

# CACI INTERNATIONAL INC /DE/

## FORM 10-Q (Quarterly Report)

Filed 5/15/2000 For Period Ending 3/31/2000

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Sector	Technology
Fiscal Year	06/30

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

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

For the Quarter Ended March 31, 2000

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

None

Name of each exchange on which registered

None

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

CACI International Inc 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 X No \_\_\_\_.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of March 31, 2000: CACI International Inc Common Stock, \$0.10 par value, 11,447,307 shares.

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CACI INTERNATIONAL INC AND SUBSIDIARIES

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**PART 1**

**FINANCIAL INFORMATION**

**Item 1. Financial Statements**

CACI INTERNATIONAL INC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)  
(dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2000	1999
Revenues	\$ 122,112	\$ 117,766
Costs and expenses		
Direct costs	70,751	70,096
Indirect costs and selling expenses	40,572	37,526
Depreciation and amortization	2,066	1,894
Goodwill amortization	938	915
Total operating expenses	114,327	110,431
Operating income	7,785	7,335
Interest expense	539	1,160
Income before income taxes	7,246	6,175
Income taxes	2,827	2,465
Income from continuing operations	4,419	3,710
Discontinued operations		
Loss from operations of discontinued COMNET products business		

(less applicable income tax benefit of \$0 and \$87, respectively)	-	(137)
Net income	\$ 4,419	\$ 3,573
Basic earnings per share		
Income from continuing operations	\$ 0.39	\$ 0.34
Loss from discontinued operations of COMNET products business	-	(0.01)
Net Income	0.39	0.33
Average shares outstanding	11,428	10,892
Diluted earnings per share		
Income from continuing operations	\$ 0.38	\$ 0.33
Loss from discontinued operations of COMNET products business	-	(0.01)
Net Income	\$ 0.38	\$ 0.32
Average shares and equivalent shares outstanding	11,693	11,211

See notes to condensed consolidated financial statements (unaudited).

CACI INTERNATIONAL INC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)  
(dollars in thousands, except per share data)

	Nine Months Ended March 31,	
	2000	1999
Revenues	\$ 361,871	\$ 309,470
Costs and expenses		
Direct costs	212,008	179,809
Indirect costs and selling expenses	117,651	102,353
Depreciation and amortization	5,806	5,403
Goodwill amortization	2,767	2,309
Total operating expenses	338,232	289,874
Operating income	23,639	19,596
Interest expense	2,695	2,628
Income before income taxes	20,944	16,968
Income taxes	8,170	6,510
Income from continuing operations	12,774	10,458

Discontinued operations		
Loss from operations of discontinued COMNET products business (less applicable income tax benefit of \$280 and \$246, respectively)	(320)	(384)
Gain on disposal of COMNET products business including provision of \$118 for operating losses during phase-out period (less applicable income taxes of \$13,512)	21,134	-
Net income	\$ 33,588	\$ 10,074
Basic earnings per share		
Income from continuing operations	\$ 1.14	\$ 0.96
Loss from discontinued operations of COMNET products business	(0.03)	(0.04)
Gain on disposal of COMNET product business	1.88	-
Net income	\$ 2.99	\$ 0.93
Average shares outstanding	11,242	10,875
Diluted earnings per share		
Income from continuing operations	\$ 1.11	\$ 0.93
Loss from discontinued operations of COMNET products business	(0.03)	(0.03)
Gain on disposal of COMNET products business	1.83	-
Net income	\$ 2.91	\$ 0.90
Average shares and equivalent shares outstanding	11,530	11,203

See notes to condensed consolidated financial statements (unaudited).

CACI INTERNATIONAL INC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(dollars in thousands)

	March 31, 2000 (Unaudited)	June 30, 1999
ASSETS		
Current assets		
Cash and equivalents	\$ 14,402	\$ 2,403
Accounts receivable:		
Billed	110,285	99,681
Unbilled	8,762	12,264
Total accounts receivable	119,047	111,945

Income taxes receivable	-	948
Deferred income taxes	-	198
Deferred contracts costs	1,556	1,543
Prepaid expenses and other	4,121	5,437
Total current assets	139,126	122,474
Property and equipment, net	16,226	13,762
Accounts receivable, long term	7,381	7,036
Goodwill	67,461	67,767
Other assets	10,270	6,266
Deferred contract costs, long-term	344	989
Deferred income taxes	3,899	3,418
Total assets	\$ 244,707	\$ 221,712
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 28,085	\$ 32,851
Accrued compensation and benefits	20,116	21,034
Income taxes payable	3,526	-
Deferred income taxes	5,612	1,593
Total current liabilities	57,339	55,748
Note payable, long-term	44,467	62,069
Deferred rent expenses	771	720
Deferred income taxes	131	138
Other long-term obligations	3,832	4,100
Shareholders' equity		
Common stock - \$.10 par value, 40,000,000 shares authorized, 14,995,000 and 14,499,000 shares issued	1,500	1,450
Capital in excess of par	19,518	13,932
Retained earnings	132,173	98,585
Cumulative currency translation adjustments	(1,362)	(1,368)
Treasury stock, at cost (3,526,000 shares)	(13,662)	(13,662)
Total shareholders' equity	138,167	98,937
Total liabilities & shareholders' equity	\$ 244,707	\$ 221,712

See notes to condensed consolidated financial statements (unaudited)

CACI INTERNATIONAL INC AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
 (dollars in thousands)

	2000	1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 33,588	\$ 10,074
Reconciliation of net income to net cash provided by (used in) operating activities		
Depreciation and amortization	8,573	7,928
Provision for deferred income taxes	3,537	(72)
Loss (gain) on sale of property and equipment	-	30
Gain from sale of COMNET product division	(21,252)	-
Changes in operating assets and liabilities		
Accounts receivable	(7,199)	(7,250)
Prepaid expenses and other assets	586	(774)
Deferred contract costs	632	401
Accounts payable and accrued expenses	(5,151)	667
Accrued compensation and benefits	(3,614)	1,452
Other long-term obligations	(268)	(439)
Deferred rent expense	230	(386)
Income taxes payable	(9,194)	(2,686)
Net cash provided by operating activities	468	8,945
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment	(7,647)	(5,265)
Purchase of businesses	(3,996)	(44,291)
Proceeds from the sale of business	37,000	-
Proceeds from the sale of property and equipment	-	9
Capitalized software cost and other	(1,755)	(491)
Net cash provided by (used in) investing activities	23,602	(50,038)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds under line-of-credit	138,103	158,379
Payments under line-of-credit	(155,705)	(119,179)
Proceeds from stock options	6,454	774
Payment for exercise of reload options	(819)	-
Net cash (used in) provided by financing activities	(11,967)	39,974
Effect of changes in currency rates on cash and equivalents	(104)	(26)
Net increase (decrease) in cash and equivalents	11,999	(1,145)
Cash and equivalents, beginning of period	2,403	2,081
Cash and equivalents, end of period	\$ 14,402	\$ 936
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period for income taxes, net	\$ 12,532	\$ 8,783
Interest paid during the period	\$ 2,878	\$ 2,172

See notes to condensed consolidated financial statements (unaudited).

