

CACI INTERNATIONAL INC /DE/

FORM 10-Q (Quarterly Report)

Filed 2/12/1999 For Period Ending 12/31/1998

Address	1100 N GLEBE ST ARLINGTON, Virginia 22201
Telephone	703-841-7800
CIK	0000016058
Industry	Computer Services
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 December 31, 1998

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 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 December 31, 1998: CACI International Inc Common Stock, \$0.10 par value, 10,882,000 shares.

CACI INTERNATIONAL INC AND SUBSIDIARIES

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

Unaudited Condensed Consolidated Statements of Operations for the Three Months Ended December 31, 1998 and 1997

Unaudited Condensed Consolidated Statements of Operations for the Six Months Ended December 31, 1998 and 1997

Unaudited Condensed Consolidated Balance Sheets as of December 31, 1998 and June 30, 1998

Unaudited Condensed Consolidated Statements of Cash Flows for the Six Months Ended December 31, 1998 and 1997

Unaudited Consolidated Statements of Comprehensive Income for the Three and Six Months Ended December 31, 1998 and 1997

Notes to Unaudited Condensed Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

Item 5. Forward Looking Statements

INDEX TO EXHIBITS

SIGNATURES

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 December 31, 1998	1997
	-----	-----
Revenues	\$103,720	\$ 79,145
Costs and expenses		
Direct costs	59,392	42,550
Indirect costs and selling expenses	35,276	29,151
Depreciation and amortization	1,912	1,846
Goodwill amortization	766	495
	-----	-----
Total operating expenses	97,346	74,042
	-----	-----
Income from operations	6,374	5,103
Interest expense	972	472
	-----	-----
Income before income taxes	5,402	4,631
Income taxes	2,040	1,759
	-----	-----
Net income	\$ 3,362	\$ 2,872
	=====	=====
Basic earnings per share	\$ 0.31	\$ 0.27
	=====	=====
Diluted earnings per share	\$ 0.30	\$ 0.26
	=====	=====
Average shares outstanding	10,874	10,755
	=====	=====
Average shares and equivalent shares outstanding	11,197	11,127
	=====	=====

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)

	Six Months Ended December 31, 1998	1997
	-----	-----
Revenues	\$196,071	\$149,814
Costs and expenses		
Direct costs	111,035	80,587
Indirect costs and selling expenses	68,132	55,590
Depreciation and amortization	3,655	3,561
Goodwill amortization	1,394	805
	-----	-----
Total operating expenses	184,216	140,543
	-----	-----
Income from operations	11,855	9,271
Interest expense	1,468	717
	-----	-----
Income before income taxes	10,387	8,554
Income taxes	3,886	3,250
	-----	-----
Net income	\$ 6,501	\$ 5,304
	=====	=====
Basic earnings per share	\$ 0.60	\$ 0.49
	=====	=====
Diluted earnings per share	\$ 0.58	\$ 0.48
	=====	=====
Average shares outstanding	10,866	10,730
	=====	=====
Average shares and equivalent shares outstanding	11,199	11,101
	=====	=====

See notes to condensed consolidated financial statements (unaudited).

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

	December 31, 1998	June 30, 1998
	-----	-----
	(Unaudited)	
ASSETS		
Current assets		
Cash and equivalents	\$ 64	\$ 2,081
Accounts receivable:		
Billed	97,733	83,995
Unbilled	14,521	9,350
	-----	-----
Total accounts receivable	112,254	93,345
	-----	-----
Income taxes receivable	822	-
Prepaid expense and other	4,799	4,362
Deferred contract costs	1,768	2,383
Deferred income taxes	209	209
	-----	-----
Total current assets	119,916	102,380
	-----	-----
Property and equipment, net	12,999	11,351
Accounts receivable, long term	7,163	6,075
Goodwill	69,546	37,474
Other assets	6,742	4,884
Deferred contract costs, long-term	1,163	480
Deferred income taxes	4,964	416
	-----	-----
Total assets	\$222,493	\$163,060
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable & accrued expenses	\$ 30,277	\$ 24,257
Accrued compensation and benefits	16,456	17,010
Income taxes payable	-	4,390
Deferred income taxes	1,371	1,845
	-----	-----
Total current liabilities	48,104	47,502
	-----	-----
Note payable, long-term	77,352	29,800
Deferred rent expenses	1,119	1,289
Deferred income taxes	144	142
Other long-term obligations	4,570	-
Shareholders' equity		
Common stock -		
\$.10 par value, 40,000,000		
shares authorized, 14,408,000		
& 14,371,000 shares issued	1,441	1,437
Capital in excess of par	12,831	12,344
Retained earnings	90,916	84,415
Cumulative currency		
translation adjustments	(322)	(207)
Treasury stock, at cost (3,526,000 shares)	(13,662)	(13,662)
	-----	-----
Total shareholders' equity	91,204	84,327
	-----	-----
Total liabilities & shareholders' equity	\$222,493	\$163,060
	=====	=====

See notes to condensed consolidated financial statements (unaudited).

