (the documents referred to in clauses (a), (b), (c) and (d) being hereinafter referred to as the " *Parent Reports* "). The consolidated balance sheet of Parent and its subsidiaries at September 30, 2002 including the notes thereto, is hereinafter referred to as the " *Parent Balance Sheet* ." The Parent Reports and the Parent Balance Sheet are true and correct in all material respects and Premier and Bajwa are authorized to rely on the Parent Reports and the Parent Balance Sheet in deciding to enter into this Agreement and consummate the transactions contemplated hereby. Parent shall continue to cause all required forms, reports, statements and documents to be filed with the SEC and to cause such filings to be true and complete in all material respects, to and through the Closing.

4.4 **Absence of Material Adverse Changes** . Since the date of the Parent Balance Sheet, Parent has not suffered any Parent Material Adverse Effect, nor has there occurred or arisen any event, condition or state of facts of any character that would result in a Parent Material Adverse Effect.

4.5 **Litigation and Audits** . Except for any claim, action, suit or proceeding set forth on Schedule 4.5 hereto, (a) None of Parent, Federal or Acquisition Sub has received any written notice that there is any investigation by any Governmental Entity with respect to Parent, Federal or Acquisition Sub pending or, to the knowledge of Parent, Federal or Acquisition Sub, threatened, nor has any Governmental Entity indicated to Parent, Federal or Acquisition Sub in writing an intention to conduct the same, which, if adversely determined, either singly or in the aggregate, could reasonably be expected to prevent or materially delay the consummation of the transactions contemplated hereby; (b) None of Parent, Federal or Acquisition Sub has received any written notice that there is any claim, action, suit, arbitration or proceeding pending or, to the knowledge of Parent, Federal or Acquisition Sub, threatened against or involving Parent, Federal or Acquisition Sub or any of their assets or properties, at law or in equity, or before any arbitrator or Governmental Entity, that, if adversely determined, either singly or in the aggregate, could reasonably be expected to prevent or materially delay the consummation of the transactions contemplated hereby; and (c) there are no judgments, decrees, injunctions or orders of any Governmental Entity or arbitrator outstanding against Parent, Federal or Acquisition Sub that could reasonably be expected to prevent or materially delay the consummation of the transactions contemplated hereby.

4.6 **No Broker's or Finder's Fees** . None of Parent, Federal or Acquisition Sub has either paid or become obligated to pay any fee or commission to any broker, finder, financial advisor or intermediary in connection with the transactions contemplated by this Agreement with respect to which Premier or Bajwa will be liable.

4.7 **Acquisition and Opportunity to Investigate** . Parent, Federal, and Acquisition Sub acknowledge that (a) neither Premier nor Bajwa nor any of their directors, officers, employees, affiliates, agents, advisors or representatives makes or shall be deemed to have made any representations or warranties, express or implied, at law or in equity, of any kind or nature whatsoever concerning or as to the accuracy or completeness of any projections, estimates, budgets, forecasts or other forward-looking information concerning the future revenue, income, profit or other financial results or consequences of Premier or any of it's Affiliates, (b) there are uncertainties inherent in attempting to make any such projections, estimates, budgets, forecasts or forward-looking information, (c) actual results may differ materially from any such projections, estimates, budgets, forecasts or forward-looking information and (d) Parent, Federal and Acquisition Sub shall have no claim against Premier or Bajwa with respect thereto. Parent, Federal and Acquisition Sub also acknowledge that neither Premier nor Bajwa nor any of their directors, officers, employees, affiliates, agents, advisors or representatives makes or shall be deemed to have made any representations or warranties, express or implied, at law or in equity, of any kind or nature whatsoever except as expressly set forth in this Agreement.

4.8 **No Outside Reliance** . None of Parent, Federal or Acquisition Sub has relied nor is relying upon any statement or representation which is not made in this Agreement or the

Exhibits or the Schedules attached hereto, any related agreement or any certificates to be delivered to them at the Closing.

4.9 **Financing** . Acquisition Sub has sufficient funds to permit it to consummate the transactions contemplated hereby.

Article 5
C ONDUCT P RIOR T O T HE C LOSING D ATE

5.1 **Conduct of Business of Premier** . Except as set forth on Schedule 5.1 hereto, between the date of this Agreement and the Closing Date or the date, if any, on which this Agreement is earlier terminated pursuant to its terms, Premier shall, unless otherwise required by law and except to the extent that Parent shall otherwise consent in writing (such consent not to be unreasonably withheld), (a) carry on its business in the usual, regular and ordinary course in substantially the same manner as heretofore conducted, pay its debts and taxes when due subject to good faith disputes over such debts or taxes, pay or perform other material obligations when due, except when subject to good faith disputes over such obligations, and use all commercially reasonable efforts consistent with past practices and policies to preserve intact its present business organizations, keep available the services of its present officers and employees and preserve its relationships with customers, suppliers and others having business relationships with it, to the end that Premier's goodwill and ongoing business shall be unimpaired at the Closing Date, and (b) promptly notify Parent of any event or occurrence which will have or could reasonably be expected to have a Premier Material Adverse Effect. In addition, between the date of this Agreement and the Closing Date or the date, if any, on which this Agreement is earlier terminated pursuant to its terms, Premier shall not, unless otherwise required by law and except as set forth on Schedule 5.1 hereto or to the extent that Parent shall otherwise consent in writing (such consent not to be unreasonably withheld):

(a) amend its charter documents or by-laws;

(b) declare or pay any dividends or distributions on its outstanding shares of capital stock or purchase, redeem or otherwise acquire for consideration any shares of its capital stock or other securities, except in accordance with agreements existing as of the date hereof and except as will not cause the Net Assets of Premier to be less than $11,000,000; nevertheless, should Premier declare or pay any dividends or distributions on its outstanding shares of capital stock or purchase, redeem or otherwise acquire for consideration any shares of its capital stock or other securities, Premier promptly shall notify Acquisition Sub of the same;

(c) issue or sell any shares of its capital stock, effect any stock split or otherwise change its capitalization as it exists on the date hereof, or issue, grant, or sell any options, stock appreciation or purchase rights, warrants, conversion rights or other rights, securities or commitments obligating it to issue or sell any shares of its capital stock, or any securities or obligations convertible into, or exercisable or exchangeable for, any shares of its capital stock, other than the issuance of shares of Premier Common Stock pursuant to the conversion, exercise or exchange of securities therefore outstanding

as of the date hereof in accordance with their terms.