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CACI INTERNATIONAL INC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)  
(dollars in thousands)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2000	1999	2000	1999
Net income	\$ 4,419	\$ 3,573	\$ 33,588	\$ 10,074
Currency translation adjustment	(318)	(660)	6	(775)
Comprehensive income	\$ 4,101	\$ 2,913	\$ 33,594	\$ 9,299

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

A. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in the annual financial statements, prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all necessary adjustments and reclassifications (all of which are of a normal, recurring nature) that are necessary for fair presentation for the periods presented. It is suggested that these unaudited condensed consolidated financial statements be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in the Company's latest annual report to the Securities and Exchange Commission on Form 10-K for the year ended June 30, 1999.

Certain reclassifications have been made to the prior period's financial statements to conform to the current presentation (See also Note C).

B. Accounts Receivable

Total accounts receivable are net of allowance for doubtful accounts of \$2,153,000 and \$3,050,000 at March 31, 2000 and June 30, 1999, respectively. Accounts receivable are classified as follows:

(dollars in thousands)	March 31, 2000	June 30, 1999
Billed receivables		
Billed receivables	\$ 96,823	\$ 88,918
Billable receivables at end of period	13,462	10,763
Total billed receivables	110,285	99,681
Unbilled receivables		



Unbilled pending receipt of contractual documents authorizing billing	8,713	12,172
Unbilled retainages and fee withholds expected to be billed within the next 12 months	49	92
	8,762	12,264
Unbilled retainages and fee withholds expected to be billed beyond the next 12 months	7,381	7,036
Total unbilled receivables	16,143	19,300
Total accounts receivable	\$ 126,428	\$ 118,981

#### C. Discontinued Operations

On November 2, 1999, the Company executed a letter of intent to sell its COMNET products business to Compuware Corporation. On December 15, 1999, the Company completed the sale of the net assets of the COMNET products business for \$37 million in cash and \$3 million in escrow to be received one year from the settlement date. This resulted in a net after tax gain for the Company of \$21.1 million. Included in the gain was a net after tax loss from discontinued operations of \$118 thousand for the period from November 3, 1999 to December 15, 1999. The consolidated statements of operations for prior periods have been restated for consistent presentation of discontinued operations.

#### D. Acquisitions

On February 1, 2000, the Company completed its acquisition of all the common stock of XEN Corporation ("XEN") for \$7.89 per share in cash. The total purchase price was \$4,258,500. XEN specializes in providing quality systems engineering, engineering design, distance learning, training development, multimedia support, electronic commerce, and data security services to national intelligence organizations, the Department of Defense, and the U.S. Navy. The transaction was funded through borrowings under the Company's existing line of credit with a group of banks. XEN, which has approximately 70 employees, is operated as a wholly-owned subsidiary of CACI Technologies, Inc., a wholly-owned subsidiary of the Registrant. The operations of the new subsidiary will be fully integrated into the Company to achieve the full benefit of the merger for customers and shareholders. XEN's revenues for its fiscal year ended September 30, 1999 were \$8.5 million. The transaction has been recorded using the purchase method of accounting. Approximately \$2.5 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, and will be amortized over 15 years. The primary purchase price allocation may change during the year ending June 30, 2000, as additional information concerning the net asset valuation is obtained. XEN contributed \$1.4 million of revenue for the period from February 1, 2000 to March 31, 2000.

On September 24, 1999, the Company purchased the assets of MapData Online International Ltd and Digital MapData Online Ltd. (collectively, "MapData") for \$0.6 million in cash and, therefore, the transaction has been recorded using purchase accounting standards. MapData provided demographic software which, when bundled with existing products offered by the Company's Marketing System Group ("MSG"), will enhance MSG's capabilities in the U.S. market. The purchase price has been allocated based upon the fair value of the assets acquired. No goodwill has been recognized in connection with transaction.

#### E. Business Segment Information

The Company reports financial data in two segments: Information Systems Group ("ISG") and Marketing Systems Group ("MSG"). Operating results for the segments are as follows:

(dollars in thousands)	ISG	MSG	Other	Total
<b>Quarter Ended March 31, 2000</b>				
Revenue from external customers	\$ 110,865	\$ 11,247	\$ -	\$ 122,112
Pre-tax income (loss) from continuing operations	6,964	1,166	(884)	7,246
<b>Quarter Ended March 31, 1999</b>				
Revenue from external customers	\$ 106,909	\$ 10,857	\$ -	\$ 117,766
Pre-tax income (loss) from continuing operations	5,872	998	(695)	6,175
<b>Nine Months Ended March 31, 2000</b>				
Revenue from external customers	\$ 327,872	\$ 33,999	\$ -	\$ 361,871
Pre-tax income (loss) from continuing operations	19,811	3,629	(2,496)	20,944

**Nine Months Ended March 31, 1999**

Revenue from external customers	\$ 276,913	\$ 32,557	\$ -	\$ 309,470
Pre-tax income (loss) from continuing operations	16,189	2,816	(2,037)	16,968

The "Other" column represents the elimination of intersegment revenue and corporate related items.

**F. Commitments and 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 will not have a material adverse effect on the Company's operations and liquidity.

**G. Subsequent Event**

On April 1, 2000 the Company purchased substantially all of the assets of Century Technologies, Incorporated (CENTECH). The total purchase price was \$7,668,000.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.****Results of Operations For the Three and Nine Months Ended March 31, 2000 and 1999.**

*Revenues* . The table below sets forth the customer mix in revenues with related percentages of total revenues for the three and nine months ended on March 31, 2000 (FY00) and March 31, 1999 (FY99), respectively:

(dollars in thousands)		Third Quarter				First Nine Months			
		FY00		FY99		FY00		FY99	
Department of Defense	\$ 61,105	50.0%	\$ 61,745	52.4%	\$ 183,694	50.8%	\$ 152,167	49.2%	
Federal Civilian Agencies	37,725	30.9%	34,357	29.2%	101,571	28.1%	95,583	30.9%	
Commercial	16,244	13.3%	16,174	13.7%	49,097	13.6%	47,387	15.3%	
State & Local Governments	7,038	5.8%	5,491	4.7%	27,509	7.5%	14,333	4.6%	
Total	\$ 122,112	100.0%	\$ 117,767	100.0%	\$ 361,871	100.0%	\$ 309,470	100.0%	

For the three months and nine months ended March 31, 2000, the Company's total revenue increased by 3.7%, or \$4.4 million, and by 16.9%, or \$52.4 million, respectively, over the same periods last year. Approximately \$2.9 million, or 67.7% of the three month increase, and \$19.7 million, or 37.5% of the nine month increase, was achieved through internal growth for the quarter and nine month ended March 31, 2000, respectively, over the same periods a year ago. The remaining increases of \$1.5 million for three month and \$32.7 million for the nine month of FY00, respectively, as compared to FY99 were primarily the result of the Company acquiring all of the issued and outstanding common stock of XEN Corporation ("XEN") on February 1, 2000 and QuesTech, Inc. ("QuesTech") on November 13, 1998.

Department of Defense revenue remained flat for the quarter and increased 20.7%, or \$31.5 million, for the first nine month. The QuesTech acquisition accounted for the majority of the growth for the nine month period.