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

	Six Months Ended December 31, 1998	1997
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 6,501	\$ 5,304
Reconciliation of net income to net cash provided by (used in) operating activities		
Depreciation & amortization	5,049	4,366
Provision for deferred income taxes	1,666	312
Loss (gain) on sale of property & equipment	31	(32)
Changes in operating assets & liabilities		
Accounts receivable	(9,439)	(4,487)
Prepaid expenses & other assets	(617)	851
Deferred contract costs	(67)	-
Accounts payable & accrued expenses	(700)	(1,709)
Accrued compensation & benefits	(439)	1,172
Other long-term obligations	(280)	-
Deferred rent expense	(131)	(455)
Income taxes (receivable) payable	(3,853)	3,307
	-----	-----
Net cash provided (used) by operating activities	(2,279)	8,629
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property & equipment	(3,160)	(2,207)
Purchase of businesses	(44,291)	(36,154)
Proceeds from sale of property & equipment	9	382
Capitalized software cost & other	(324)	(105)
	-----	-----
Net cash used in investing activities	(47,766)	(38,084)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds under line-of-credit	114,531	90,000
Payments under line-of-credit	(66,979)	(61,900)
Proceeds from stock options	491	716
	-----	-----
Net cash provided by financing activities	48,043	28,816
	-----	-----
Effect of changes in currency rates on cash & equivalents	(15)	(8)
	-----	-----
Net increase in cash & equivalents	(2,017)	(647)
Cash & equivalents, beginning of period	2,081	2,015
	-----	-----
Cash & equivalents, end of period	\$ 64	\$ 1,368
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash (received) paid during the period for income taxes, net	\$ 5,994	\$ (867)
	=====	=====
Interest paid during the period	\$ 1,013	\$ 502
	=====	=====

See notes to condensed consolidated financial statements (unaudited).

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

	Three Months		Six Months	
	Ended December 31,		Ended December 31,	
	1998	1997	1998	1997
	-----		-----	
Net income	\$3,362	\$2,872	\$6,501	\$5,304
Currency translation adjustment	(543)	316	(115)	(329)
	-----	-----	-----	-----
Comprehensive income	\$2,819	\$3,188	\$6,386	\$4,975
	=====	=====	=====	=====

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

A. Basis of Presentation

The accompanying unaudited 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 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 consolidated financial statements be read in conjunction with the 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, 1998.

Certain reclassifications have been made to the prior period's financial statements to conform to the current presentation.

B. Accounts Receivable

Total accounts receivable are net of allowance for doubtful accounts of \$3,064,000 and \$3,637,000 at December 31, 1998, and June 30, 1998, respectively. Accounts receivable are classified as follows:

(dollars in thousands)	December 31, 1998	June 30, 1998
	-----	-----
Billed receivables		
Billed receivables	\$ 88,895	\$ 76,458
Billable receivables at end of period	8,838	7,537
	-----	-----
Total billed receivables	97,733	83,995
Unbilled receivables		
Unbilled pending receipt of contractual documents authorizing billing	14,246	9,195
Unbilled retainages and fee withholds expected to be billed within the next 12 months	275	155
	-----	-----
	14,521	9,350
Unbilled retainages and fee withholds expected to be billed beyond the next 12 months	7,163	6,075
	-----	-----
Total unbilled receivables	21,684	15,425
	-----	-----
Total accounts receivable	\$119,417	\$ 99,420
	=====	=====

C. Acquisitions

On November 13, 1998, the Company acquired all of the common stock of QuesTech, Inc. ("QuesTech"), a company that specializes in the development and application of information technology and engineering services for the defense and national security communities, for \$18.13 per share in cash. The total consideration paid by CACI, including the assumption of liabilities, was approximately \$42 million. The transaction was funded through borrowings under the Company's existing line of credit with a group of banks. For the year ended December 31, 1997, QuesTech reported revenues of \$78.5 million. The transaction has been recorded using the purchase method of accounting. Approximately \$31 million of the purchase consideration has been preliminarily 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 30 years. The preliminary purchase price allocation may change during the year ending June 30, 1999, as additional information concerning the net asset valuation is obtained. QuesTech contributed revenues of \$8.9 million for the period from November 13, 1998 to December 31, 1998.

