CACI INTERNATIONAL INC /DE/
Form 10-K
August 29, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2011

OR

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

For the transition period from to

Commission File Number 001-31400

CACI International Inc

(Exact name of registrant as specified in its charter)

Delaware	**54-1345888**
(State or other jurisdiction of incorporation or organization)	**(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)

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x. No ¨.

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨. No x.

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 by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x. No ¨.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Annual Report on Form 10-K or any amendment to this Annual Report on Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

The aggregate market value of common shares held by non-affiliates of the registrant on December 31, 2010 was $1,567,662,785, based upon the closing price of the registrant s common shares as quoted on the New York Stock Exchange composite tape on such date.

As of August 24, 2011, the registrant had 30,391,311 shares of common stock issued and outstanding.

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DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference certain information from the registrant s proxy statement for its 2011 annual meeting of stockholders. With the exception of the sections of the 2011 Proxy Statement specifically incorporated herein by reference, the 2011 Proxy Statement is not deemed to be filed as part of this Annual Report on Form 10-K.

Unless the context indicates otherwise, the terms we , our , the Company and CACI as used in Parts I, II and III include CACI International Inc and its subsidiaries and joint ventures that are more than 50 percent owned or otherwise controlled by it. The term the registrant as used in Parts I, II and III refers to CACI International Inc only.

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Certain information included or incorporated by reference in this document and in press releases, written statements or other documents filed with the United States (U.S.) Securities and Exchange Commission (SEC), or in the Company s communications and discussions through webcasts, telephone calls and conference calls, may not address historical facts and, therefore, could be interpreted to be forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995 and other federal securities laws. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including projections of financial performance; statements of plans, strategies and objectives of management for future operations; any statement concerning developments, performance or industry rankings relating to products or services; any statements regarding future economic conditions or performance; any statements of assumptions underlying any of the foregoing; and any other statements that address activities, events or developments that CACI intends, expects, projects, believes or anticipates will or may occur in the future. Forward-looking statements may be characterized by terminology such as believe, anticipate, expect, should, intend, plan, will, estimates, projects, strategy and similar expressions are based on assumptions and assessments made by the Company s management in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties that include but are not limited to the factors set forth under Item 1A, Risk Factors in this Annual Report on Form 10-K.

Any such forward-looking statements are not guarantees of future performance, and actual results, developments and business decisions may differ materially from those envisaged by such forward-looking statements. The forward-looking statements included herein speak only as of the date of this Annual Report on Form 10-K. The Company disclaims any duty to update such forward-looking statements, all of which are expressly qualified by the foregoing.

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CACI International Inc

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PART I

Item 1. Business

Background

CACI International Inc was organized as a Delaware corporation under the name CACI WORLDWIDE, INC. on October 8, 1985. By a merger on June 2, 1986, the registrant became the parent of CACI, Inc., a Delaware corporation, and CACI N.V., a Netherlands corporation. Effective April 16, 2001, CACI, Inc. was merged into its wholly-owned subsidiary, CACI, INC.-FEDERAL, such that the registrant is now the corporate parent of CACI, INC.-FEDERAL, a Delaware corporation, and CACI N.V., a Netherlands corporation. The registrant is a holding company and its operations are conducted through subsidiaries, which are located in the U.S. and Europe, and a joint venture which is controlled by the registrant.

Our telephone number is (703) 841-7800 and our Internet page can be accessed at www.caci.com. We make our web site content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Annual Report on Form 10-K.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are made available free of charge on our Internet website at www.caci.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Documents filed by us with the SEC can also be viewed at www.sec.gov.

Overview

CACI founded its business in 1962 in simulation technology. With revenue for the year ended June 30, 2011 (FY2011) of $3.6 billion, we serve clients in the U.S. federal government and commercial markets, primarily throughout North America and internationally on behalf of U.S. customers, as well as in the United Kingdom (U.K.). We deliver professional services and information technology (IT) solutions to our clients. Through our service offerings, we provide comprehensive and practical solutions by adapting emerging technologies and continually evolving legacy strengths. As a result of our diverse capabilities and client mission understanding, many of our client relationships have existed for ten years or more.

Our reliable and high-quality services have enabled us to successfully compete for and win repeat business, sustain long-term client relationships and compete effectively for new clients and new contracts. We seek competitive business opportunities and have designed our operations to support major programs through centralized business development and business alliances. We have structured our business development organization to respond to the competitive marketplace, particularly within the federal government, and support that activity with full-time marketing, sales, communications, and proposal development specialists.

Our primary customers are agencies of the U.S. government. Our services are primarily targeted to the areas of defense, intelligence, homeland security and IT modernization. The demand for our services, in large measure, is created by the increasingly complex network, systems and information environments in which governments and businesses operate, and by the need to stay current with emerging technology while increasing productivity and, ultimately, improving performance.