Revenue from Federal Civilian agencies increased 9.8%, or \$3.4 million, and 6.3%, or \$6 million, for the quarter and first nine months of FY00 as compared to the same periods a year ago. Approximately 54.6% of Federal Civilian agency revenue is derived from the Department of Justice ("DoJ") in providing litigation support services and in developing an automated debt collection system. Revenue for DoJ was \$18.6 million and \$55.4 million for the quarter and nine months ended March 31, 2000, as compared to \$19.2 million and \$52.1 million for the same periods in FY99.

Commercial revenue increased slightly for the quarter and by 3.6%, or \$1.7 million, for the first nine months, as compared to the same period a year ago. This was primarily due to unusually slow growth in systems integration task orders as consumers focused on year 2000 issues.

Revenue from state and local governments increased by 28.2%, or \$1.5 million, and 91.9%, or \$13.2 million, for the quarter and nine months

ended March 31, 2000, respectively, over the same periods a year ago. The growth from this area is primarily attributable to higher levels of systems integration work.

The following table sets forth the relative percentage that certain items of expense and earnings bear to revenues for the quarter and nine months ended March 31, 2000 and March 31, 1999, respectively.

	Dollar Amount (in thousands)				Percentage of Revenue			
	Third Quarter FY00	Third Quarter FY99	Nine Months FY00	Nine Months FY99	Third Quarter FY00	Third Quarter FY99	Nine Months FY00	Nine Months FY99
Revenues	\$ 122,112	\$ 117,766	\$ 361,871	\$ 309,470	100.0%	100.0%	100.0%	100.0%
Costs and expenses:								
Direct costs	70,751	70,096	212,008	179,809	57.9%	59.5%	58.6%	58.1%
Indirect costs & selling expenses	40,572	37,526	117,651	102,353	33.2%	31.9%	32.5%	33.1%
Depreciation & amortization	2,066	1,894	5,806	5,403	1.7%	1.6%	1.6%	1.8%
Goodwill amortization	938	915	2,767	2,309	0.8%	0.8%	0.8%	0.7%
Total operating expenses	114,327	110,431	338,232	289,874	93.6%	93.8%	93.5%	93.7%
Income from operations	7,785	7,335	23,639	19,596	6.4%	6.2%	6.5%	6.3%
Interest expense	539	1,160	2,695	2,628	0.5%	1.0%	0.7%	0.8%
Earnings before income taxes	7,246	6,175	20,944	16,968	5.9%	5.2%	5.8%	5.5%
Income taxes	2,827	2,465	8,170	6,510	2.3%	2.1%	2.3%	2.1%
Income from continuing operations	4,419	3,710	12,774	10,458	3.6%	3.1%	3.5%	3.4%
Discontinued operations								
Loss from operations of discontinued COMNET products business	-	(137)	(320)	(384)	-	(0.1%)	(0.1%)	(0.1%)
Gain on disposal of COMNET products business	-	-	21,134	-	-	-	5.8%	-
Net Income	\$ 4,419	\$ 3,573	\$ 33,588	\$ 10,074	3.6%	3.0%	9.2%	3.3%

*Operating Income* . Operating income increased 6.1% and 20.6% for the quarter and nine months ended March 31, 2000, as compared to the same periods a year ago. This is due to the 3.7% and 16.9% growth in revenue for the three and nine months of FY00, respectively, along with the Company's continued ability to control its indirect cost and selling expenses.

As percentage of revenue, direct costs remained flat as compared to the same period a year ago. Direct costs include direct labor and other direct costs such as equipment purchases, subcontractor costs and travel expenses. The largest component of direct costs, direct labor, was \$37.4 million and \$34.2 million for the third quarter of FY00 and FY99, respectively. For the nine months ended March 31, 2000 and 1999, direct labor was respectively, \$106.3 million and \$91 million. Other direct costs were slightly down in the quarter as compared to the prior year and up 19.1%, or \$16.9 million, through the first nine months of FY00 as compared to FY99.

Indirect costs and selling expenses include fringe benefits, marketing, and bid and proposal costs, indirect labor, and other discretionary costs, most of which are highly variable. As a percentage of revenue, indirect costs have remained relatively flat for the quarter and nine months ended for FY00 as compared to FY99.

Depreciation and amortization expense increased by \$172 thousand and \$403 thousand as compared to last year over the same periods. This growth was primarily due to investments in facility costs.

Goodwill amortization expense has increased slightly in the third quarter and by \$458 thousand in the first nine months of FY00 as compared to the same periods a year ago, due primarily to the acquisition of QuesTech in the prior fiscal year.

*Interest Expense*. Interest expense decreased \$621 thousand for the third quarter and increased slightly for the first nine months of FY00 as compared to the same periods in FY99. The decrease for the quarter was due primarily to the pay down of the Company's line of credit from

the proceeds on the sale of the COMNET products business. For the first nine months of FY00, average borrowings were \$52.2 million versus \$55.3 million for the first nine months of FY99. In the third quarter of FY00, average borrowings were \$28.5 million as compared to \$75.1 million for FY99. This lower borrowings were due primarily from the sale proceeds as mentioned above, along with increased efforts on cash collections.

*Income Taxes* . The effective income tax rate for both the quarter and nine months ended March 31, 2000 was 39.0% as compared to 39.9% and 38.4% for the quarter and nine months ended March 31, 2000.

### Liquidity and Capital Resources

Historically, the Company's positive cash flow from operations and available credit facilities provided adequate liquidity and working capital to fully fund the Company's operational needs and support the acquisition activities. Working capital was \$81.7 million and \$66.7 million as of March 31, 2000 and June 30, 1999, respectively. The increase in working capital in the first nine months is attributable to the Company drawing down the line of credit at March 31, 2000, which will be used for acquisition purposes (see subsequent events). There were also higher accounts receivables which were generated from increased revenues. Operating activities provided cash in the amount of \$468 thousand for the nine months of FY00 as compared to FY99, when operating activities provided cash of \$8.9 million. The decrease in cash provided by operating activities is due to \$12.5 million of income tax payments in the nine month period of FY00 as compared to \$8.8 million of income tax payments in FY99. In addition, the decrease is due to cash payments related to higher other direct costs resulting from the 16.9% growth in revenues for the first nine months of FY00 as compared to FY99.

The Company used the proceeds from the sale of the COMNET product business to pay down its line of credit. In FY99, the Company financed its investing activities from operating cash flows and from a net increase in borrowings of \$39.2 million under its line of credit.

The Company generated \$23.6 million in cash from investing activities for the nine months ended March 31, 2000 versus using \$50 million for the same period a year ago. The cash used in FY99 was primarily due to the acquisitions of QuesTech for \$41.6 million and of Information Decision Systems for \$2.6 million. The cash generated in FY00 is due to the sale of the COMNET products business for \$40 million, of which \$3 million is held in escrow, net of the purchase of the XEN Corporation of \$4.3 million and purchases of property and equipment of \$7.6 million.

The Company maintains a five-year unsecured revolving line of credit which expires on June 19, 2003. The agreement permits borrowings of up to \$125 million with annual sublimits on amounts borrowed for acquisitions. The Company also maintains a 500,000 pound sterling unsecured line of credit in London, England, which expires in November 2000. At March 31, 2000, the Company had approximately \$81.3 million available for borrowings under its lines of credit.

The Company believes that the combination of internally generated funds, available bank borrowings and cash on hand will provide the required liquidity and capital resources for the foreseeable future.