(d) borrow or agree to borrow any funds or voluntarily incur, or assume or become subject to, whether directly or by way of guaranty or otherwise, any obligation or Liability, except obligations incurred in the ordinary course of business consistent with past practices and except with respect to the borrowing of funds to be used to fund dividends or distributions permitted pursuant to Section 5.1 (b);

(e) pay, discharge or satisfy any claim, obligation or Liability in excess of $25,000 (in any one case) or $50,000 (in the aggregate), other than the payment, discharge or satisfaction in the ordinary course of business of obligations reflected on or reserved against in the Premier Balance Sheet, or incurred since the date of the Premier Balance Sheet in the ordinary course of business consistent with past practices or in connection with this transaction;

(f) except as required by applicable law, adopt or amend in any material respect, any agreement or plan (including severance arrangements) for the benefit of its employees;

(g) sell, mortgage, pledge or otherwise encumber or dispose of any of its assets which are material, individually or in the aggregate, to the business of Premier, except in the ordinary course of business consistent with past practices;

(h) acquire by merging or consolidating with, or by purchasing any equity interest in or a material portion of the assets of, any business or any corporation, partnership interest, association or other business organization or division thereof, or otherwise acquire any assets which are material, individually or in the aggregate, to the business of Premier, except in the ordinary course of business consistent with past practices;

(i) increase the following amounts payable or to become payable: (i) the salary of any of its directors or officers, other than increases in the ordinary course of business consistent with past practices and not exceeding, in any case, five percent (5%) of the director's or officer's salary on the date hereof, (ii) any other compensation of its directors or officers, including any increase in benefits under any bonus, insurance, pension or other benefit plan made for or with any of those persons, other than increases that are provided in the ordinary course of business consistent with past practices to broad categories of employees and do not discriminate in favor of the aforementioned persons, and (iii) the compensation of any of its other employees, consultants or agents except (A) in the ordinary course of business consistent with past practices (B) as required pursuant to the those certain retention agreements by and between Premier and certain employees of Premier, including without limitation, Harry Thornsvard, Chuck Mudd and John Davis, copies of which have been furnished to Acquisition Sub; nevertheless, should Premier increase the compensation of any of its employees, consultants or agents, Premier promptly shall notify Acquisition Sub of such action as will not cause the Net Assets of Premier to be less than $11,000,000 (c) as will not cause the Net Assets of Premier to be less than $11,000,000.

(j) dispose of, permit to lapse, or otherwise fail to preserve its rights to use the Premier Proprietary Rights or enter into any settlement regarding the breach or infringement of, any Premier Proprietary Rights, or modify any existing rights with respect thereto, other than in the ordinary course of business consistent with past practices, and other than any such disposal, lapse, failure, settlement or modification that does not have and could not reasonably be expected to have a Premier Material Adverse Effect;

(k) sell, or grant any right to exclusive use of, all or any part of the Premier Proprietary Rights;

(l) enter into any contract or commitment or take any other action that is not in the ordinary course of its business or could reasonably be expected to have an adverse impact on the transactions contemplated hereunder or that would have or could reasonably be expected to have a Premier Material Adverse Effect;

(m) amend in any material respect any agreement to which it is a party, the amendment of which will have or could reasonably be expected to have a Premier Material Adverse Effect;

(n) waive, release, transfer or permit to lapse any claim or right (i) that has a value, or involves payment or receipt by it, of more than $25,000 or (ii) the waiver, release, transfer or lapse of which would have or could reasonably be expected to have a Premier Material Adverse Effect;

(o) take any action that would decrease Premier's Net Assets below $11,000,000; nevertheless, should Premier take and action that would materially decrease Premier's Net Assets, Premier shall promptly notify Acquisition Sub of such action;

(p) make any change in any method of accounting or accounting practice other than changes required to be made in order that Premier's financial statements comply with GAAP; or

(q) agree, whether in writing or otherwise, to take any action described in this Section 5.1.

Notwithstanding the foregoing, between the date of this Agreement and the Closing Date Premier may distribute to Bajwa the assets listed on Schedule 2.2.

5.2 **Conduct of Business of Parent** . Between the date of this Agreement and the Closing Date or the date, if any, on which this Agreement is earlier terminated pursuant to its terms, none of Parent, Federal or Acquisition Sub shall, except to the extent that Premier shall otherwise consent in writing (such consent not to be unreasonably withheld), take any action that would materially impair Acquisition Sub's ability to pay the aggregate Purchase Price or otherwise to perform its obligations under this Agreement. Further, between the date of this Agreement and the Closing Date or the date, if any, on which this Agreement is earlier terminated pursuant to its terms, Parent, Federal and Acquisition Sub shall, except to the extent that Premier shall otherwise consent in writing (such consent not to be unreasonably withheld)

promptly notify Premier of any event or occurrence which will have or could reasonably be expected to have an adverse effect on the ability of Acquisition Sub, Federal or Parent to pay the aggregate Purchase Price and otherwise to perform their respective obligations hereunder.

Article 6
ADDITIONAL AGREEMENTS

6.1 **Exclusivity** . From and after the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement in accordance with Article 9 hereof, neither Premier nor Bajwa will, directly or indirectly, through their respective affiliates, agents, officers and directors, directly or indirectly, solicit, initiate, or participate in discussions or negotiations or otherwise cooperate in any way with, or provide any information to, any corporation, partnership, person, or other entity or group concerning any tender offer, exchange offer, merger, business combination, sale of substantial assets, sale of shares of capital stock, or similar transaction involving Premier or any Premier Business Affiliate (all such transactions being referred to herein as " *Acquisition Proposals* "). Notwithstanding the foregoing, in the event that Premier at any time from and after the date of this Agreement and before the earlier of the Closing Date or the termination of this Agreement in accordance with Article 9 hereof, accepts an Acquisition Proposal from any person or entity other than Parent, Parent shall be entitled, providing that none of Parent, Federal and Acquisition Sub is not in a material breach of any of its obligations hereunder, upon demand submitted in a form of a notice to Premier (the " *Parent Demand Notice* ") to the payment of the sum of $250,000. Premier shall make such payment within ten (10) days of its receipt of such Parent Demand Notice. In the event that any of Parent, Federal or Acquisition Sub at any time from and after the date of this Agreement and before the earlier of the Closing Date or the termination of this Agreement in accordance with Article 9 hereof, terminates this Agreement for any reasons other than as allowed by this Agreement, Premier shall be entitled, providing that neither Premier nor Bajwa is in a material breach of any of its obligations hereunder, upon demand submitted in a form of a notice to Parent (the " *Premier Demand Notice* ") to the payment of the sum of $250,000. Parent shall make such payment within ten (10) days of its receipt of such Premier Demand Notice. The provisions in this Section 6.1 shall take precedence over any provisions in the Letter of Intent regarding the matters set forth in this Section 6.1.

6.2 **Expenses .**

6.2.1 **General .** Except as provided in this Section 6.2, each party hereto shall be responsible for its own costs and expenses in connection with the Transaction, including fees and disbursements of consultants, brokers, finders, investment bankers and other financial advisors, counsel and accountants (" *Expenses* ").

6.2.2 **Broker Fees.** At the Closing, Acquisition Sub shall pay to Broker an amount to be designated in writing by Premier to Acquisition Sub, which amount shall be deducted from the Direct Payment due to Premier at the Closing.

6.2.3 **Attorney Fees.** At the Closing, Acquisition Sub shall pay to Premier's Counsel an amount to be designated in writing by Premier to Acquisition Sub, which amount shall be deducted from the Direct Payment due Premier at the Closing.

6.2.4 **Accountant Fees.** At the Closing, Acquisition Sub shall pay to Premier's Accountant an amount to be designated in writing by Premier to Acquisition Sub, which amount shall be deducted from the Direct Payment due to Premier at the Closing.