At June 30, 2011, CACI had approximately 13,700 employees.

Domestic Operations

Our domestic operations are conducted through a number of subsidiaries and a joint venture which we control, and account for 100 percent of our U.S. government revenue and 29.3 percent of our commercial

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revenue. Some of the contracts performed by our domestic operations involve assignment of employees to international locations. At June 30, 2011, approximately 900 employees were on assignments in international locations. We provide professional services and information technology solutions to our domestic clients through all of our major service offerings:

Enterprise IT and network services We support our clients critical networked operational missions by providing tailored end-to-end enterprise information technology services for the design, establishment, management, security and operations of client infrastructure. Our operational, analytic, consultancy and transformational services effectively use industry best practices and standards to enable and optimize the full life cycle of the networked environment, improve customer service, improve efficiency, and reduce total cost and complexity of large, geographically dispersed operations.

Data, information and knowledge management services We deliver a full spectrum of solutions and services that automate the knowledge management life cycle from data capture through information analysis and understanding. We provide commercially-based products, custom solutions development, and operations and maintenance services that facilitate information sharing. Our information technology solutions are complemented by a suite of analytical expertise support offerings for our U.S. government Intelligence Community, Department of Defense (DoD), Department of Justice (DoJ), and Homeland Security customers.

Business system solutions We provide solutions that address the full spectrum of requirements in the financial, procurement, human resources, healthcare, supply chain and other business domains. Our solutions employ an integrated cross-functional approach to maximize investments in existing systems, while leveraging the potential of advanced technologies to implement new, high payback solutions. Our offerings include services, consulting and software development/integration that support the full life cycle of commercial technology implementation from blueprint through application sustainment.

Logistics and material readiness services We offer a full suite of solutions and service offerings that plan for, implement, and control the efficient and effective flow and storage of goods, services, and information in support of U.S. government agencies. We develop and manage logistics information systems, specialized simulation and modeling toolsets, and provide logistics engineering services. Our operational capabilities span the supply chain, including advance logistics planning, demand forecasting, total asset visibility (including the use of Radio Frequency Identification technology), and life cycle support for weapons systems. Our logistics services are a critical enabler in support of defense readiness and combat sustainability objectives.

C4ISR solutions and services We provide rapid response services in support of military missions in a coordinated and controlled operational setting. We support the military efforts to ensure delivery and sustainment of integrated, enterprise-wide, Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) programs. We integrate sensors, mission applications, and systems that connect with DoD data networks.

Cyber security Our solutions and services support the full life cycle of preparing for, protecting against, detecting, reacting to and actively responding to the full range of cyber threats. We achieve this through comprehensive and consistently managed risk-based, cost-effective controls and measures to protect information operated by the U.S. government. We proactively support the operational use and availability/reliability of information.

Integrated security and intelligence solutions The United States, its partners and its allies around the world face state, non-state, and transnational adversaries that do not recognize political boundaries; do not recognize international law; and will seek, through asymmetric and irregular means, ways to strike at seams in our national security. We assist clients in developing integrated solutions that close gaps between security, intelligence, and law enforcement in order to address complex threats to our national security.

Program management and system engineering and technical assistance (SETA) services We support U.S. government Program Executive Offices and Program Management Offices via subject matter experts and comprehensive technical management processes that optimize program resources. This includes translating operational requirements into configured systems, integrating technical inputs, characterizing and managing risk, transitioning technology into program efforts, and verifying that designs meet operational needs, through the application of internationally recognized and accepted standards. Additionally, we provide SETA and advisory and assistance services that include contract and acquisition management, operations support, architecture and system engineering services, project and portfolio management, strategy and policy support, and complex trade analyses.

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

International Operations

Our international operations are conducted primarily through our operating subsidiary in Europe, CACI Limited, and account for substantially all revenue generated from international clients and 70.7 percent of our commercial revenue. CACI Limited is headquartered in London, England, and operates primarily in support of our data, information and knowledge management services; business systems solutions; and enterprise IT and network services lines of business.

Our international service offerings focus primarily on planning, designing, implementing and managing solutions that resolve specific technical or business needs for commercial and government clients in the telecommunications, education, financial services, healthcare services, logistics planning, digital marketing, and web-based data capture and forms processing areas. Our international operations also concentrate on combining data and technology in software products and services that provide strategic information on customers, buying patterns and market trends for clients who are engaged in retail sales of consumer products, direct marketing campaigns, franchise or branch site location projects, and similar endeavors.