### Year 2000

In its quarterly report to the Securities and Exchange Commission for the quarter ended December 31, 1999, the Company reported that it had achieved material compliance with its multi-dimensional compliance program. To date, the Company has not experienced any significant disruptions in any aspect of its operations. The Company continues to monitor its infrastructure, its products offered, and its critical business partners to ensure continued success. The Company has not incurred any material expenditures in addition to those already reported in its prior filing and does not anticipate any significant future costs related to maintaining its Year 2000 compliance.

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## **PART II**

### **OTHER INFORMATION**

#### **Item 1. Legal Proceedings**

##### CACI, INC.-FEDERAL v. Arizona Department of Transportation

Reference is made to Part II, Item 1, Legal Proceedings, in the Registrant's Report on Form 10-Q for the quarter ended December 31, 1999 for the most recently filed information concerning the lawsuit filed on June 25, 1996, by CACI, INC. - FEDERAL ("CACI"), the Registrant's wholly-owned subsidiary, in Superior Court for Maricopa County, Arizona, against the Arizona Department of Transportation ("ADOT"). This suit seeks the following: (i) a declaratory judgment that the disputes procedures mandated by the Arizona Procurement Code is unconstitutional; (ii) a declaratory judgment that ADOT cannot assert claims against CACI under the mandated disputes procedure; (iii) a

declaratory judgment that ADOT is not entitled to recover consequential damages in connection with the dispute; (iv) \$2,938,990 plus interest in breach of contract damages; (v) the return of CACI's property seized by ADOT in connection with the termination of the contract; and (vi) lawyers' fees. ADOT has counterclaimed, seeking in excess of \$100 million in damages allegedly caused by CACI's breach of contract.

Since the filing of Registrant's report indicated above, final settlement documentation has been distributed to the parties for signature. The settlement will have no adverse financial or legal consequences to CACI.

#### John Chrysogelos v. V. L. Salvatori, et al

In the fall of 1999, an action styled John Chrysogelos v. V. L. Salvatori, et al C.A. 17408NC, was filed in the Chancery Court for the State of Delaware setting forth both class and derivative claims alleging that the Registrant's Directors breached their fiduciary and other duties to the Registrant and its stockholders by (i) adopting by-law amendments specifying procedures for stockholder actions by consent and calling of special meetings; and, (ii) failing to evaluate and fairly respond to a premium cash offer to purchase the stock of the Registrant.

Since the filing of the Registrant's Report on Form 10-Q for the quarter ended December 31, 1999, there has been no change in the status of the litigation.

#### Parsow Partnership, Ltd., et al v. J. P. London, et al

In November, 1999, an action styled Parsow Partnership, Ltd., et. al. v J. P. London, et al, CA No. 99-770, was filed in the United States District Court for the District of Delaware alleging that the Board of Directors and senior management of the Registrant had solicited proxies in violation of Sections 14(a) and 20(2) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 14(a-9) promulgated thereunder.

On December 8, 1999, the Defendants filed their Answer and Counterclaim denying the substantive allegations of the Complaint, and claiming that the Plaintiffs violated Sections 14(a) and 20(a) of the Exchange Act and Rules 14a-2(b)(2) and 14a-9 promulgated thereunder by soliciting the proxies from more than ten (10) stockholders and by making false and misleading statements in solicitation of proxies.

Since the filing of the Registrant's Report on Form 10-Q for the quarter ended December 31, 1999, the parties have been engaged in discovery.

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

#### Forward Looking Statements

There are statements made herein which do not address historical facts and, therefore, could be interpreted to be forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements are subject to factors that could cause actual results to differ materially from anticipated results. The factors that could cause actual results to differ materially from those anticipated include, but are not limited to, the following: regional and national economic conditions; changes in interest rates; failure to achieve contract awards in connection with recompetes for present business and/or competition for new business; the risks and uncertainties associated with client interest in and purchases of new products and/or services; continued funding of U.S. Government or other public sector projects in the event of a priority need for funds; government contract procurement (such as bid protest) and termination risks; individual business decisions of our clients; paradigm shifts in technology; competitive factors such as pricing pressures and/or competition to hire and retain employees; our ability to complete acquisitions and/or divestitures appropriate to achievement of our strategic plans; Year 2000 issues, particularly as they concern the cost of litigation and potential legal liability associated with products, systems and services which are no longer under warranty or maintenance obligations; material changes in laws or regulations applicable to our businesses; our own ability to achieve the objectives of near term or long range business plans; and other risks described in the Company's Securities and Exchange Commission filings.

### **Item 6. Exhibits and Reports on Form 8-K**

#### 3.1 By-laws of the Registrant, as amended March 16, 2000.

- The Registrant filed a Current Report on Form 8-K on February 14, 2000, in which the Registrant reported that it had completed its acquisition of XEN Corporation.
- The Registrant filed a Current Report on Form 8-K on March 28, 2000, in which the Registrant reported that it would acquire substantially all of the assets of Century Technologies, Incorporated (CENTECH).
- The Registrant filed a Current Report on Form 8-K on April 3, 2000, in which the Registrant reported that it had completed its acquisition of substantially all of the assets of Century Technologies, Incorporated (CENTECH).
- The Registrant filed an amended Current Report on Form 8-K/A on April 17, 2000, in which the Registrant provided restated compiled financial statements for XEN Corporation for the fiscal year ended September 30, 1999, and pro forma financial information relative to the acquisition of XEN Corporation.

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CACI INTERNATIONAL INC AND SUBSIDIARIES

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Title</u>
3.1	By-laws of the Registrant, as amended March 16, 2000
11	Computation of Basic and Diluted Earnings Per Share

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CACI International Inc

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Registrant

Date: May 15, 2000

By: /s/

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Dr. J. P. London  
Chairman of the Board,  
Chief Executive Officer and Director  
(Principal Executive Officer)

Date: May 15, 2000

By: /s/

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Stephen L. Waechter  
Chief Financial Officer and Treasurer,  
(Principal Financial Officer)

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EXHIBIT 11

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2000	1999	2000	1999
Net income	\$ 4,419	\$ 3,573	\$ 33,588	\$ 10,074
Average shares outstanding during the period	11,428	10,892	11,242	10,875
Dilutive effect of stock options after application of treasury stock method	265	319	288	328
Average number of shares outstanding during the period	11,693	11,211	11,530	11,203
Basic earnings per share	\$ 0.39	\$ 0.33	\$ 2.99	\$ 0.93
Diluted earnings per share	\$ 0.38	\$ 0.32	\$ 2.91	\$ 0.90

## ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE REGISTRANT'S QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED MARCH 31, 2000, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