On August 13, 1998, the Company purchased the assets of Information Decision System ("IDS") for \$2.6 million in cash and, therefore, the transaction has been recorded using the purchase method of accounting. IDS provided internet access to demographic site information and the acquisition is expected to enhance the current U.S. market share of the Company's Marketing Systems Group ("MSG") in the industry. Approximately \$2.4 million has been preliminarily 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. Since its acquisition, the operations acquired from IDS have contributed approximately \$0.2 million in revenue through September 30, 1998. The acquisition was financed with available bank borrowings.

D. Other Long-Term Obligations

The Company acquired certain long-term obligations in connection with the QuesTech transaction discussed in Note C. At December 31, 1998, approximately \$3.0 million was accrued in connection with the Officers and Managers Deferred Compensation Plan ("DefCom"). DefCom allows eligible employee participants to defer current compensation and provides supplemental postretirement benefits along with certain specified death benefits to the participants' beneficiaries. Postretirement benefits under DefCom are payable upon the participant's termination of employment, and are paid in equal installments over a period equal to the length of time the employee deferred compensation, but no longer than ten years. Termination or retirement benefits are based upon the employee's actual deferrals plus interest credited annually, as determined by the Administrator. Supplemental death benefits are payable, in some cases, over a period of ten years provided death occurs while the participant is an active employee of the Company. DefCom is a non-qualified, defined contribution plan which has been valued based on the actual participant account balances plus interest earned to date. The remaining liability consists primarily of amounts accrued in connection with other benefit plans which provide medical and insurance coverage. The liability associated with these other plans is actuarially determined on an annual basis.

E. 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.

F. Recent Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." As specified by these Statements, the Company will apply these Statements beginning in fiscal 1999 and reclassify its annual financial statements for earlier periods for comparative purposes.

SFAS No. 130 requires that all items defined under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The Company adopted SFAS No. 130 during the first quarter of fiscal 1999 and has reported the effects of foreign currency translation gains or losses as a component of comprehensive income in a separate financial statement.

SFAS No. 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographics areas, and major customers. This Statement supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise," but retains the requirement to report information about major customers. It amends SFAS No. 94, "Consolidation of All Majority-Owned Subsidiaries," to remove the special disclosures requirements for previously unconsolidated subsidiaries. At this point, the Company has not fully determined the impact of the adoption of SFAS No. 131.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Results of Operations For the Three and Six Months Ended December 31, 1998 and 1997

REVENUES. The table below sets forth the customer mix in revenues with related percentages of total revenues for the three and six months ended December 31, 1998 (FY99) and December 31, 1997 (FY98), respectively:

(dollars in thousands)

Quarter		Second First Six Months				
FY98		FY99	FY99		FY98	
-----		-----	-----	-----	-----	-----
Department of Defense		\$ 48,680	46.9%	\$ 39,407	49.8%	\$
90,423	46.1%	\$ 75,754	50.6%			
Federal Civilian Agencies		31,993	30.9%	21,073	26.6%	
61,226	31.2%	39,420	26.3%			
Commercial		18,272	17.6%	16,850	21.3%	
35,580	18.2%	31,113	20.8%			
State & Local Governments		4,775	4.6%	1,815	2.3%	
8,842	4.5%	3,527	2.3%			
-----		-----	-----	-----	-----	-----
Total		\$103,720	100.0%	\$ 79,145	100.0%	
\$196,071	100.0%	\$149,814	100.0%			
=====	=====	=====	=====	=====	=====	=====

For the three months and six months ended December 31, 1998, the Company's total revenues increased by 31%, or \$24.6 million, and by 31%, or \$46.3 million, respectively, over the same periods last year. Approximately \$15.4 million, or 63% of the increase, and \$26.5 million, or 57% of the increase, was achieved through internal or organizational growth in all market segments for the quarter and six months ended December 31, 1998, respectively, over the same periods a year ago. The remaining increase of \$9.2 million and \$19.8 million for the three and six months of FY99, respectively, as compared to FY98 was primarily the result of acquisitions described below.