Competition

We operate in a highly competitive industry that includes many firms, some of which are larger in size and have greater financial resources than we do. We obtain much of our business on the basis of proposals submitted in response to requests from potential and current customers, who may also receive proposals from other firms. Additionally, we face indirect competition from certain government agencies that perform services for themselves similar to those marketed by us. We know of no single competitor that is dominant in our fields of technology. We have a relatively small share of the available worldwide market for our products and services and intend to achieve growth and increasing market share both organically and through strategic acquisitions.

Strengths and Strategy

We offer substantially our entire range of professional services, information technology solutions, and proprietary products to defense, intelligence and civilian agencies of the U.S. government. Our work for U.S. government agencies may combine a wide range of skills drawn from our major service offerings. We occasionally contract through both our domestic and international operations to supply services and/or products to governments of other nations. As with other government contractors, our business is subject to government client funding decisions and actions that are beyond our control.

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Although we are a supplier of proprietary computer-based technology products and marketing systems products, we are not primarily focused on being a software product developer-distributor (see discussion following under Patents, Trademarks, Trade Secrets and Licenses).

Our international commercial client base consists primarily of large corporations in the U.K. This market is the primary target of our proprietary marketing systems software and database products.

In order to effectively perform on our existing client contracts and secure new client contracts within the U.S. government, we must maintain expert knowledge of agency policies, operations and challenges. We combine this comprehensive knowledge with significant expertise in the design, integration, development and implementation of advanced information technology and communications solutions. This capability provides us with opportunities either to compete directly for, or to support other bidders in competition for, multi-million dollar and multi-year award contracts from the U.S. government.

We have strategic business relationships with a number of companies associated with the information technology industry. These strategic partners have business objectives compatible with ours and offer products and services that complement ours. We intend to continue development of these kinds of relationships wherever they support our growth objectives.

Our marketing and new business development is conducted by virtually all of our officers and managers including the Chief Executive Officer, executive officers, vice presidents, and division managers. We employ marketing professionals who identify and qualify major contract opportunities, primarily in the federal government market. Our proprietary software and marketing systems are sold primarily by full-time sales people. We also have established agreements for the resale of certain third party software and data products.

Much of our business is won through submission of formal competitive bids. Government and commercial clients typically base their decisions regarding contract awards on their assessment of the quality of past performance, responsiveness to proposal requirements, price, and other factors. Commercial bids are frequently negotiated as to terms and conditions for schedule, specifications, delivery and payment. The terms, conditions and form of contract of government bids, however, are in most cases specified by the client. In situations in which the client-imposed contract type and/or terms appear to expose us to inappropriate risk or do not offer us a sufficient financial return, we may seek alternate arrangements or opt not to bid for the work. Essentially all contracts with the U.S. government, and many contracts with other government entities, permit the government client to terminate the contract at any time for the convenience of the government or for default by the contractor. Although we operate under the risk that such terminations may occur and have a material impact on operations, such terminations have been rare and, generally, have not materially affected operations.

Our contracts and subcontracts are composed of a wide range of contract types, including firm fixed-price, cost reimbursement, time-and-materials (T&M), indefinite delivery/indefinite quantity (IDIQ) and government wide acquisition contracts (known as GWACS) such as General Services Administration (GSA) schedule contracts. By company policy, fixed-price contracts require the approval of at least two of our senior officers.

At any one time, we may have several thousand separate active contracts and/or task orders. In FY2011, the ten top revenue-producing contracts accounted for 44.0 percent of our revenue, or $1.6 billion.

In FY2011, 94.9 percent of our revenue came from U.S. government prime contracts or subcontracts consisting of 79.9 percent from DoD contracts and 15.0 percent from U.S. government civilian agency clients. The remaining 5.1 percent of revenue came from commercial businesses, both domestic and international, and state and local contracts.

Although we are continuously working to diversify our client base, we will continue to aggressively seek additional work from the DoD. In FY2011, DoD revenue grew by 16.7 percent, or $408.3 million. Most of the DoD revenue growth was attributable to existing operations.

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Industry Trends

The federal government is the largest consumer of information technology services and solutions in the United States. We believe that the following trends will impact the federal government s future spending on the types of services we provide:

Federal government budget trends, pressures and opportunities

Administration and congressional changes Legislative initiatives in the housing, financial, automotive, energy and health industries; lower revenue; recent budget submissions; and the ongoing weak economy have contributed to historically high actual and projected domestic budget increases and federal deficits. The efforts to control spending in the federal government s FY11 appropriation process and the debt ceiling debate have compounded the pressures to reduce federal spending, especially in the non-security areas. These trends may limit funding of complex programs with long payout periods.

Budget pressures We believe that deficit spending is at a level which may be unsustainable, and that spending reductions, entitlement reform, new revenue generation or some combination thereof may be necessary. Spending cuts and revenue increases may need to occur while the economy remains under significant stress. If the economic recovery stagnates or reverses, budget pressures could magnify.