PERIOD TYPE	9 MOS
FISCAL YEAR END	JUN 30 2000
PERIOD END	MAR 31 2000
CASH	14,402,000
SECURITIES	0
RECEIVABLES	128,581,000
ALLOWANCES	(2,153,000)
INVENTORY	0
CURRENT ASSETS	139,126,000
PP&E	49,813,000
DEPRECIATION	(33,587,000)
TOTAL ASSETS	244,707,000
CURRENT LIABILITIES	57,339,000
BONDS	44,467,000
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	1,500,000
OTHER SE	136,667,000
TOTAL LIABILITY AND EQUITY	244,707,000
SALES	0
TOTAL REVENUES	361,871,000
CGS	0
TOTAL COSTS	212,008,000
OTHER EXPENSES	125,643,000
LOSS PROVISION	581,000
INTEREST EXPENSE	2,695,000
INCOME PRETAX	20,944,000
INCOME TAX	8,170,000
INCOME CONTINUING	12,774,000
DISCONTINUED	20,814,000
EXTRAORDINARY	0
CHANGES	0
NET INCOME	33,588,000
EPS BASIC	2.99 <sup>1</sup>
EPS DILUTED	2.91 <sup>1</sup>

<sup>1</sup> Earnings per share has been presented on the financial statements in accordance with SFAS #128 as shown below: earnings per share - basic \$2.62 earnings per share - diluted \$2.55

Amended as of March 16, 2000

**BY-LAWS**  
**of**  
**CACI International Inc**  
(a Delaware Corporation)

**ARTICLE I.**  
**OFFICES**

**Section 1. PRINCIPAL OFFICE.** The principal office for the transaction of business of the Corporation is hereby fixed and located at 1100 North Glebe Road, County of Arlington, Commonwealth of Virginia. The Board of Directors is hereby granted full power and authority to change said principal office from one location to another in said County.

**Section 2. OTHER OFFICES.** Branch of subordinate offices may at any time be established by the Board of Directors at any place or places where the Corporation is qualified to do business.

**ARTICLE II.**  
**MEETING OF SHAREHOLDERS**

**Section 1. PLACE OF MEETINGS.** All annual and other meetings of shareholders shall be held either at the principal office of the Corporation or at any other place which may be designated either by the Board of Directors pursuant to authority hereafter granted to said Board, or by written consent of all shareholders entitled to vote thereat, given either before or after the meeting and filed with the Secretary of the Corporation.

**Section 2. ANNUAL MEETING.** The annual meetings of the shareholders shall be held on the third Friday of October of each year, at 9:00 o'clock a.m. or at such other date and time, not inconsistent with Delaware law, as may be approved by the Board of Directors; provided, however, should said day fall upon a legal holiday, then such annual meeting of shareholders shall be held at the same time and place on the next day thereafter which is not a legal holiday.

Written notice of each annual meeting shall be given to each shareholder entitled to vote thereat, either personally or by mail or other means of written communication, charges prepaid, addressed to such shareholder at his or her address appearing on the books of the Corporation or given by him or her to the Corporation for the purpose of notice. If a shareholder gives no address, notice shall be deemed to have been given him or her if sent by mail or other means of written communication addressed to the place where the principal office of the Corporation is situated, or if published at least once in some newspaper of general circulation in the county in which said office is located. All such notices shall be sent to such shareholder entitled thereto, not less than twenty (20) days nor more than sixty (60) days before such annual meeting, and shall specify the place, day, and hour of such meeting, and shall also state the general nature of the business or proposal to be considered or acted upon at such meeting before action may be taken at such meeting on:

- (a) A proposal to sell, lease, convey, exchange, transfer, or otherwise dispose of all or substantially all of the property or assets of the Corporation, except under Section 272 of the Delaware General Corporation Law, and except for a transfer to a wholly-owned subsidiary;
- (b) A proposal to merge or consolidate with another corporation, domestic or foreign;
- (c) A proposal to reduce the stated capital of the Corporation;
- (d) A proposal to amend the Articles of Incorporation;
- (e) A proposal to wind up and dissolve the Corporation; and
- (f) A proposal to adopt a plan of distribution of shares, securities, or any consideration other than money in the process of winding up.

**Advance Notice of Stockholder Proposed Business at Annual Meeting** At an Annual Meeting of the Shareholders, only such business shall be conducted as shall have been properly brought before the meeting:

- (a) As specified in the notice of the meeting (or any supplement thereto);
- (b) By, or at the direction of, the Board of Directors; or
- (c) Otherwise properly brought before the meeting by a stockholder.



In addition to any other applicable requirements, for business to be properly brought before an Annual Meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the offices of the Secretary of the Corporation, not less than one hundred fifty (150) days prior to the first anniversary of the date of the last Annual Meeting of stockholders of the Corporation. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder purposes to bring before the Annual Meeting (i) a brief description of the business desired to be brought before the Annual Meeting and reasons for conducting such business at the Annual Meeting; (ii) the name and record address of the stockholder proposing such business; (iii) the class and number of shares of the Corporation which are beneficially owned by the stockholder; and (iv) any material interest of the stockholder in such business.

Notwithstanding anything in the By-laws to the contrary, no business shall be conducted at the Annual Meeting except in accordance with the procedures set forth in this section, provided, however, that nothing in this section shall be deemed to preclude discussion by any stockholder of any business properly brought before the Annual Meeting in accordance with said procedure.

The Chairman of the Annual Meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this section, and if he should so determine, he shall so declare to the meeting that any such business not properly brought before the meeting shall not be transacted.

**Section 3. SPECIAL MEETINGS.** Special Meetings of the shareholders, for any propose or purposes whatsoever, may be called any time by the Chairman of the Board, the President, or by the Board of Directors. Except in special cases where other express provision is made by statute, notice of such special meetings shall be given in the same manner as for annual meetings of shareholders.

Notices of any special meeting shall specify, in addition to the place, day and hour of such meeting, the general nature of the business to be transacted.

**Section 4. ADJOURNED MEETINGS AND NOTICE THEREOF.** Any shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by vote of a majority of the shares, the holders of which are either present in person or by proxy, but in the absence of a quorum, no other business may be transacted at such meeting.

When any shareholders' meeting, either annual or special, is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. In all other instances of adjournment, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which such adjournment is taken.

**Section 5. ENTRY OF NOTICE.** Whenever any shareholder entitled to vote has been absent from any meeting or shareholders, whether annual or special, an entry in the minutes to the effect that notice has been duly given shall be sufficient evidence that due notice of such meeting was given to such shareholder, as required by the law and the By-laws of the Corporation.

**Section 6. VOTING.** At all meetings of shareholders, every shareholder entitled to vote shall have the right to vote in person or by proxy the number of shares standing in his or her name on the stock records of the Corporation. Such vote may be given *viva voce* or by ballot; provided, however, that all elections for directors must be by ballot upon demand made by a shareholder at any election and before the voting begins.

**Section 7. QUORUM.** The presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting shall constitute a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum. When a quorum is present at any meeting, a majority in interest of the stock represented thereat shall decide any question brought before such meeting, unless the question is one upon which by express provision of law, the Articles of Incorporation, or these By-laws, a larger or different vote is required, in which case such express provision shall govern and control the decision of such question.

**Section 8. CONSENT OF ABSENTEES.** The proceedings and transactions of any meeting of shareholders, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the shareholders entitled to vote, not present in person or by proxy, sign a written waiver of notice, a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents, or approvals shall be filed with the corporate records or made apart of the minutes of the meeting.

**Section 9. ACTION WITHOUT MEETING.** Any action, which under the provisions of Section 228 of the Delaware General Corporation Law may be taken at a meeting of the shareholders, may be taken without a meeting if authorized by a writing signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at any meeting at which all shares entitled to vote thereon were present and voted, and filed with the Secretary of the Corporation.