6.3 **Indemnification** . Subject to the terms of this Section 6.3, from and after the Closing Date, Parent, Federal and Acquisition Sub, each of their respective Subsidiaries and Affiliates and their respective directors, officers, employees, Affiliates, representatives, successor and assigns (collectively " *Parent Indemnified Parties* ") shall be entitled to payment and reimbursement from Premier, Bajwa or either of their respective successors (the " *Parent Indemnifying Group* ") of the amount of any Loss suffered, incurred or paid by any Parent Indemnified Party (subject to subsection 6.3.3), by reason of, in whole or in part, any misrepresentation or inaccuracy in, or breach of, any representation or warranty made by Premier or Bajwa in this Agreement or any Exhibits or Schedules hereto or the certificates delivered pursuant to this Agreement or the breach or nonperformance of any covenant or obligation to be performed by Premier or Bajwa hereunder or enforcing the indemnification provided for hereunder. Subject to the terms of this Section 6.3, from and after the Closing Date, Premier, Bajwa and each of their representatives directors, officers, employees, Affiliates, successors, assigns and legal representatives (collectively the " *Premier Indemnified Parties* ") shall be entitled to payment and reimbursement from Parent, Federal and Acquisition Sub and their successors (the " *Premier Indemnifying Group* ") of the amount of Loss suffered incurred or paid by any Premier Indemnified Party (subject to subsection 6.3.3) by reason of, in whole or in part, any misrepresentation or inaccuracy in, or breach of any representation or warranty made by Parent, Federal or Acquisition Sub in this Agreement or any Exhibits or Schedules hereto or the certificates delivered pursuant to this Agreement, the breach or nonperformance of any covenant or obligation to be performed by Parent, Federal or Acquisition Sub hereunder or under any agreement executed in connection herewith, any matter arising out of the business of Acquisition Sub, any liability or obligation of, or claim against, Premier Indemnified Parties with respect to the Premier Assets or the Premier Obligations relating to any period after the Closing Date or enforcing the indemnification provided for hereunder.

6.3.1 **Claims for Indemnification.** Upon obtaining knowledge of any facts, claim or demand which has given rise to, or could reasonably give rise to, a claim for indemnification hereunder (referred to herein as an " *Indemnification Claim* "), the party seeking indemnification hereunder, the Parent Indemnified Party or the Premier Indemnified Party, as the case may be (the " *Indemnified Party* "), shall promptly give written notice of such facts, claim or demand (" *Notice of Claim* ") to the party from whom indemnification is sought, the Parent Indemnifying Group or the Premier Indemnifying Group, as the case may be (the " *Indemnifying Party* "). So long as the Notice of Claim is given by the Indemnified Party in the Claims Period specified in Section 6.3.4, no failure or delay by the Indemnified Party in the giving of a Notice of Claim shall reduce or otherwise affect the Indemnified Party's right to indemnification except to the extent that the Indemnifying Party has been prejudiced thereby.

6.3.2 **Defense by Indemnifying Party.** In the event of a claim or demand asserted by a third party (a " *Third Party Claim* "), the Indemnifying Party shall have the right, but not the obligation, exercisable by written notice to the Indemnified Party within 10 days of the date of the Notice of Claim concerning the commencement or assertion of any Third Party Claim, to participate in the defense of such Third Party Claim. If the Indemnifying Party gives such notice of intent to defend, the Indemnifying Party shall assume the defense thereof as follows: (a) the Indemnifying Party will defend the Indemnified Party against the matter with counsel compensated by and chosen by the Indemnifying Party, which choice of counsel shall be subject to the reasonable satisfaction of the Indemnified Party; (b) the Indemnified Party may retain separate co-counsel at the sole cost and expense of Indemnified Party; (c) the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the matter without the written consent of the Indemnifying Party; and (d) the Indemnifying Party will not consent to the entry of any judgment with respect to the matter, or enter into any settlement that does not include a provision whereby the plaintiff or claimant in the matter releases the Indemnified Party from all liability with respect thereto, without the written consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed. If, however, (y) no Indemnifying Party notifies the Indemnified Party within 10 days after the Indemnified Party has given notice of the matter, that the Indemnifying Party is assuming the defense thereof, or (z) the maximum liability under such Third Party Claim is less than the available indemnification amount for the Indemnifying Party (after taking into account the amount of all other claims for which the Indemnifying Party may be or may be claimed to be liable and any limitations contained in Section 6.3.3 hereof), then the Indemnified Party shall defend against, or enter into any settlement with respect to the matter. The Indemnified Party shall not settle such Third Party Claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed.

6.3.3 **Limitation on Liability for Indemnity.**

(b) The Parent Indemnified Parties shall not be entitled to indemnification from the Parent Indemnifying Group pursuant to this Section 6.3 until the aggregate amount of all Losses suffered by the Parent Indemnified Parties exceeds $150,000 (including attorney's fees and expenses incurred in connection therewith and assuming, solely for the purpose of such calculation, the deletion of all qualifications as to materiality) (the " *Parent Indemnity Deductible* ") whereupon the Parent Indemnified Parties shall be entitled to indemnification hereunder for the aggregate amount of all of such Losses suffered by the Parent Indemnified Parties or any Parent Indemnified Party, less the Parent Indemnity Deductible of $150,000.

(c) The Premier Indemnified Parties shall not be entitled to indemnification from the Premier Indemnifying Group pursuant to this Section 6.3 until the aggregate amount of all Losses suffered by the Premier Indemnified Parties exceeds $150,000 (including attorney's fees and expenses incurred in connection therewith and assuming, solely for the purpose of such calculation, the deletion of all qualifications as to materiality) (the " *Premier Indemnity Deductible* ") whereupon the Premier Indemnified Parties shall be entitled to indemnification hereunder for the aggregate amount of all of such Losses suffered by the Premier Indemnified Parties or any Premier Indemnified Party, less the Premier Indemnity Deductible of $150,000.

(d) The aggregate liability of the Parent Indemnifying Group for indemnification under this Section 6.3 shall not exceed $5,000,000. The Premier Indemnifying Group's aggregate liability for indemnification under this Section 6.3 shall not exceed $5,000,000. Provided that Parent, Federal and Acquisition Sub are not otherwise in default of their obligations under Section 2.4 above, then to the extent that the amount then held in the Escrow is sufficient, the amount that a Parent Indemnified Party is entitled receive in indemnification hereunder, or such lesser amount as is then held in the Escrow, shall be released from the Escrow and paid to such Parent Indemnified Party in partial (if the amount then held in the Escrow is less than the amount such Parent Indemnified Party is entitled receive in indemnification hereunder) or full satisfaction of the Premier Indemnifying Group's obligation hereunder, as the case may be.

6.3.4 **Claims Period.** Any claim for indemnification under this Section 6.3 must be asserted by written notice on or before the date that is 18 months after the Closing Date.

6.3.5 **Subrogation.** Upon making an indemnity payment pursuant to this Agreement, the Indemnifying Party will, to the extent of such payment, be subrogated to all rights of the Indemnified Party against any third party in respect of the damages to which the payment is related. Without limiting the generality of any other provision hereof, each such Indemnified Party and Indemnifying Party will duly execute upon request all instruments reasonably necessary to evidence and perfect the above described subrogation rights.