Annual appropriations process Ongoing delays in the approval of annual federal government budgets appear to be causing uncertainty in various federal agencies, resulting in delays in contract awards and uncertainty in the contracting community. This trend is especially pronounced in the civilian agencies, many of which have operated under continuing resolutions for several years.

Budget opportunities

Information technology services As federal government agencies seek to make spending reductions, opportunities to achieve cost reductions through improved operational efficiency will receive higher priority. Many IT initiatives emerging in both DoD and Office of Management and Budget (OMB) directed programs for civilian agencies are based on infrastructure consolidation and cost effective upgrades. These consolidation and upgrade initiatives include infrastructure, applications and information. With greater technology infrastructure needs, we believe the demand will likely increase for information technology virtualization and the use of cloud computing technologies to achieve cost and performance efficiencies, along with smaller footprints and power needs. We expect our clients to shift resources to optimizing data, information and knowledge in shorter time frames. We continue to expect to see funding of transformational activity that yield results in a shorter timeframe to maximize investments with more stable and predictable information system outcomes. As the amount of data and information grows, and persistent threats to our national security continue, the demands for applications will grow as well, putting a higher value on faster and more efficient/effective technologies. We expect this demand to result in an increasing need for cyber security solutions. An additional area of cyber emphasis is the security of the supply chain. While technology provides part of the answer, the integration of processes and personnel using forward-looking systems and sound architectures is more likely to provide cost savings and performance efficiencies.

DoD Services We continue to see a stable flow of funds to the intelligence, defense and security areas that directly support mission critical operations. While DoD is instituting a 10 percent reduction in funding for service support contractors in knowledge-based areas for each of the next three years, these reductions are affecting only a small percentage of the services market. We expect most of these reductions to be in areas where DoD is looking to consolidate functions and organizations.

Overseas contingency operations (OCO Supplemental) funding in support of Iraq and Afghanistan operations The deployment of troops to Iraq is scheduled to end on December 31, 2011. Although negotiations are continuing for a longer term presence, U.S. ground combat operations have ended. The withdrawal of troops from Afghanistan has begun. The turnover of all combat operations to Afghanistan s forces is scheduled for 2014. We expect intelligence gathering, processing and analysis to continue and remain important to the mission of the commanders in the field. Further, logistics and force protection operations will continue. We anticipate a reduction in the OCO Supplemental to begin in 2012 and continue into the future. Going forward, we anticipate a continuing need to re-set and modernize equipment and infrastructure as forces return from South West Asia. This need will likely fuel a continuing demand for logistics services and network-enabled mission capabilities that provide increased efficiency and cost-effectiveness.

Federal business and acquisition policy

Government acquisition reforms A number of statutory acquisition reform provisions and initiatives continue to be considered at the legislative level. These reforms may lead to increased oversight of contractor support services, with a focus on specific role definitions, transparency, additional reporting, managed risks, avoidance of potential conflicts of interest, and the mix between contractor staff and government personnel.

Oversight and transparency Oversight at the Congressional level and audit scrutiny at the agency level have increased with the increased use of government contractors since 2001. Some high profile cases of alleged and proven contractor fraud and abuse has placed greater emphasis on making programs transparent to avoid overspending and to focus on performance and best value. Added program oversight and transparency often delay procurements while the government evaluates program performance. Further, companies have increased costs associated with audits of business management systems. While delays are inevitable, and often costly, we believe they will result in better requirements definition, greater demand for stronger value-based solutions/services, and the diversion of spending from poorly performing areas to well performing areas.

Contract type One trend is a movement away from T&M and award fee contracts to more fixed price and cost reimbursable contracts. Better requirements definition and value based solutions should allow for more fixed price contracts where the contractor assumes more of the risk. Our fixed priced risk review and emphasis on qualified program managers should allow us to understand the risks and maintain margins. For cost reimbursable contracts, we may experience pricing pressures. Pricing is taking on an increasing role in best value determinations with more detailed pricing oversight. Further, technically acceptable lowest price is becoming more prevalent.

Contract award protests We continue to experience a number of protests of contracts awarded to us, especially those involving large, multiple award, IDIQ contracts. The award of our single-award Transformation and Systems Consolidation (TASC) contract with the Department of Homeland Security was protested. After a brief period of performance by CACI, the customer was not able to implement the General Accounting Office s required corrective action and the contract was subsequently terminated by the customer for their convenience during our fiscal year ended June 30, 2011. We are in the process of preparing our termination settlement proposal which upon submission will be negotiated with the customer. The protest process causes delays in awarding contracts, and sometimes task orders, affecting our backlog and revenue. However, once awarded, these multiple award IDIQ contracts allow the government to issue task order requests to a selected group of qualified companies and, often, more rapidly award task orders.