On November 13, 1998, the Company acquired 100% of the issued and outstanding common stock of QuesTech, Inc. ("QuesTech") which contributed approximately \$8.9 million of incremental revenues for the three and six months ended December 31, 1998. On August 13, 1998, the Company purchased the assets of Information Decision Systems ("IDS"). Since its acquisition, the operations of IDS have contributed approximately \$0.4 million of revenues through December 31, 1998. In the prior year, the Company purchased the business and assets of Government Systems, Inc. ("GSI") on November 1, 1997, which generated incremental revenues of \$9.6 million for the first three months of FY99.

Department of Defense revenues increased 24%, or \$9.3 million, for the quarter, and 19%, or \$14.7 million, for the first six months. The QuesTech and GSI acquisitions accounted for primarily all of the growth, contributing a combined \$7.8 million and \$11.8 million for the three and six month periods, respectively.

Revenues from Federal Civilian agencies increased 52%, or \$10.9 million, for the quarter, and 55% or \$21.8 million, for the first six months of FY99, as compared to the same periods a year ago. Approximately 54% of Federal Civilian agency revenues are derived from the Department of Justice ("DoJ") in providing litigation support services and in developing an automated debt collection system. Revenues for DoJ were \$16.1 million and \$32.8 million for the quarter and six months ended December 31, 1998, as compared to \$13.9 million and \$29.0 million for the respective periods a year ago. Significant growth in contracts with Civilian agencies other than DoJ was led by expanding efforts under contract vehicles with the Federal Aviation Administration ("FAA") and the General Services Administration ("GSA"). A higher level of communication services and equipment provided to the FAA has resulted in incremental revenues of \$1.5 million for the second quarter of FY99 and of \$5.2 million for the first half of FY99. The remaining increase of \$7.2 million for the second quarter and \$12.8 million for the first half of FY99 was mainly generated from growth in a GSA multiple task order contract, which provides primarily Year 2000 software renovation services to several Civilian agencies.

During the quarter and six months ended December 31, 1998, commercial revenues increased by 8%, or \$1.4 million, and 14%, or \$4.5 million, respectively, over the same periods a year ago. These increases are primarily the result of increased demand for European systems integration services provided by our Marketing Systems Group ("MSG") in the United Kingdom.

Revenues from state and local governments increased \$3.0 million and \$5.3 million for the quarter and six months ended December 31, 1998, as compared to the same periods a year ago due to increased demand for Year 2000 software renovation services.

The following table sets forth the relative percentage that certain items of expense and earnings bear to revenues for the quarter and six months ended December 31, 1998 and December 31, 1997, respectively.

thousands)			Dollar Amount (in			
			Percentage of Revenue			
Months	Second Quarter		Second Quarter		First Six	
			First Six Months		First Six	
	FY99	FY98	FY99	FY98	FY98	FY99

Revenues						
\$149,814	100.0%	100.0%	100.0%	100.0%	\$ 79,145	\$196,071
Costs and expenses:						
Direct costs						
80,587	57.3%	53.8%	56.6%	53.8%	42,550	111,035
Indirect costs & selling expenses						
55,590	34.0%	36.8%	34.7%	37.1%	29,151	68,132
Depreciation & amortization						
3,561	1.8%	2.3%	1.9%	2.4%	1,846	3,655
Goodwill amortization						
805	0.7%	0.7%	0.7%	0.5%	495	1,394

Total operating expenses						
140,543	93.8%	93.6%	93.9%	93.8%	74,042	184,216
Income from operations						
9,271	6.2%	6.4%	6.1%	6.2%	5,103	11,855

Interest expense				972	472	1,468	
717	0.9%	0.6%	0.7%	0.5%			
				-----	-----	-----	
Earnings before income taxes				5,402	4,631	10,387	
8,554	5.3%	5.8%	5.4%	5.7%			
Income taxes				2,040	1,759	3,886	
3,250	2.1%	2.2%	2.1%	2.2%			
				-----	-----	-----	
Net income				\$ 3,362	\$ 2,872	\$ 6,501	\$
5,304	3.2%	3.6%	3.3%	3.5%			
				=====	=====	=====	
=====	=====	=====	=====	=====			

INCOME FROM OPERATIONS. Operating income increased 25% and 28% for the quarter and six months ended December 31, 1998 as compared to the same periods a year ago. This is due to the 31% growth in revenues for both the second quarter and first half of FY99 offset by a higher proportion of other direct costs to total direct costs which generally provide a lower margin.