6.3.6 **Exclusive Remedies.** The remedies provided for in this Agreement shall be the sole and exclusive remedies of the parties and their respective officers, directors, employees, affiliates, agents, representatives, successors and assigns for any breach of or inaccuracy in any representation or warranty contained in this Agreement or any certificate delivered at Closing, provided, however, that nothing herein is intended to waive any claims for fraud or willful misconduct or waive any equitable remedies to which a party may be entitled.

6.3.7 **No Double Recovery.** Notwithstanding anything herein to the contrary, no party shall be entitled to indemnification or reimbursement under any provision of this Agreement for any amount to the extent such party or its Affiliate has been indemnified or reimbursed for such amount under any other provision of this Agreement the Exhibits or Schedules attached hereto, or any document executed in connection with this Agreement or otherwise.

6.3.8 **Treatment of Indemnity Payments Between the Parties** . Unless otherwise required by applicable law, all indemnification payments shall constitute adjustments to the Purchase Price for all Tax purposes, and no party shall take any position inconsistent with such characterization.

6,3,9 **Duty to Mitigate** . Each party hereto agrees to use commercially reasonable efforts to mitigate any damages which form the basis of any claim hereunder.

6.4 **Access and Information** . Premier shall afford to Parent, Federal, Acquisition Sub and to a reasonable number of their respective officers, employees, accountants, counsel and

other authorized representatives full and complete access, upon reasonable advance telephone notice, during regular business hours, throughout the period prior to the earlier of the Closing Date or the termination of this Agreement pursuant to its terms, to Premier's offices, properties, books and records, and Premier shall use reasonable efforts to cause its representatives and independent public accountants to furnish to Parent such additional financial and operating data and other information as to its business, customers, vendors and properties as Parent may from time to time reasonably request. Parent, Federal and Acquisition Sub and their respective officers, employees, accountants, counsel and other authorized representatives shall be required to maintain the confidentiality of the information and documents regarding Premier received and reviewed by them in accordance with this Agreement. Notwithstanding the foregoing, all visits to any office of Premier will be coordinated and conducted so as to not be disruptive to the operations of Premier and to preserve the confidentiality of the transactions contemplated hereby. In addition, with the prior consent of Premier, Parent, Federal and Acquisition Sub shall be permitted to meet with Premier's employees and with Premier's significant customers, with the format of such meetings and the items of discussion to be agreed to by Premier and Parent, Federal and Acquisition Sub in advance of such meetings.

6.5 **Public Disclosure** . Immediately following the execution of this Agreement, Parent shall disseminate the press release attached hereto as Exhibit 6.5. Except as otherwise required by law, Parent shall make no other public disclosure of information regarding the transactions contemplated herein prior to the Closing without the consent of Premier, which consent shall not be unreasonably withheld or delayed. Premier and Parent agree that each party's non-disclosure obligations contained in Section 11 of the Letter of Intent shall remain in full force and effect in accordance with the terms thereof and hereof.

6.6 **Further Assurances** .

6.6.1 **Generally.** Subject to terms and conditions herein provided and to the fiduciary duties of the board of directors and officers or representatives of any party, each of the parties agrees to use its commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective this Agreement and the transactions contemplated hereby. In case at any time any further action, including, without limitation, the obtaining of waivers and consents under any agreements, material contracts or leases and the execution and delivery of any licenses or sublicenses for any software, is necessary, proper or advisable to carry out the purposes of this Agreement, the proper officers and directors or representatives of each party to this Agreement are hereby directed and authorized to use commercially reasonable efforts to effectuate all required action.

6.6.2 **Novation of Contracts.** Each party agrees to use commercially reasonable efforts to effect the novation of each of the Premier Engagements with a Governmental Entity that may require novation under its terms or under applicable laws or regulations, and further agrees to provide all documentation necessary to effect each such novation, including, without limitation, all instruments, certifications, requests, legal opinions, audited financial statements, and other documents required by Part 42 of the Federal Acquisition Regulation to effect a novation of any contract with the Government of the United States. In particular and without limiting the generality of the foregoing, Premier and Bajwa shall continue

to communicate with responsible officers of the Government of the United States from time to time as may be appropriate and permissible, to request speedy action on any and all requests for consent to novation. Notwithstanding the foregoing, neither Premier nor Bajwa makes any representation or warranty that any such novation of any of the Premier Engagements with a Governmental Entity will in fact be obtained.

6.7 **Tax Matters**

6.7.1 **Allocation of Purchase Price.** Acquisition Sub, Premier and Bajwa agree that the Purchase Price and the liabilities of Premier (plus other relevant items) will be allocated to the Premier Assets and the Premier Obligations for all purposes (including Tax and financial accounting purposes) in a manner consistent with an allocation schedule to be jointly prepared by Acquisition Sub and Premier on or before the Closing, which allocation schedule shall be made based upon the fair market values of the applicable Premier Assets and Premier Obligations. Acquisition Sub and Premier shall prepare such allocation schedule in accordance with Code section 1060 and the Treasury regulations thereunder. Acquisition Sub, Premier and Bajwa will file all Tax Returns (including amended returns and claims for refund) and information reports (including without limitation Form 8594) in a manner consistent with such allocation schedule and will take no position and will cause their Affiliates to take no position inconsistent with the allocation schedule and Form 8594 for any Tax purposes.

6.7.2 **Cooperation on Tax Matters.**

(a) Acquisition Sub, Premier and Bajwa shall cooperate fully, as and to the extent reasonably requested by any party, in connection with the filing of Tax Returns and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Premier and Bajwa agree (i) to retain all books and records with respect to Tax matters pertinent to Premier relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and (ii) to give Acquisition Sub reasonable written notice prior to transferring, destroying or discarding any such books and records and, if Acquisition Sub so requests, allow Acquisition Sub to take possession of such books and records.

(b) Acquisition Sub, Premier and Bajwa further agree, upon request, to use commercially reasonable efforts to obtain any certificate or other document from any governmental authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby).

6.7.3 **Certain Taxes** . All transfer, documentary, sales, use, stamp, registration

and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement shall be paid one-half (1 / 2) by Acquisition Sub and one-half (1 / 2) by Premier and/or Bajwa (the " *Selling Group* ") when due, and the Selling Group will, at its own expense, prepare and file all necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, use, stamp, registration and other Taxes and fees, and, if required by applicable law, Acquisition Sub will, and will cause its Affiliates to, join in the execution of any such Tax Returns and other documentation.

6.8 **Notification** . From the date hereof until the Closing Date, Premier shall promptly disclose to Parent and Acquisition Sub in writing any material variances from the representations and warranties contained in Article 3 promptly upon discovery thereof, in the form of "Updated Schedules" delivered to Parent, Federal and Acquisition Sub. From the date hereof until the Closing Date, Parent, Federal and Acquisition Sub shall promptly disclose to Premier in writing any material variances from Parent's, Federal's and Acquisition Sub's representations and warranties contained in Article 4.