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More frequent recompetes of contracts DoD has announced an intention to increase competition when possible and conduct more frequent recompetitions of existing contracts. While the intent is to control government costs, we are concerned that the government may have insufficient staff to manage the existing workload.

Human capital While the emphasis on insourcing of work to government employees has declined as the government has concluded that limited to no cost savings result, the overhang from the initiative continues to affect some areas. The administration has now focused its efforts to reserve for federal government employees certain jobs defined as inherently governmental, closely associated with inherently governmental, and critical functions. We continue to expect all departments and agencies to determine their optimum scenario for what should be performed by federal government employees and what should be done by contractors.

Organizational conflict of interest (OCI) The government has begun to finalize its revised policy on OCI. The conflict avoidance is targeted at acquisition, requirements and acceptance determination activities. While Congress seems to have continuing interest in stricter firewalling, the impact in the services industry has been minimal.

Small business participation expectations According to the Small Business Administration (SBA), as a whole, the government continues to miss its goal of awarding 23 percent of its contracting dollars to small businesses. Increased emphasis to meet small business goals will make it more difficult for larger companies unable to win the large multiple award IDIQ contracts to compete for prime contract dollars.

Other uncertainties and trends in the business environment

Strategic sourcing The OMB has issued a directive to make business decisions about acquiring commodities and services more effectively and efficiently. In many cases, these strategies are designed to drive specific services to commodity status in order to leverage the government s purchasing power and reduce government costs. Many of the multiple-award, IDIQ contracts that typify today s market are derived from strategic sourcing initiatives that aggregate requirements and provide many options for users over extended performance periods. These contracts provide advantages to larger companies with more reach, management tools, and flexibility.

Security clearances and job specifications Many of our federal government contracts require us to have security clearances and employ personnel with specific levels of education and work experience. Depending on the level, security clearances can be difficult and time-consuming to obtain, and competition for skilled personnel in the information technology services industry is intense.

Macro economic trends Our operations are also affected by local, national and global economic conditions. The consequences of a global economic downturn or a continued weak U.S. economy may include a lower level of government spending in the areas in which we provide our services. Instability in the financial markets, as a result of an economic weakness or other factors, may also affect the cost of capital and our ability to raise capital. Further, financial market performance can impact our tax structure and, consequently, our financial results.

Recent Significant Acquisitions

During the past three fiscal years, we completed a total of nine acquisitions, four in the U.S. and five in the U.K. including:

The October 2009 acquisition of all of the outstanding stock of a business in the United States which provides commercial security technology services for $62.8 million. In addition, the purchase agreement provided that we might have been required to pay additional consideration (Contingent Consideration)

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of up to $32.5 million based upon events to occur subsequent to the acquisition date. Subsequent to June 30, 2011, we and the sellers agreed to settle the Contingent Consideration for a payment of $15.5 million. Simultaneously, an entity controlled by the primary selling shareholder entered into an agreement with us to purchase certain equipment we customarily offer for sale. In addition, the parties are negotiating a joint sales and marketing agreement.

The February 2010 acquisition of all of the outstanding stock of SystemWare Incorporated, which provides signal acquisition and analysis systems for cyber security and counterintelligence application, for $23.6 million paid to date and the opportunity to earn additional consideration of up to $6.0 million, based on earnings of the acquired entity during the twelve months ending January 31, 2012.

The November 2010 acquisition of TechniGraphics, Inc., a provider of imaging and geospatial services to the U.S. government, for $104.6 million.

The November 2010 acquisition of Applied Systems Research, Inc., a provider of technical services and products to the U.S. government, for $25.1 million.

Over the past several years, the U.S. government has organized the armed services so that military personnel focus on combat and war-fighter roles, while many non-combatant roles are filled by personnel provided by contractors. The acquisitions we completed, including those as described above, have positioned us to respond to certain aspects of this transformation of DoD, and deliver contract personnel to fill some of these non-combatant roles including logistics, intelligence gathering and analysis, organizational realignment and training.

Seasonal Nature of Business

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

The U.S. government s fiscal year ends on September 30 of each year. It is not uncommon for government agencies to award extra tasks or complete other contract actions in the weeks before the end of a fiscal year in order to avoid the loss of unexpended funds. Moreover, in years when the U.S. government does not complete the budget process for the next fiscal year before the end of September, government operations whose appropriations legislation has not been signed into law are funded under a continuing resolution that authorizes them to continue to operate, but traditionally does not authorize new spending initiatives.