As a percentage of revenues, total direct costs for the second quarter of FY99 were 57.3% versus 53.8% a year ago and for the first six months of FY99 were 56.6% versus 53.8% a year ago. Direct costs include direct labor and other direct costs such as equipment purchases, subcontract costs and travel expenses. The largest component of direct costs, direct labor was \$29.9 million and \$25.2 for the second quarter of FY99 and FY98, respectively. For the six months ended December 31, 1998 and 1997, direct labor was \$57.2 million and \$49.0 million, respectively. Other direct costs were \$29.5 million and \$17.4 million for the second quarters of FY99 and FY98, respectively, and \$53.8 million versus \$31.6 million for the first six months of FY99 and FY98, respectively. Other direct costs have grown at a more rapid pace as the Company has a higher number of contracts with an increased level of other direct costs. The most notable increases have come from equipment purchases for contracts with the FAA and DoJ as well as subcontract and travel costs incurred with Year 2000 software services. Indirect costs and selling expenses include fringe benefits, marketing and bid proposal costs, indirect labor and other discretionary costs, most of which are highly variable. As a percentage of revenues, indirect costs have decreased due to the impact of higher other direct costs on revenues for the second quarter and first half of FY99.

Depreciation and amortization expense increased slightly in the second quarter and first half of FY99 as compared to the same periods a year ago, primarily due to the acquisition of QuesTech.

Goodwill amortization expense has increased \$0.3 million for the second quarter and \$0.6 million for the first half of FY99 as compared to the same periods a year ago due to the acquisitions of QuesTech and IDS in the current fiscal year as well as the incremental impact from the GSI acquisition in the prior year.

INTEREST EXPENSE. Interest expense increased \$0.5 million and \$0.7 million for the second quarter and first six months of FY99 as compared to the same periods in FY98. This is directly attributable to the increased borrowings of \$42 million necessary to complete the QuesTech acquisition as well as an increase in average borrowings since the acquisition of GSI in the prior year.

INCOME TAXES. The effective income tax rate for the quarter and six months ended December 31, 1998 was 37.8% and 37.4% as compared to 38.0% for both the quarter and six months ended December 31, 1997. The slight decrease for both periods is due to a lower effective state income tax rate offset by the impact of non-deductible goodwill amortization from the QuesTech acquisition.

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 \$71.8 million and \$54.9 million as of December 31, 1998 and June 30, 1998, respectively. The increase in working capital in the first six months of FY99 is related both to internal growth and to the QuesTech acquisition. Operating activities used cash of \$2.3 million for the six months of FY99 as compared to FY98 when operating activities provided cash of \$8.6 million. This decrease in cash provided by operating activities since the prior year is primarily due to \$6.0 million of income tax payments in the first half of FY99 as compared to \$3.1 million of income tax refunds in FY98. In addition, the decrease is due to cash payments related to higher other direct costs as well as growth in receivables resulting from the 31% growth in revenues for the first six months of FY99 as compared to the same period of FY98.

The Company used \$47.8 million in investing activities for the six months ended December 31, 1998 versus \$38.1 million for the same period a year ago. This is primarily due to the acquisitions of QuesTech of \$41.6 million and of IDS for \$2.6 million in FY99, and of GSI for \$33.5 million in FY98.

The Company financed its investing activities from operating cash flows and from a net increase in borrowings of \$47.6 million under its line of credit.

In June 1998, the Company executed a new five-year unsecured revolving line of credit, which 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 1999. At December 31, 1998, the Company had approximately \$48.5 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

The following discussion addresses the Company's response to the Year 2000 issue, caused by the fact that many computer systems have not been designed to process dates for the Year 2000 and beyond.

The Company has undertaken a multi-faceted compliance program to address its readiness to handle the date issue in connection with both Information Technology ("IT") and non-IT systems (such as those using embedded chip technology) in the following areas: CACI-developed software products and systems, infrastructure hardware and software applications, business applications, office equipment, leasehold facilities, and critical business partners. The Company believes that continued awareness and communication are critical to the successful execution of this program. We are currently addressing each one of these elements listed above.