6.9 **Accounts Receivable** . Effective as of the Closing, except as otherwise required by the Subcontract Agreement, Premier hereby irrevocably constitutes and appoints Acquisition Sub its true and lawful attorney-in-fact, with full power of substitution, in its name, place and stead to endorse the name of Premier on any checks and other remittances received on account of the Premier Receivables and the Premier Work-In-Process and to perform all other acts necessary or desirable to collect the Premier Receivables and amounts received with respect to the Premier Work-In-Process for the account of Acquisition Sub. In accordance with the Transition Services Agreement attached hereto as Exhibit G, Premier agrees that it shall promptly after receipt after the Closing, transfer and deliver to Acquisition Sub any cash or other property that Premier may receive in respect of such Premier Receivables or on account of the Premier Work-In-Process, and any mail, checks or other documents received by Premier relating to any of the Premier Assets or Premier Obligations transferred to Acquisition Sub hereunder, such cash, property, mail, checks and documents to be delivered in the form and condition in which received, except for the opening of any envelope or package. Premier shall use its commercially reasonable efforts to assist Acquisition Sub in the collection of the Premier Receivables and all amounts receivable on account of the Premier Work- In-Process after the Closing to the extent requested by Acquisition Sub.

Acquisition Sub agrees to diligently bill the unbilled portions of the Premier Receivables and pursue the collection of the Premier Receivables after the Closing. The parties hereto agree that none of the Premier Receivables shall be deemed to be uncollectible, such that Premier is deemed to have breached the representation and warranty by Premier in Section 3.15.2 that all of the Premier Receivables, less any allowances for doubtful accounts reflected in the Estimated Closing Balance Sheet, are collectible, until such Premier Receivables remain uncollected twelve (12) months after the Closing Date. Upon seeking payment for an uncollectable receivable from Premier or Stockholder, Acquisition Sub shall provide to Premier or Stockholder on a monthly basis information relating to the receivable and Acquisition Sub's collection effort of such receivable. Stockholder may contact Luther Bell, CACI Director of Cash Management and Harry Thornsvard, or if such individual(s) are no longer employed by Federal or Acquisition Sub, a Federal designated successor regarding Acquisition Sub's collection efforts of Premier accounts receivable. In the event that Acquisition Sub collects an unrecoverable receivable after

recovering such unrecoverable receivable from Premier or Stockholder, Acquisition Sub shall promptly remit such collection amounts to Premier or Stockholder.

6.10 **Change of Name** . Concurrently with the Closing, Premier shall take all action required to change its name to a name having no relationship to "Premier Technology Group, Inc." or any other name used in the Business; provided, however, that Premier shall be able to retain and use the name "Premier Technology Group, Inc." during the term of the Subcontract Agreement.

6.11 **Preservation of Goodwill** . Premier and Bajwa shall use their respective commercially reasonable efforts to aid Acquisition Sub in establishing itself as the new owner and operator of the Premier Assets and the Business and, in connection therewith, shall use their respective commercially reasonable efforts to maintain their goodwill and reputation with the suppliers, clients and creditors of Premier and any others having business relations with them and in the business community generally.

6.12 **Employees** .

6.12.1 **General.**

(a) Subject to the Closing of the transactions contemplated by this Agreement, Acquisition Sub shall offer employment to the employees of Premier and the Premier Business Affiliates and Acquisition Sub and Federal shall use commercially reasonable efforts to cause such employees to accept such offers of employment. The employees of Premier and the Premier Business Affiliates shall be eligible to receive employee benefits and base salary that in the aggregate are substantially comparable to the employee benefits and base salary currently provided to them by Premier or Premier's Affiliates. All employees of Premier or Premier Business Affiliates shall receive full credit for any service they performed for and on behalf of Premier or Premier Business Affiliates for purposes of eligibility to participate, accrual of benefits, and vesting schedules under any of CACI Acquisition Sub and Federal employee benefit plans, vacation, service awards and/or programs.

6.12.2 **Employee Benefits.** Premier 401(k) Plans. Premier shall retain full responsibility for the continued administration or termination of its 401(k) plans. No assets or liabilities with respect to the Business employees shall be transferred as a result of this Agreement from any retirement Plan of Premier (defined contribution and defined benefit) to any plan maintained or established by Acquisition Sub. Premier shall retain all obligations to fund or otherwise provide benefits accrued on or before the Closing Date by the employees under Premier's retirement Plans. Acquisition Sub shall have no obligations with respect to Premier's qualified retirement Plans, provided that nothing in this Agreement shall prohibit rollovers pursuant to Section 402(c) of the Code.

6.12.3 Parent hereby agrees that, with the approval of the plan administrator of the Parent's tax-qualified 401(k) plan (the "Parent's 401(k) Plan"), which approval will not be unreasonably withheld, Parent will cause the Parent's 401(k) Plan to accept rollovers or direct rollovers of "eligible rollover distributions" within the meaning of Section 402(c) of the Code

made with respect to Premier's employees pursuant to the Premier's 401(k) Plan by reason of the transactions contemplated by this Agreement. Rollover amounts contributed to the Parent's 401(k) Plan in accordance with this Section 6.12.3 shall at all times be 100% vested and shall be invested in accordance with the provisions of the Parent's 401(k) Plan.

6.12.4 CACI Acquisition Sub shall offer medical and dental insurance to the former employees of Premier and Premier's Business Affiliates hired by CACI in accordance with its customary employment practices.

6.12.5 **Cooperation.** Premier and Acquisition Sub shall cooperate and provide such information as may reasonably be necessary with respect to each of the actions contemplated in this Section, including, without limitation, the procurement of any required approvals from Governmental Entities.

6.12.6 **Obligations.** It is intended by the parties that the responsibilities, liabilities, and covenants assumed or agreed to by Acquisition Sub pursuant to this Section 6.12.4 shall also bind any assignee or Affiliate of Acquisition Sub to which all or substantially all of the Business is transferred, and Acquisition Sub agrees to cause any such assignee or Affiliate to observe the provisions and covenants of this Section.

6.13 **Earn Out Payments** .

6.13.1 **Payment and Dispute Procedure.** Payment of the earn-out shall be in accordance with Section 2.4.4 of the Agreement. In the event that Bajwa disagrees with Acquisition Sub's determination, Bajwa shall notify Acquisition Sub within 30 days of his objections and the basis therefor. If an objection is made Acquisition Sub and Bajwa will negotiate in good faith to reach an agreement regarding the matters in dispute. Resolution of any disputes shall be in accordance with the procedures set forth in Section 2.8.4.

6.13.2 **Indefeasability of Earn-Out Payments.** The obligation of Parent, Federal and Acquisition Sub under Section 2.4.4 hereof to make any ear-out payment upon reaching the targets provided therein shall not be affected by the death or disability of Bajwa, or the termination of any continuing relationship between Bajwa and Premier, Acquisition Sub, Federal and/or Parent for any reason. In the event that Parent, Federal or Acquisition Sub sell the DCSINT contract or the CASCOM contract which are the subject of the earn-out in Section 2.4.4 in a transaction other than the purchase of all the outstanding stock of Parent or substantially all the assets of Parent, within two (2) years of the Closing Date, Parent shall pay Bajwa all outstanding payments remaining under the earn-out with respect to the applicable contract.

Article 7
C ONDITIONS P RECEDENT

7.1 **Conditions Precedent to the Obligations of Each Party** . The obligations of the parties hereto to effect the Transaction shall be subject to the fulfillment at or prior to the Closing of the following conditions, any of which conditions may be waived in writing prior to Closing by the party for whose benefit such condition is imposed:

7.1.1 **No Illegality** . There shall not have been any action taken, and no statute, rule or regulation shall have been enacted, by any state, federal or other (including foreign) government agency since the date of this Agreement that would prohibit or materially restrict the Transaction or any other material transaction contemplated hereby.