CACI Employment and Benefits

Our employees are our most valuable resource. We are in continuing competition for highly skilled professionals in virtually all of our business areas. The success and growth of our business is significantly correlated with our ability to recruit, train, promote and retain high quality people at all levels of the organization. For these reasons, we endeavor to maintain competitive salary structures, incentive compensation programs, fringe benefits, opportunities for growth, and individual recognition and award programs. Fringe benefits are generally consistent across our subsidiaries, and include paid vacations, sick leave and holidays; medical, dental, disability and life insurance; tuition reimbursement for job-related education and training; and other benefits under various retirement savings and stock purchase plans.

We have published policies that set high standards for the conduct of our business. We require all of our employees, independent contractors working on client engagements, officers, and directors annually to execute and affirm to the code of ethics applicable to their activities. In addition, we require annual ethics and compliance training for all of our employees to provide them with the knowledge necessary to maintain our high standards of ethics and compliance.

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Patents, Trademarks, Trade Secrets and Licenses

We own eight patents and patent applications in the United States. While we believe our patents are valid, we do not consider that our business is dependent on patent protection in any material way. We claim copyright, trademark and other proprietary rights in a variety of intellectual property, including each of our proprietary computer software and data products and the related documentation. We presently own 19 registered trademarks and service marks and applications in the U.S. and 31 registered trademarks and service marks in other countries, primarily the U.K. All of our registered trademarks and service marks may be renewed indefinitely. In addition, we assert copyrights in essentially all of our electronic and hard copy publications, our proprietary software and data products and in software produced at the expense of the U.S. government, which rights can be maintained for up to 75 years. Because most of our business involves providing services to government entities, our operations generally are not substantially dependent upon obtaining and/or maintaining copyright or trademark protections, although our operations make use of such protections and benefit from them as discriminators in competition. We are also a party to agreements that give us the right to distribute computer software, data and other products owned by other companies, and to receive income from such distribution. As a systems integrator, it is important that we maintain access to software, data and products supplied by such third parties, but we generally have experienced little difficulty in doing so. The durations of such agreements vary according to the terms of the agreements themselves.

We maintain a number of trade secrets that contribute to our success and competitive distinction and endeavor to accord such trade secrets protection adequate to ensure their continuing availability to us. From time to time, we are required to assert our rights against former employees or other third parties who attempt to misappropriate our trade secrets and confidential information for their own personal or professional gain. We take such matters seriously and pursue claims against such individuals to the extent necessary to adequately protect our rights. While retaining protection of our trade secrets and vital confidential information is important, we are not materially dependent on maintenance of a specific trade secret.

Backlog

Our backlog as of June 30, 2011, which consists primarily of contracts with the U.S. government, was $6.8 billion, of which $1.8 billion was for funded orders. Total backlog as of June 30, 2010 was $6.8 billion. We presently anticipate, based on current revenue projections, that the majority of the funded backlog as of June 30, 2011 will result in revenue during the fiscal year ending June 30, 2012.

Our backlog represents the aggregate contract revenue we estimate will be earned over the remaining life of our contracts. We include in estimated remaining contract value only the contract revenue we expect to earn over the remaining term of the contract, even in cases where more than one company is awarded work under a given contract. Funded backlog is based upon amounts appropriated by a customer for payment for goods and services and as the U.S. government operates under annual appropriations, agencies of the U.S. government generally fund contracts on an incremental basis. As a result, the majority of our estimated remaining contract value is not funded backlog. The estimates used to compile remaining contract value are based on our experience under contracts, and we believe the estimates are reasonable. However, there can be no assurance that existing contracts will result in earned revenue in any future period or at all.

Business Segments, Foreign Operations, and Major Customers

Additional business segment, foreign operations and major customer information is provided in our Consolidated Financial Statements contained in this Report. In particular, see Note 16, Business Segment, Customer and Geographic Information, in the Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

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Revenue by Contract Type

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

	Year ended June 30,					
	2011		2010		2009	
	(dollars in thousands)					
Time and materials	$ 1,423,184	39.8%	$ 1,467,556	46.6%	$ 1,310,001	48.0%
Cost reimbursable	1,277,326	35.7	1,033,480	32.8	875,653	32.1
Firm fixed-price	877,270	24.5	648,095	20.6	544,508	19.9
Total	$ 3,577,780	100.0%	$ 3,149,131	100.0%	$ 2,730,162	100.0%

Item 1A. Risk Factors

You should carefully consider the risks and uncertainties described below, together with the information included elsewhere in this Annual Report on Form 10-K and other documents we file with the SEC. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies, such as overall U.S. and non-U.S. economic and industry conditions, including a global economic slowdown, geopolitical events, changes in laws or accounting rules, fluctuations in interest and exchange rates, terrorism, international conflicts, major health concerns, natural disasters or other disruptions of expected economic and business conditions. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business operations and liquidity.