Through the use of questionnaires, compliance testing, and continued discussions, we have determined that a substantial portion of the CACI software products currently offered are compliant and have published the status of all CACI software products on the Company's internet site at <http://www.caci.com>. The Company's plan is to achieve full compliance by July 1999. Regarding the custom systems previously developed by CACI for its customers, the Company is working to evaluate the contractual commitments that would obligate CACI to remediate non-compliant systems, as well as CACI's potential legal exposure concerning systems for which CACI has no continuing express warranty or maintenance obligations.

Based on the present state of our knowledge and of the law as it applies to this aspect of the Year 2000 issue, we are unable at this time to determine the full extent of exposure or to estimate the probable cost and timing of any required remediation.

Over the past few years, the Company has made a concerted effort to update its desktop and laptop computers and its internal communications network equipment and software. With current technology in place, the Company believes that most of these systems are already compliant. The Company has taken the additional step of requesting that its 160 suppliers of such systems and components provide information as to Year 2000 compliance of their products. To date, approximately 60% have been found to be compliant or require only minor changes. The Company is proceeding in accordance with a plan that is scheduled to achieve material compliance of these systems by June 1999.

At this point, the Company has identified the following systems as our key business applications: finance & project management, payroll, human resources, and contracts. Our human resources information and contracts database systems are largely compliant with only minor issues remaining. We are currently reviewing the project forecasting systems for Year 2000 readiness. In addition, we recently completed the upgrade of our payroll system to a fully compliant MS-Windows(R)-based version supplied by an outside vendor. In January 1998, we began our implementation of a new finance system, which is supplied by Deltek Systems, a leading supplier of such systems to the government contracting industry. This system is represented as being compliant and our plan is on schedule to have it implemented by June 1999.

We have and will continue to determine and assess our critical business partners as a part of our compliance program. Presently, such significant business partners include, but are not limited to, our suppliers, the utility companies, our bank lending group, an outside vendor used to process payroll, insurance and benefit providers, and property management firms. CACI's operations are dependent to varying degrees on the readiness of these and other partners. CACI has issued questionnaires to identified business

partners. To date, the number of responses received indicate that many of our business partners are actively addressing the Year 2000 issue. The Company is continuing to aggressively pursue responses in order to complete our evaluations and develop any appropriate contingency plans, as necessary.

The Company is heavily dependent upon the effectiveness of its customers' systems, principally in the U.S. Government, for the administration of contracts and payment of the Company's invoices. The Company has made formal inquiries and continues to vigorously pursue responses concerning the efforts of its larger U.S. Government customers to determine the status and encourage correction of any problems in their systems. The primary concern is that there will be delays in contract payments to the Company, which would require a temporary increase in working capital. The Company has substantial borrowing capacity available under its current line of credit, which extends to June 2003, but will further evaluate the potential cash flow impact of the problem and determine if additional steps are necessary to insure that adequate contingency financing is available.

The financial impact of preparing the Company to be compliant is not fully determinable at this time. Presently, the most significant costs are related to our implementation of our new business systems in finance and project management, which are discussed above. Costs for this project, including software, hardware, consulting fees and labor are estimated at \$2 million, of which approximately 50% has been spent to date. These costs are being capitalized and will be depreciated when the system is operational. In addition, we anticipate incurring approximately \$200 thousand in incremental, internal labor costs that relate specifically to management of the Year 2000 compliance program. The Company has devoted one full-time individual, an oversight committee of 15 individuals and approximately 40 LAN administrators at various offsite locations to communicate and implement all aspects of the Year 2000 compliance program. The Company has found that many of the upgrades or patches necessary to fix the software are being provided at no cost by major vendors. In addition, a majority of the CACI software product upgrades are currently planned using existing technical staff without a significant effect on other new product development.

In summary, the Company has established a Year 2000 compliance program plan which is progressing as described above. We have not yet proceeded far enough through performance of that plan to make a more complete assessment of the Company's state of readiness, costs to address Year 2000 issues, or risks to the Company. Moreover, because the Company's Year 2000 compliance program plan appears, on the basis of our present knowledge, to adequately address the matter, we have not yet developed specific contingency plans. Investors should be aware of the fact that the process of addressing the Year 2000 issue is necessarily incremental. The Company will continue to report on the status of its Year 2000 compliance program. Investors are cautioned, however, that the Company's assessment of its readiness, of the costs of performing the program and the risks attended thereto, and of the need for any contingency plans may change materially in the future as we gain more complete knowledge and proceed further through plan performance.