7.1.2 **No Injunction** . No injunction or restraining or other order issued by a court of competent jurisdiction that prohibits or materially restricts the consummation of the Transaction contemplated hereby shall be in effect (each party agreeing to use all reasonable efforts to have any injunction or other order immediately lifted), and no action or proceeding shall have been commenced or threatened in writing seeking any injunction or restraining or other order that seeks to prohibit, restrain, invalidate or set aside consummation of the transactions contemplated hereby.

7.1.3 **Escrow Agreement** . Each of the parties hereto, together with the Escrow Agent, shall have entered into the Escrow Agreement.

7.1.4 **Subcontract Agreement** . Each of the applicable parties shall have entered into the Subcontract Agreement.

7.2 **Conditions Precedent to Obligation of Parent, Federal and Acquisition Sub to Consummate the Transaction** . The obligation of Parent, Federal and Acquisition Sub to consummate the Transaction shall be subject to the fulfillment at or prior to the Closing of the following additional conditions, any of which conditions may be waived in writing by Parent, Federal or Acquisition Sub prior to Closing:

7.2.1 **Representations and Warranties** . The representations and warranties of Premier contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date, except for changes contemplated by this Agreement (including those changes permitted under Section 5.1 hereof) and except for those representations and warranties which address matters only as of a particular date (which shall remain true and correct as of such date), with the same force and effect as if made on and as of the Closing Date, except, in all such cases, for such breaches, inaccuracies or omissions of such representations and warranties which have neither had, nor reasonably would be expected to have, a Premier Material Adverse Effect (it being understood that, for purposes of determining the accuracy of such representations and warranties, any update of or modifications to the Schedules made or purported to have been made after execution of this Agreement, including the Updated Schedules, shall be disregarded); and Premier and Bajwa shall have delivered to Parent a certificate to that effect, dated the Closing Date and signed on behalf of Premier by the President and Chief Financial Officer of Premier as well as by Bajwa in his individual capacity.

7.2.2 **Agreements and Covenants** . Premier shall have performed in all material respects all of its agreements and covenants set forth herein that are required to be performed at or prior to the Closing Date; and Premier and Bajwa shall have delivered to Parent a certificate to that effect, dated as of the Closing Date and signed on behalf of Premier by the President and Chief Financial Officer of Premier as well as by Bajwa in his individual capacity.

7.2.3 **Legal Opinion** . Parent, Federal and Acquisition Sub shall have received

an opinion from Holland & Knight LLP, counsel to Premier in substantially the form attached hereto as Exhibit B.

7.2.4 **Closing Documents** . Premier and Bajwa shall have delivered to Parent the closing certificate described hereafter in this paragraph and such closing documents as the Parent shall reasonably request (other than additional opinions of counsel). The closing certificate, dated as of the Closing Date, duly executed by Premier's secretary, shall certify as to (a) the signing authority, incumbency and specimen signature of the signatories of this Agreement and other documents signed on behalf of Premier in connection herewith, (b) the resolutions adopted by the board of directors of Premier authorizing and approving the execution, delivery and performance of this Agreement and the other documents executed in connection herewith and the consummation of the transactions contemplated hereby and thereby and state that such resolutions have not been modified, amended, revoked or rescinded and remain in full force and effect, and (c) the charter documents and by-laws of Premier.

7.2.5 **Third Party Consents** . All third party consents or approvals listed in Schedule 7.2.5 hereto shall have been obtained by Premier and shall be effective and shall not have been suspended, revoked, or stayed by action of any such third party.

7.2.6 **Diligence Review** . Parent and its accountants and attorneys shall have conducted prior to the date of this Agreement a diligence investigation of all matters related to the Business of Premier deemed relevant by Parent or its accountants and attorneys to such diligence investigation, and the results of such diligence investigation shall have been satisfactory to Parent in its sole discretion. Parent shall after the date of this Agreement use its commercially reasonable efforts to continue and complete its diligence investigation solely with respect to its entitlement to meet with Premier's employees and with Premier's significant customers, with the format of such meetings and the items of discussion to be agreed to by Premier and Parent, Federal and Acquisition Sub in advance of such meetings, and its review pursuant to Section 7.2.10 herein.

7.2.7 **Non-Compete, Non-Solicitation and Non-Disturbance Agreements** . Premier shall have entered into a non-compete, non-solicitation and non-disturbance agreement with Bajwa in substantially the form of Exhibit C, with Neelima Bajwa in substantially the form of Exhibit D and with Bruce E. Jesson substantially the form of Exhibit E.

7.2.8 **Employment Agreements** . Acquisition Sub shall have entered into an employment agreement in the Form of Exhibit F with (a) at least 24 of the key employees listed on Schedule 7.2.8(a), and (b) at least 95% of the persons employed by Premier and the Premier Business Affiliates as of the date of the execution of the Agreement other than the administrative employees as listed on Schedule 7.2.8 (b).

7.2.9 **Review of Contracts in Place** . By May 7, 2003, Acquisition Sub shall have had the opportunity to review all documentation regarding the Premier Engagements in the location where such documentation is maintained by Premier, and may not close if any information found in such documentation in Acquisition Sub's reasonable discretion, shall have a Premier Material Adverse Effect.

7.2.10 **Material Adverse Effect** . Since the date of this Agreement, Premier shall not have suffered a Premier Material Adverse Effect.

7.3 **Conditions to Obligations of Premier and Bajwa to Consummate the Transaction** . The obligation of Premier and Bajwa to consummate the Transaction shall be subject to the fulfillment at or prior to the Closing of the following additional conditions, any of which may be waived in writing by Premier or Bajwa prior to Closing:

7.3.1 **Representations and Warranties** . The representations and warranties of Parent, Federal and Acquisition Sub contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date, except for changes contemplated by this Agreement and except for those representations and warranties which address matters only as of a particular date (which shall remain true and correct as of such date), with the same force and effect as if made on and as of the Closing Date, except in all such cases, for such breaches, inaccuracies or omissions of such representations and warranties which have neither had nor reasonably would be expected to have a Parent Material Adverse Effect; and Parent shall have delivered to Premier a certificate to that effect, dated the date of the Closing and signed on behalf of Parent by the President and Chief Financial Officer of Parent.

7.3.2 **Agreements and Covenants** . Parent, Federal and Acquisition Sub shall have performed in all material respects all of their agreements and covenants set forth herein that are required to be performed at or prior to the Closing Date; and Parent shall have delivered to Premier a certificate to that effect, dated as of the Closing Date and signed on behalf of Parent by the Chief Executive Officer and Chief Financial Officer of Parent.

7.3.3 **Legal Opinion** . Premier shall have received an opinion from Parent in substantially the form attached hereto as Exhibit H.