Consents to corporate action shall be valid for a maximum of sixty (60) days after the date of the earliest dated consent delivered to the corporation in the manner provided in Section 228(c) of the Delaware General Corporation Law. Consents may be revoked by written notice (i) to the Corporation, (ii) to the stockholder or stockholders soliciting consents or soliciting revocations in opposition to action by consent (the "Soliciting Stockholders"), or (iii) to a proxy solicitor or other agent designated by the Corporation or the Soliciting Stockholders.

Within ten (10) business days after receipt of the earliest dated consent delivered to the Corporation in the manner provided in Section 228(c)

of the Delaware General Corporation Law or the determination by the Board of Directors of the Corporation that the Corporation should seek corporate action by written consent, as the case may be, the Secretary of the Corporation shall engage nationally recognized independent inspectors of elections for the purpose of performing a ministerial review of the validity of the consents and revocations. The cost of retaining inspectors of election shall be borne by the Corporation.

Following appointment of the inspectors, consents and revocations shall be delivered to the inspectors upon receipt by the Corporation, the Soliciting Stockholders or their proxy solicitors or other designated agents. As soon as practicable following the earlier of (i) the receipt by the inspectors, a copy of which shall be delivered to the Corporation, of any written demand by the Soliciting Stockholders, or (ii) sixty (60) days after the date of the earliest dated consent delivered to the Corporation in the manner provided in Section 228(c) of the Delaware General Corporation Law, the inspectors shall issue a preliminary report to the Corporation and the Soliciting Stockholders stating the number of valid and unrevoked consents and whether, based on their preliminary count, the requisite number of valid and unrevoked consents has been obtained to authorize or take the action specified in the consents.

Unless the Corporation and the Soliciting Stockholders shall agree to a shorter or longer period, the Corporation and the Soliciting Stockholders shall have 48 hours to review the consents and revocations and to advise the inspectors and the opposing party in writing as to whether they intend to challenge the preliminary report of the inspectors. If no written notice of an intention to challenge the preliminary report is received within 48 hours after the inspectors' issuance of the preliminary report, the inspectors shall issue to the Corporation and the Soliciting Stockholders their final report containing the information from the inspectors' determination with respect to whether the requisite number of valid and unrevoked consents was obtained to authorize and take the action specified in the consents. If the Corporation or the Soliciting Stockholders issue written notice of an intention to challenge the inspectors' preliminary report within 48 hours after the issuance of that report, a challenge session shall be scheduled by the inspectors as promptly as practicable. Following completion of the challenge session, the inspectors shall as promptly as practicable issue their final report to the Soliciting Stockholders and the Corporation, which report shall contain the information included in the preliminary report, plus any change in the vote total as a result of the challenge and certification of whether the requisite number of valid unrevoked consents was obtained to authorize or take the action specified in the consents.

**Section 10. PROXIES.** Every person entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such person or his or her duly authorized agent and filed with the Secretary of the Corporation; provided, that no such proxy shall be valid after the expiration of eleven (11) months from the date of its execution, unless the shareholder executing it specifies therein the length of time for which such proxy is to continue in force, which in no case shall exceed seven (7) years from the date of its execution.

### **ARTICLE III. DIRECTORS**

**Section 1. POWERS.** Subject to limitations of the Articles of Incorporation, of the By-laws, and particularly Article II, Section 6 of these By-laws, and Section 141 of the Delaware General Corporation Law as to action to be authorized or approved by the shareholders, and subject to the duties of directors as prescribed by the By-laws, all corporate power shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be controlled by, the Board of Directors. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the directors shall have the following powers, to-wit:

*First* : To select and remove all other officers, agent, and employees of the Corporation, prescribe such powers and duties for them as may not be inconsistent with law, the Articles of Incorporation or by By-laws, fix their compensation, and require from them security for faithful service.

*Second* : To conduct, manage, and control the affairs and business of the Corporation, and to make such rules and regulations therefore not inconsistent with law, the Articles of Incorporation or the By-laws, as they may deem best.

*Third* : To change the principal office for the transaction of the business of the Corporation from one location to another within the same county as provided in Article I, Section 1 hereof; to fix and locate from time to time, one or more branch or subsidiary offices of the Corporation within or without the State of Delaware as provided in Article I, Section 2 hereof; to designate any place within or without the State of Delaware for the holding of any shareholders' meetings; and to adopt, make, and use a corporate seal, and to prescribe the form of certificates of stock, and to alter the form of such seal and of such stock certificates from time to time, as in their judgment they may deem best; provided, such seal and such certificates shall at all times comply with the provisions of the law.

*Fourth* : To authorize the issuance of stock of the Corporation from time to time, upon such terms as may be lawful, in consideration of money paid, labor done, or services actually rendered, debts or securities canceled, or tangible or intangible property actually received, or in case of shares issued as a dividend, against amounts transferred from surplus to stated capital.

*Fifth* : To borrow money and incur indebtedness for the purposes of the Corporation and to cause to be executed and delivered therefore, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, or other evidence of debt and securities therefore.

*Sixth* : To appoint an executive committee and other committees, and to delegate to the executive committee any of the powers and authority of the Board in the management of the business and affairs of the Corporation, except the power to declare dividends and to adopt, amend, or repeal By-laws. The executive committee shall be composed of two or more directors.

*Seventh* : To impose such restriction(s) on the transfer of the stock of the Corporation, specifically including by way of illustration only, and not of limitation, e.g., the requirement that such stock not be transferable on the books of the Corporation except with a simultaneous transfer of the stock of any other corporation(s), as is or may be permitted by law, and to remove any such restriction(s) thereon.

**Section 2. NUMBER AND QUALIFICATIONS OF DIRECTORS.** The authorized number of directors of the Corporation shall be a number between nine (9) and eleven (11) inclusive, as the Board of Directors from time to time by vote of a supermajority (a majority plus one) may set, until changed by amendment of the Articles of Incorporation or by a by-law amending this Section 2, Article III of these By-laws duly adopted by the vote or written assents of the shareholders entitled to exercise fifty-one percent (51%) of the voting power of the Corporation.

**Section 3. ELECTION AND TERM OF OFFICE.** The directors shall be elected at each annual meeting of the shareholders, but if any such annual meeting is not held, or the directors are not elected thereat, the directors may be elected at any special meeting of the shareholders held for that purpose. All directors shall hold office at the pleasure of the shareholders or until their respective successors are elected. The shareholders may at any time, either at a regular or special meeting, remove any director and elect his or her successor.

**NOMINATIONS OF DIRECTORS.** Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of candidates for election as directors of the Corporation at any meeting of shareholders may be made (a) by, or at the direction of, a majority of the Board of Directors, or (b) by any shareholder of that class of stock entitled to vote for the election of directors of that class of stock. Only persons nominated in accordance with the procedures set forth in this section shall be eligible for election as directors. Such nomination, other than those made by, or at the direction of the board, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the office of the Secretary of the Corporation not less than one hundred fifty (150) days prior to the first anniversary of the date of the last meeting of stockholders of the Corporation called for the election of directors. Such stockholder's notice to the Secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director: (i) the name, age, business address, and residence address of the person; (ii) the principal occupation of the employment of the person; (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person; and (iv) any other information related to the person that is required to be disclosed in solicitations for proxies for elections of directors pursuant to Rule 14a under the Securities Exchange Act of 1934, as amended; and (b) as to the stockholder giving the notice: (i) the name and record address of the stockholder, and (ii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein.