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

We derived 94.9 percent of our total revenue in FY2011 and 94.8 percent of our total revenue in FY2010 from federal government contracts, either as a prime contractor or a subcontractor. We derived 79.9 percent of our total revenue in FY2011 and 77.8 percent of our total revenue in FY2010 from contracts with agencies of the DoD. We expect that federal government contracts will continue to be the primary source of our revenue for the foreseeable future. If we were suspended or debarred from contracting with the federal government generally, the General Services Administration, or any significant agency in the intelligence community or the DoD, or if our reputation or relationship with government agencies were to be impaired, or if the government otherwise ceased doing business with us or significantly decreased the amount of business it does with us, our business, prospects, financial condition and operating results could be materially and adversely affected.

Our business could be adversely affected by delays caused by our competitors protesting major contract awards received by us, resulting in the delay of the initiation of work.

It can take many months to resolve protests by one or more of our competitors of contract awards we receive. The resulting delay in the start up and funding of the work under these contracts may cause our actual results to differ materially and adversely from those anticipated.

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

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

- the demand for and priority of funding for combat operations in Afghanistan, decreases to which may reduce the demand for our services on contracts supporting some operations and maintenance activities in the DoD;
- the funding of some or all civilian agencies through a continuing resolution instead of a budget appropriation, which may cause our customers within those agencies to defer or reduce work under our current contracts;
- a federal government shutdown resulting from the failure to pass budget appropriations or continuing resolutions, as well as other budgetary priorities limiting or delaying federal government spending generally, or specific departments or agencies in particular, and changes in fiscal policies or available funding;
- an increase in set-asides for small businesses, which could result in our inability to compete directly for prime contracts; and
- reduction of the federal government s use of information technology or professional services.

Our federal government contracts may be terminated by the government at any time and may contain other provisions permitting the government not to continue with contract performance, and if lost contracts are not replaced, our operating results may differ materially and adversely from those anticipated.

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

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

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

- cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;
- claim rights in systems and software developed by us;

suspend or debar us from doing business with the federal government or with a governmental agency;

impose fines and penalties and subject us to criminal prosecution; and

control or prohibit the export of our data and technology.

If the government terminates a contract for convenience, we may recover only our incurred or committed costs, settlement expenses and profit on work completed prior to the termination. If the government terminates a contract for default, we may be unable to recover even those amounts, and instead may be liable for excess costs incurred by the government in procuring undelivered items and services from another source. Depending on the value of a contract, such termination could cause our actual results to differ materially and adversely from those anticipated. Certain contracts also contain OCI clauses that limit our ability to compete for or perform certain

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other contracts. OCIs arise any time we engage in activities that (i) make us unable or potentially unable to render impartial assistance or advice to the government; (ii) impair or might impair our objectivity in performing contract work; or (iii) provide us with an unfair competitive advantage. For example, when we work on the design of a particular system, we may be precluded from competing for the contract to install that system. Depending upon the value of the matters affected, an OCI issue that precludes our participation in or performance of a program or contract could cause our actual results to differ materially and adversely from those anticipated.

As is common with government contractors, we have experienced and continue to experience occasional performance issues under certain of our contracts. Depending upon the value of the matters affected, a performance problem that impacts our performance of a program or contract could cause our actual results to differ materially and adversely from those anticipated.

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

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

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

Substantially all of our contracts and task orders with the federal government are awarded through a competitive bidding process. We expect that much of the business that we will seek in the foreseeable future will continue to be awarded through competitive bidding. Budgetary pressures and changes in the procurement process have caused many government clients to increasingly purchase goods and services through IDIQ contracts, GSA schedule contracts and other government-wide acquisition contracts. These contracts, some of which are awarded to multiple contractors, have increased competition and pricing pressure, requiring that we make sustained post-award efforts to realize revenue under each such contract. In addition, in consideration of the practice of agencies awarding work under such contracts that is arguably outside the intended scope of the contracts, both the GSA and the DoD have initiated programs aimed to ensure that all work fits properly within the scope of the contract under which it is awarded. The net effect of such programs may reduce the number of bidding opportunities available to us. Moreover, even if we are highly qualified to work on a particular new contract, we might not be awarded business because of the federal government s policy and practice of maintaining a diverse contracting base.

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

- we bid on programs before the completion of their design, which may result in unforeseen technological difficulties and cost overruns;
- we expend substantial cost and managerial time and effort to prepare bids and proposals for contracts that we may not win;

we may be unable to estimate accurately the resources and cost structure that will be required to service any contract we win; and

we may encounter expense and delay if our competitors protest or challenge awards of contracts to us in competitive bidding, and any such protest or challenge could result in the resubmission of bids on modified specifications, or in the termination, reduction or modification of the awarded contract.