7.3.4 **Closing Documents** . Parent, Federal and Acquisition Sub shall have delivered to Premier closing certificates of Parent, Federal and Acquisition Sub and such other closing documents as Premier shall reasonably request (other than additional opinions of counsel). Each of the closing certificates of Parent, Federal and Acquisition Sub, dated as of the Closing Date, duly executed by the secretary of Parent, Federal and Acquisition Sub, respectively, shall certify as to (a) the signing authority, incumbency and specimen signature of the signatories of this Agreement and other documents signed on behalf of Parent, Federal and Acquisition Sub in connection herewith, (b) the resolutions adopted by the board of directors of Parent, Federal and Acquisition Sub authorizing and approving the execution, delivery and performance of this Agreement and the other documents executed in connection herewith and the consummation of the transactions contemplated hereby and thereby and state that such resolutions have not been modified, amended, revoked or rescinded and remain in full force and effect, and (c) the Certificate of Incorporation and By-Laws of Parent, the Certificate of Incorporation and By-Laws of Federal and the Certificate of Incorporation and By-Laws of Acquisition Sub.

7.3.5 **Material Adverse Effect** . Since the date of this Agreement, Parent shall

not have suffered a Parent Material Adverse Effect.

7.3.6 **Payment of Purchase Price** . Parent shall have tendered the Direct Payment to Premier pursuant to the provisions of Section 2.4.2 hereof and shall have delivered the Escrow Payment to the Escrow Agent pursuant to the provisions of Section 2.4.3 hereof.

7.3.7 **Payment of Premier Credit Facilities** . Parent, Federal or Acquisition Sub shall have paid in full the Premier Credit Facilities concurrently with the Closing.

Article 8
SURVIVAL OF REPRESENTATIONS

8.1 **Premier's Representations** . All representations and warranties made by Premier and Bajwa in this Agreement, or any certificate or other writing delivered by Premier or any of its Affiliates pursuant hereto or in connection herewith shall survive the Closing and any investigation at any time made by or on behalf of Parent and shall terminate on the date which is 18 months after the Closing Date (except that Indemnified Party claims pending on such date continue until resolved). The pre-Closing covenants made by Premier and Bajwa in this Agreement or any certificate or other writing delivered by Premier or any of its Affiliates pursuant hereto or in connection herewith shall survive the Closing and any investigation at any time made by or on behalf of Parent and shall terminate on the date which is 18 months after the Closing Date (except that Indemnified Party claims pending on such date continue until resolved). The post-Closing covenants made by Premier and Bajwa in this Agreement or any certificate or other writing delivered by Premier or any of its Affiliates pursuant hereto or in connection herewith shall survive the Closing and any investigation at any time made by or on behalf of Parent.

8.2 **Parent's Representations** . All representations and warranties made by Parent, Federal and Acquisition Sub in this Agreement or any certificate or other writing delivered by Parent, Federal, Acquisition Sub or any of their respective Affiliates pursuant hereto or in connection herewith shall survive the Closing and any investigation at any time made by or on behalf of Premier and shall terminate on the later of the date when all amounts that may become payable pursuant to Section 2.4.4 are either paid in full or cease to have the potential to become payable (except that Premier claims pending on such date shall continue until resolved) or on the date which is 18 months after the Closing Date (except that Indemnified Party claims pending on such date continue until resolved). The covenants made by Parent, Federal or Acquisition Sub in this Agreement or any certificate or other writing delivered by Premier or any of its Affiliates pursuant hereto or in connection herewith shall survive the Closing and any investigation at any time made by or on behalf of Premier.

Article 9
OTHER PROVISIONS

9.1 **Termination Events** . This Agreement may be terminated and the Transaction

abandoned at any time prior to the Closing Date, provided however that upon any such termination the surviving obligations of the Parties under the Letter of Intent, including the obligations of confidentiality and non-solicitation, shall continue in full force and effect in accordance with the terms of the Letter of Intent:

(a) by mutual written consent of Parent and Premier;

(b) by Parent if there has been a breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of Premier or Bajwa and such breach has not been cured within ten business days after written notice to Premier (provided, that none of Parent, Federal or Acquisition Sub is in material breach of the terms of this Agreement, and provided further, that no cure period shall be required for a breach which by its nature cannot be cured) such that the conditions set forth in Section 7.2.1 or Section 7.2.2 hereof, as the case may be, will not be satisfied;

(c) (i) by Parent, if Premier, its board of directors or Bajwa shall have (1) withdrawn, modified or amended in any material respect the approval of this Agreement or the transactions contemplated herein, or (2) taken any public position inconsistent with its approval or recommendation, including, without limitation, having failed (without the consent of Parent) after a reasonable period of time to reject or disapprove any Acquisition Proposal (or after a reasonable period of time to recommend to its shareholders such rejection or disapproval), provided, that none of Parent, Federal or Acquisition Sub is and in material breach of the terms of this Agreement, and in that event Premier shall pay to Parent the amount specified in Section 6.1;

(ii) by Premier, if Parent, Federal, Acquisition Sub or their respective boards of directors shall have (1) withdrawn, modified or amended in any material respect the approval of this Agreement or the transactions contemplated herein, or (2) taken any public position inconsistent with its approval or recommendation (provided, that neither Premier nor Bajwa is in material breach of the terms of this Agreement) and in that event Parent shall pay to Premier the amount specified in Section 6.1;

(d) by Premier, if there has been a breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of Parent, Federal or Acquisition Sub and such breach has not been cured within ten business days after written notice to Parent (provided, that neither Premier nor Bajwa is in material breach of the terms of this Agreement, and provided further, that no cure period shall be required for a breach which by its nature cannot be cured) such that the conditions set forth in Section 7.3.1 or Section 7.3.2 hereof, as the case may be, will not be satisfied, and in that event Parent shall pay to Premier the amount specified in Section 6.1;

(e) by Premier, if Premier accepts an Acquisition Proposal for any reason, including pursuant to a good-faith determination by its Board of Directors, after consulting with counsel, that not to accept the Acquisition Proposal would constitute a breach of the Directors' fiduciary duty under the law of Premier's jurisdiction of organization; *provided, however*, that in that event Premier shall pay to Parent the amount

pursuant to Section 6.1;

(f) by any party hereto if: (i) there shall be a final, non-appealable order of a federal or state court in effect preventing consummation of the Transaction; (ii) there shall be any final action taken, or any statute, rule, regulation or order enacted, promulgated or issued or deemed applicable to the Transaction by any Governmental Entity which would make consummation of the Transaction illegal or which would prohibit Parent's or Federal's ownership or operation of all or a material portion of the stock or assets of Premier, or compel Parent, Federal or Acquisition Sub to dispose of or hold separate all or a material portion of the business or assets of Premier or Parent, Federal or Acquisition Sub as a result of the Transaction; or

(g) by any party hereto if the Transaction shall not have been consummated by May 15, 2003, provided that the right to terminate this Agreement under this Section 9.1(g) shall not be available to any party whose failure to fulfill any material obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing Date to occur on or before such date.