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 September 30, 1998 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, the parties have reopened settlement discussions, with no resolution to date.

ITEM 5. OTHER INFORMATION

Other Information

At a meeting held on February 9, 1999, the Board of Directors of the Company unanimously amended the By-laws of the Company to establish ministerial and administrative procedures governing any solicitation of written consents for corporate action pursuant to Section 228 of the Delaware General Corporation Law. Among other things, the By-law amendments permit the Board of Directors of the Company to set a record date for determining shareholders entitled to act by written consent, to provide that written consents may only be valid for up to 60 days, and to establish procedures for the inspection and review of the validity of consents and revocations. The full text of the amendments is filed as Exhibit 3.2 hereto.

Forward Looking Statements

This filing may contain "forward-looking" statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements concerning expectations of the Company's future performance in terms of revenues and earnings. The Company cautions investors that there can be no assurance that actual results will not differ materially from those projected or suggested in such forward-looking statements. Factors which could cause a material difference in results include, but are not limited to, the following: regional and national economic conditions; changes in interest rates; changes in government spending policies and/or decisions concerning specific programs; individual business decisions of customers and clients; developments in technology; competition for employee resources; competitive factors and pricing pressures; the Year 2000 compliance of the Company's customers, contracting partners supplies and landlords; our ability to achieve the objectives of our business plans; and changes in government laws or regulations.

CACI INTERNATIONAL INC AND SUBSIDIARIES

INDEX TO EXHIBITS

Exhibit Number -----	Title -----
3.2	By-laws of CACI International Inc, as amended February 9, 1999
11	Computation of Basic and Diluted Earnings Per Share

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 thereunto duly authorized.

CACI International Inc

(Registrant)

Date: February 12, 1999

By: /s/

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

Date: February 12, 1999

By: /s/

Dr. J.P. London
Acting Chief Financial Officer
and Treasurer
(Principal Financial Officer)

EXHIBIT 11**CACI INTERNATIONAL INC AND SUBSIDIARIES****COMPUTATION OF EARNINGS PER SHARE**

	Three Months Ended December 31, 1998 1997		Six Months Ended December 31, 1998 1997	
	-----		-----	
Net income	\$ 3,362	\$ 2,872	\$ 6,501	\$ 5,304
Average shares outstanding during the period	10,874	10,755	10,866	10,730
Dilutive effect of stock options after application of treasury stock method	323	372	333	371
	-----	-----	-----	-----
Average number of shares outstanding during the period	11,197	11,127	11,199	11,101
=====	=====	=====	=====	
Basic earnings per share	\$ 0.31	\$ 0.27	\$ 0.60	\$ 0.49
=====	=====	=====	=====	
Diluted earnings per share	\$ 0.30	\$ 0.26	\$ 0.58	\$ 0.48
=====	=====	=====	=====	

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE 10-Q FOR THE PERIOD ENDED DECEMBER 31, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

PERIOD TYPE	6 MOS
FISCAL YEAR END	JUN 30 1999
PERIOD END	DEC 31 1998
CASH	64,000
SECURITIES	0
RECEIVABLES	122,481,000
ALLOWANCES	(3,064,000)
INVENTORY	0
CURRENT ASSETS	119,916,000
PP&E	46,803,000
DEPRECIATION	(33,804,000)
TOTAL ASSETS	222,493,000
CURRENT LIABILITIES	48,104,000
BONDS	77,352,000
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	1,441,000
OTHER SE	89,763,000
TOTAL LIABILITY AND EQUITY	222,493,000
SALES	0
TOTAL REVENUES	196,071,000
CGS	0
TOTAL COSTS	111,035,000
OTHER EXPENSES	72,810,000
LOSS PROVISION	371,000
INTEREST EXPENSE	1,468,000
INCOME PRETAX	10,387,000
INCOME TAX	3,886,000
INCOME CONTINUING	6,501,000
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	6,501,000
EPS PRIMARY	\$0.58 ¹
EPS DILUTED	\$0.58

¹ EARNINGS PER SHARE HAS BEEN PRESENTED ON THE FINANCIAL STATEMENTS IN ACCORDANCE WITH SFAS #128 AS SHOWN BELOW: EARNINGS PER SHARE-BASIC \$0.60 EARNINGS PER SHARE-DILUTED \$0.58

Exhibit 3.2

Amended as of February 9, 1999

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 sixty (60) 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.

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.