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

**Section 4. VACANCIES.** Vacancies in the Board of Directors may be filled by the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until his or her successor is elected at an annual or special meeting of the shareholders.

A vacancy or vacancies in the Board of Directors shall be deemed to exist in case of the death, resignation, or removal of any director, or if the authorized number of directors be increased, or if the shareholders fail at any annual or special meeting of the shareholders at which any director or directors are elected, to elect the full authorized number of directors to be voted for at that meeting.

The shareholders may elect a director of directors at any time to fill any vacancy or vacancies of a director tendered to take effect at a future time; the Board or the shareholders shall have the power to elect a successor to take office when the resignation is to become effective.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his or her term of office.

**Section 5. PLACE OF MEETING.** Regular meetings of the Board of Directors shall be held at any place within or without the State of Delaware which has been designated from time to time by resolution of the Board or by written consent of all members of the Board. In the absence of such designation, regular meetings shall be held at the principal office of the Corporation. Special meetings of the Board may be held either at a place so designated or at the principal office.

**Section 6. ORGANIZATION MEETING.** Immediately following each annual meeting of shareholders, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of such meetings is hereby dispensed with.

**Section 7. OTHER REGULAR MEETINGS.** Other regular meetings of the Board of Directors shall be held on the third Friday of January, April, and July of each year at 9:00 o'clock a.m. thereof; provided, however, that should said day fall upon a legal holiday, then said meeting shall be held at the same time and place on the next day thereafter which is not a legal holiday. Notice of regular meetings of the Board of Directors is required and shall be given in the same manner as notice of special meetings of the Board of Directors.

**Section 8. SPECIAL MEETINGS.** Special meetings of the board of Directors for any purpose or purposes may be called at any time by the

Chairman of the Board, by the Executive Committee, or by any three (3) members of the Board.

Written notice of the time and place of special meetings shall be delivered personally to the directors or sent to each director by mail or other form or written communication, charges prepaid, addressed to him or her at his or her address as it is shown upon the records of the Corporation, or if it is not shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held. In case such notice is mailed or telegraphed, it shall be deposited in the U.S. Mail or delivered to the telegraph company in the place in which the principal office of the Corporation is located at least one hundred twenty (120) hours prior to the time of holding of the meeting. In case such notice is delivered personally as above provided, it shall be so delivered at least forty eight (48) hours prior to the time of the holding of the meeting. Such mailing, telegraphing, or delivery as above provided, shall be due, timely, legal and personal notice to such director.

**NOTICE FOR A PARTICULAR SPECIFIED ACTION** . Notwithstanding the above requirements for regular or special meetings, the Chairman of the Board, the Chief Executive Officer, or any two directors may require at least thirty (30) calendar days notice of any action, by writing delivered to the Secretary of the Corporation, before or during any regular or special meeting, and if such notice is given, no vote or written consent may be taken upon such action until the passage of such time (at another special meeting or by written consent). Provided, however, if eighty percent (80%) of the directors agree to waive such notice, the meeting or vote of consent on such action shall proceed without the requirement for extended notice.

**Section 9. NOTICE OF ADJOURNMENT.** Notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place be fixed at the meeting adjourned.

**Section 10. ENTRY OF NOTICE.** Whenever any director has been absent from any special meeting of the Board of Directors, any entry in the minutes as to the effect that notice has been duly given shall be sufficient evidence that due notice of such special meeting was given to such director, as required by law and the By-laws of the Corporation.

**Section 11. WAIVER OF NOTICE.** The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present, and if either before or after the meeting, each of the directors not present, signs a written waiver of notice or a consent to holding such meeting or an approval of the minutes thereof. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

**Section 12. QUORUM.** A majority of the authorized number of directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. With the exception of Section 4 of this Article, an action of the directors shall be regarded as the act of the Board of Directors only if a majority of the entire authorized number of directors shall vote affirmatively on such action.

**Section 13. ADJOURNMENT.** A quorum of the directors may adjourn any directors' meeting to meet again at a stated time, place, and hour; provided, however, that in the absence of a quorum, the directors present at any directors' meeting, either regular or special, may adjourn from time to time, until the time fixed for the next regular meeting of the Board.

**Section 14. ACTION WITHOUT MEETING.** Any action required or permitted to be taken by the Board of Directors under any provision of law or these By-laws may be taken without a meeting if all members shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such directors, any certificate or other document filed under any provisions of the Delaware General Corporation Law which related to action so taken shall state that the action was taken by unanimous written consent of the Board of Directors without a meeting and that the By-laws authorize the directors to so act, and such statement shall be prima facie evidence of such authority.

**Section 15. FEES AND COMPENSATION.** Directors shall not receive any stated salary for their services as directors, but, by resolution of the Board of Directors, a fixed fee, with or without expenses of attending, may be allowed for attendance at each meeting. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation therefore.

## **ARTICLE IV. OFFICERS**

**Section 1. OFFICERS.** The officers of the Corporation shall be:

1. Chairman of the Board
2. President
3. Vice President
4. Secretary
5. Treasurer

The Corporation may also have, at the discretion of the Board of Directors, one or more additional vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article. Officers other than the President and Chairman of the Board of Directors need not be directors. One person may hold two or more offices, except those of President and Secretary.

**Section 2. ELECTIONS.** The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Sections 3 or 5 of this Article, shall be chosen annually by the Board of Directors, and each shall hold his or her office at the pleasure of the Board of Directors, who may, either at a regular or special meeting, remove any such officers and appoint his or her successor.

**Section 3. SUBORDINATE OFFICERS, ETC.** The Board of Directors may appoint such other officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in the By-laws or as the Board of Directors may from time to time determine.

**Section 4. REMOVAL AND RESIGNATION.** Any officer may be removed, either with or without cause, by a majority of the directors at the time in office, at a regular or special meeting of the Board, or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

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

**Section 5. VACANCIES.** A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in the By-laws for regular appointments to such office.

**Section 6. CHAIRMAN OF THE BOARD.** The Chairman of the Board, if there shall be such an officer, shall, if present, preside at all meetings of the Board of Directors, and exercise and perform such other powers and duties as may be from time to time assigned to him or her by the Board of Directors as prescribed by the By-laws.

**Section 7. PRESIDENT.** Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there be such an officer, the President shall be the Chief Executive Officer of the Corporation and shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and affairs of the Corporation. He shall preside at all meetings of the shareholders, and in the absence of the Chairman of the Board, or if there be none, at all meetings of the Board of Directors. He shall be ex-officio a member of all the standing committees, including the Executive Committee, if any, and shall have the general powers and duties of management usually vested in the office of president of a Corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or by the By-laws.

**Section 8. VICE PRESIDENT.** In the absence or disability of the President, the Chairman of the Board or in the event of his absence or disability, the Vice Presidents in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, shall perform all the duties of the President, and when so acting shall have all the powers of, and be subject to all restrictions upon, the President. Absence and disability are defined as follows: absence is physical absence from the Corporation's principal place of business and unreachable by telephone for a period of forty-eight (48) hours. Disability is the inability of the President to perform his duties on an ongoing basis.