9.2 **Notices** . All notices and other communications hereunder shall be in writing and shall be deemed given if delivered by hand sent via a reputable nationwide courier service or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice) and shall be deemed given on the date on which so hand-delivered or on the third business day following the date on which so mailed or sent:

To Parent, Federal and Acquisition Sub :

CACI International Inc
1100 North Glebe Road
Arlington, VA 22201
Attention: Dr. J. P. London, Chairman

with copies to:

Jeffrey P. Elefante
Executive Vice President, General Counsel and Secretary
CACI International Inc
1100 North Glebe Road
Arlington, VA 22201

and

David W. Walker
Foley Hoag LLP
155 Seaport Boulevard
Boston, MA 02210

To Premier :

Before the Closing :
Rajiv Bajwa

President and CEO
Premier Technology Group, Inc.
12701 Fair Lakes Circle
Suite 1000
Fairfax, VA 22033

After the Closing :

Rajiv Bajwa
President and CEO
Premier Technology Group, Inc.
at such address to be provided in writing by Bajwa to Acquisition Sub

with a copy to:

William J. Mutryn, Esq.
Holland & Knight LLP
2099 Pennsylvania Avenue, N.W.
Suite 100
Washington, DC 20006

9.3 **Entire Agreement** . Unless otherwise herein specifically provided, this Agreement and the documents and instruments and other agreements among the parties hereto as contemplated by or referred to herein constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, including the Letter of Intent. Each party hereto acknowledges that, in entering this Agreement and completing the transactions contemplated hereby, such party is not relying on any representation, warranty, covenant or agreement not expressly stated in this Agreement or in the agreements among the parties contemplated by or referred to herein.

9.4 **Assignability** . This Agreement is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder, except as otherwise expressly provided herein. Neither this Agreement nor any of the rights and obligations of the parties hereunder shall be assigned or delegated, whether by operation of law or otherwise, without the written consent of all parties hereto.

9.5 **Validity** . The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, each of which shall remain in full force and effect.

9.6 **Specific Performance** . The parties hereto acknowledge that damages alone may not adequately compensate a party for violation by another party of this Agreement. Accordingly, in addition to all other remedies that may be available hereunder or under applicable law, any party shall have the right to any equitable relief that may be appropriate to remedy a breach or threatened breach by any other party hereunder, including the right to enforce specifically the terms of this Agreement by obtaining injunctive relief in respect of any violation or non-performance hereof.

9.7 **Governing Law** This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Virginia, without regard to its principles of conflicts of laws.

9.8 **Counterparts** . This Agreement may be executed in one or more counterparts, all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have duly executed this Asset Purchase Agreement under seal as of the date first above written.

CACI International Inc

By: _____

Title:

CACI, Inc. - Federal

By: _____

Title:

CACI Premier Technology, Inc.

By: _____

Title:

Premier Technology Group, Inc.

By: _____

Title:

_____

Rajiv Bajwa

List of Exhibits and Schedules

Exhibit	Description
A	Escrow Agreement
B	Form of Opinion of Premier's Counsel
C	Form of Non-Compete, Non-Solicitation and Non-Disturbance Agreement (Bajwa)
D	Form of Non-Compete, Non-Solicitation and Non-Disturbance Agreement (Wife)
E	Form of Non-Compete, Non-Solicitation and Non-Disturbance Agreement (Jesson)
F	Form of Parent Employment Agreement
G	Transition Services Agreement
H	Form of Opinion of Counsel to CACI International Inc
I	Subcontract Agreement
J	Schedule of Liens
K	Purchase Price Allocation
3.18	Form of Premier Employee Agreement
6.5	Public Disclosure

Schedule	Description
2.1.2	Premier Engagements
2.1.3	Premier Contracts
2.2	Excluded Assets
2.3.1	Assumed Accounts Payable, etc.
3.1	Corporate Status of Premier.
3.2	Capital Stock.
3.4	Authority for Agreement; Noncontravention.
3.6	Absence of Material Adverse Changes.
3.7	Absence of Undisclosed Liabilities.
3.8	Compliance with Applicable Law, Charter and By-Laws.
3.9	Litigation and Audits.
3.10	Tax Matters.
3.11	Employee Benefit Plans.
3.12	Employment-Related Matters.
3.13	Environmental Matters.
3.15	Assets Other Than Real Property.
3.16	Premier Leases.
3.17	Agreements, Contracts and Commitments.
3.18	Intellectual Property.
3.19	Insurance Contracts.
3.20	Banking Relationships.
3.22	Absence of Certain Relationships.
4.5	Litigation and Audits
5.1	Conduct of Business of Premier.
7.2.5	Third Party Consents.
7.2.8(a)	Key Employees
7.2.8(b)	Employees of Premier Business Affiliates to be Engaged by Acquisition Sub.

EXHIBIT 21

The significant subsidiaries of the Registrant, as defined in Section 1-02(w) of regulation S-X, are:

CACI, INC. - FEDERAL, a Delaware Corporation
(also does business as “CACI eBusiness Solutions”)
CACI, INC. - COMMERCIAL, a Delaware Corporation
CACI Limited, a United Kingdom Corporation
Automated Sciences Group, Inc., a Delaware Corporation
CACI Technologies, Inc., a Virginia Corporation
(also does business as “CACI Productions Group”)
CACI Dynamic Systems, Inc., a Virginia Corporation
CACI Premier Technology, Inc., a Delaware Corporation
CACI SYSTEMS AND TECHNOLOGY LTD, a Canadian Corporation

Exhibit 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements (Forms S-8 Nos. 333-104118, 333-104115, and 333-91676) pertaining to the 2002 Employee, Management, and Director Stock Purchase Plans, the 1996 Stock Incentive Plan, as amended, and the CACI $MART Plan, respectively, of CACI International Inc, of our report dated August 11, 2003, with respect to the consolidated financial statements and schedule of CACI International Inc included in this Annual Report (Form 10-K) for the year ended June 30, 2003.

/s/ Ernst & Young LLP

McLean, Virginia
September 25, 2003

Exhibit 23.2

Consent of Independent Auditors

We consent to the incorporation by reference in Registration Statements (Nos. 333-104118, 333-104115 and 333-91676) of CACI International Inc on Form S-8 of our report dated August 13, 2002, appearing in the Annual Report on Form 10-K of CACI International Inc for the year ended June 30, 2003.

/s/ Deloitte & Touche
McLean, Virginia
September 25, 2003

Exhibit 31.1

Section 302 Certification

I, Dr. J.P. London certify that:

1. I have reviewed this Form 10K for the fiscal year ended June 30, 2003 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(s) 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)) 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) [Omitted pursuant to the transition rules stated in SEC Release 33-8238];

(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(s) 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:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: September 23, 2003

/s/

Dr. J.P. London
Chairman of the Board, President
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

Section 302 Certification

I, Stephen L. Waechter, certify that:

1. I have reviewed this Form 10K for the fiscal year ended June 30, 2003 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(s) 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)) 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) [Omitted pursuant to the transition rules stated in SEC Release 33-8238];

(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(s) 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:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: September 25, 2003

/s/

Stephen L. Waechter
Executive Vice President, Chief Financial Officer
and Treasurer
(Principal Financial Officer)

Exhibit 32.1

Section 906 Certification

In connection with the annual report on Form 10-K of CACI International Inc (the Company) for the fiscal year ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned Chairman of the Board, 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: September 23, 2003

/s/

Dr. J.P. London
Chairman of the Board, President

Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

Section 906 Certification

In connection with the annual report on Form 10-K of CACI International Inc (the Company) for the fiscal year ended June 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned Executive Vice President, 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: September 25, 2003

/s/

Stephen L. Waechter
Executive Vice President, Chief Financial Officer
and Treasurer
(Principal Financial Officer)