The Senior Vice President and each other Vice President shall have such other powers and perform such duties as are authorized by the laws of Delaware and as are delegated to them respectively from time to time by the board of Directors or the By-laws.

**Section 9. SECRETARY.** The Secretary shall keep, or cause to be kept, a book of minutes at the principal office or such other place as the Board of Directors may order, of all meetings of directors and shareholders, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those directors and shareholders present, the names of those present at the directors' meeting, the number of shares present or represented at shareholders' meetings, and the proceedings thereof.

The Secretary shall keep or cause to be kept, at the principal office or at the office of the Corporation's transfer agent, a share register or a duplicate share register showing the names of the shareholders and their addresses; the number and classes of shares held by each; the number and the date of certificates issued for the same; and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give or cause to be given, notice of all meetings of shareholders and the Board of Directors, as required by the By-laws or by law to be given, and he or she shall keep the seal of the Corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the By-laws.

**Section 10. TREASURER.** The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital surplus, and surplus shares. Any surplus, including earned surplus, paid-in surplus, and surplus arising from a reduction of stated capital, shall be classified according to source and shown in a separate account. The books of account shall at all times be open for inspection by any director.

The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors and shall render to the President and directors, when they request it, an account of all of his or her transactions as Treasurer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the By-laws.

## **ARTICLE V. MISCELLANEOUS**

### **Section 1. RECORD DATE AND CLOSING STOCK BOOKS.**

**A. Fixed Date:** The Board of Directors may fix a time, in the future, not less than twenty (20) nor more than sixty (60) days preceding the date of any meeting of shareholders, and not more than sixty (60) days preceding the date fixed for the payment of any dividend or distribution, or for the allotment of rights, or when any change, conversion, or exchange of shares shall go into effect, as a record date for the determination of the shareholders entitled to notice of and to vote at any such meeting, or entitled to receive any such dividend or distribution, or any such allotment of rights, or to exercise the rights in respect to any such change, conversion, or exchange of shares, and in such case only shareholders of record on the date so fixed shall be entitled to notice of and to vote at such meeting, or to receive such rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after any record date fixed as aforesaid. The Board of Directors may close the books of the Corporation against transfer of shares during the whole, or any part of any such period.

**B. No Fixed Date:** As an alternative to an action taken under Subsection A of this Section 1 of Article V, if no record date has been or is fixed for the purpose of determining shareholders entitled to receive payment of any dividend, the record date for such purpose shall be at the close of business of the date on which the Board of Directors adopts the resolution relating thereto.

**C. Action by Written Consent:** In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date for determination of such stockholders, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Effective beginning February 9, 1999, any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary of the Corporation, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which such a request is received by the Secretary, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or any officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

**Section 2. INSPECTION OF CORPORATE RECORDS.** The share register or duplicate share register, the books of account, and minutes of proceedings of the shareholders and directors shall be open to inspection upon the written demand of any shareholder or the holder of a voting trust certificate, at any reasonable time, and for a purpose reasonably related to his or her interests as a shareholder, and shall be exhibited at any time when required by the demand of ten percent (10%) of the shares represented at any shareholders' meeting. Such inspection may be made in person or by an agent or attorney, and shall include the right to make extracts. Demand of inspection other than at a shareholders' meeting shall be made in writing upon the President, Secretary, or Assistant Secretary of the Corporation.

**Section 3. CHECKS, DRAFTS, ETC.:** All checks, drafts, or other orders for payment of money, notes, or other evidence of indebtedness issued in the name of or payable to the Corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

**Section 4. CONTRACTS, ETC.: HOW EXECUTED.** The Board of Directors, except as the By-laws or Articles of Incorporation otherwise provide, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or agreement or to pledge its credit to render it liable for any purpose or to any amount.

**Section 5. ANNUAL REPORTS.** The Board of Directors shall cause an annual report or statement to be sent to the shareholders of this Corporation not later than one hundred and twenty (120) days after the close of the fiscal or calendar year.

**Section 6. CERTIFICATES OF STOCK.** A certificate or certificates for shares of the capital stock of the Corporation shall be issued to each shareholder when any such shares are fully paid up. All such certificates shall be signed by the President or a Vice President and the Secretary or an Assistant Secretary. Such certificates may be paired with, deemed to represent, and subjected to restrictions on transfer without simultaneous transfer of, certificates for: (a) shares of stock of any other corporation(s), (b) beneficial interests in such shares, (c) interests in

voting trust(s), or (d) other kinds of interests in any other kind of entity.

Certificates for shares may be issued prior to full payment thereof, under such restrictions and for such purposes as the Board of Directors or the By-laws may provide; provided, however, that any such certificate so issued prior to full payment shall state the amount remaining unpaid and the terms of payment thereof.

**Section 7. REPRESENTATION OF SHARES OF OTHER CORPORATIONS.** The President or any Vice President and the Secretary or Assistant Secretary of this Corporation are authorized to vote, represent, and exercise on behalf of this Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this Corporation. The authority herein granted to said officers to vote or represent on behalf of this Corporation any and all shares held by this Corporation or corporations, may be exercised either by such officers in person or by any person authorized to do so by proxy or power of attorney.

**Section 8. INSPECTION OF BY-LAWS.** The Corporation shall keep in its principal office for the transaction of business the original or a copy of the By-laws as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the shareholders at all reasonable times during business hours.

**Section 9. INDEMNIFICATION OF DIRECTORS AND OFFICERS.** Every person who was or is a party or is threatened to be made a party to or is involved in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that he or a person of whom he is the legal representative is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation, shall be indemnified and held harmless to the fullest extent legally permissible under the General Corporation Law of the state of Delaware from time to time against all expense, liability, and loss (including attorneys' fees, judgments, fines, and, if approved by the Board of Directors, amounts paid or to be paid in settlement) reasonably incurred or suffered by him in connection therewith.

If authorized by the Board of Directors, expenses incurred in connection with the defense of any civil or criminal action, suit, or proceeding may be paid by the Corporation in advance of the disposition of the action, suit, or proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay such amounts if it shall be ultimately determined that he is not entitled to be indemnified by the Corporation.

The foregoing right of indemnification shall be in addition to, and not exclusive of, all other rights to which such director or officer may be entitled. Payments pursuant to the Corporation's indemnification of any person hereunder shall be reduced by any amounts such person may collect as indemnification under any policy of insurance purchased and maintained on his behalf by this or any other Corporation.

## **ARTICLE VI. AMENDMENTS**

**Section 1. POWER OF SHAREHOLDERS.** New By-laws may be adopted or these By-laws may be amended or repealed by the vote of shareholders entitled to exercise fifty-one percent (51%) of the voting power of the Corporation or by the written assent of such shareholders.

**Section 2. POWERS OF DIRECTORS.** Subject to the right of shareholders as provided in Section 1 of this Article VI to adopt, amend, or repeal By-laws, By-laws other than a By-law or amendment thereof changing the authorized number of directors may be adopted, amended, or repealed by the Board of Directors.

## **ARTICLE VII. SEAL**

The Corporation shall have a common seal, and shall have inscribed thereon the name of the Corporation, the year of its incorporation, and the word Delaware.

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