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

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

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

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

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

- allow our federal government clients to terminate or not renew our contracts if we come under foreign ownership, control or influence;
- require us to divest work if an OCI related to such work cannot be mitigated to the government s satisfaction;
- require us to disclose and certify cost and pricing data in connection with contract negotiations; and
- require us to prevent unauthorized access to classified information.

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

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

The federal government may change its procurement practices, such as in proposed acquisition reforms, or adopt new contracting rules and regulations, such as cost accounting standards. It could also adopt new contracting methods relating to GSA contracts or other government-wide contracts, or adopt new socio-economic requirements. In all such cases, there is uncertainty surrounding the changes and what actual impacts they may have on contractors. These changes could impair our ability to obtain new contracts or win re-competed contracts. Any new contracting methods could be costly or administratively difficult for us to satisfy and, as a result, could cause actual results to differ materially and adversely from those anticipated.

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

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

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

Federal government agencies, including the Defense Contract Audit Agency (DCAA), routinely audit and investigate government contracts and government contractors administrative processes and systems. These agencies review our performance on contracts, pricing practices, cost structure and compliance with applicable laws, regulations and standards. They also review our compliance with government regulations and policies and the adequacy of our internal control systems and policies, including our purchasing, accounting, estimating, compensation and management information processes and systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed, and any such costs already reimbursed must be refunded and certain penalties may be imposed. Moreover, if any of the administrative processes and systems is found not to comply with requirements, we may be subjected to increased government scrutiny and approval that could delay or otherwise adversely affect our ability to compete for or perform contracts or collect our revenue in a timely manner. Therefore, an unfavorable outcome of an audit by the DCAA or another government agency could cause actual results to differ materially and adversely from those anticipated. If a government investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or debarment from doing business with the federal government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us. Each of these results could cause actual results to differ materially and adversely from those anticipated. DCAA audits for costs incurred on work performed after June 30, 2005 have not yet been completed. In addition, DCAA audits for costs incurred by our recent acquisitions for certain periods prior to acquisition have not yet been completed. We do not know the outcome of any existing or future audits and if any future audit adjustments significantly exceed our estimates our profitability could be adversely affected.

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

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

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

Our backlog consists of funded backlog, which is based on amounts actually committed by a client for payment for goods and services, and unfunded backlog, which is based upon management s estimate of the future potential of our existing contracts and task orders, including options, to generate revenue. Our backlog may not result in actual revenue in any particular period, or at all, which could cause our actual results to differ materially and adversely from those anticipated.

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

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

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

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

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

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

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

In addition to attracting and retaining qualified technical personnel, we believe that our success will depend on the continued employment of our senior management team and its ability to generate new business and

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execute projects successfully. Our senior management team is very important to our business because personal reputations and individual business relationships are a critical element of obtaining and maintaining client engagements in our industry, particularly with agencies performing classified operations. The loss of any of our senior executives could cause us to lose client relationships or new business opportunities, which could cause actual results to differ materially and adversely from those anticipated.

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

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

Our quarterly revenue and operating results could be volatile due to the unpredictability of the federal government s budgeting process and policy priorities.

Our quarterly revenue and operating results may fluctuate significantly and unpredictably in the future. In particular, if the federal government does not adopt, or delays adoption of, a budget for each fiscal year beginning on October 1, or fails to pass a continuing resolution, federal agencies may be forced to suspend our contracts and delay the award of new and follow-on contracts and orders due to a lack of funding. Further, the rate at which the federal government procures technology may be negatively affected following changes in presidential administrations and senior government officials. Therefore, period-to-period comparisons of our operating results may not be a good indication of our future performance.

Our quarterly operating results may not meet the expectations of securities analysts or investors, which in turn may have an adverse effect on the market price of our common stock.

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

We perform a portion of our engagements on a variety of fixed-price contract vehicles. We derived 24.5 percent of our total revenue in FY2011 and 20.6 percent of our total revenue in FY2010 from fixed-price contracts. Fixed-price contracts require us to price our contracts by predicting our expenditures in advance. In addition, some of our engagements obligate us to provide ongoing maintenance and other supporting or ancillary services on a fixed-price basis or with limitations on our ability to increase prices. Many of our engagements are also on a T&M basis. While these types of contracts are generally subject to less uncertainty than fixed-price contracts, to the extent that our actual labor costs are higher than the contract rates, our actual results could differ materially and adversely from those anticipated.

When making proposals for engagements on a fixed-price basis, we rely on our estimates of costs and timing for completing the projects. These estimates reflect our best judgment regarding our capability to complete the task efficiently. Any increased or unexpected costs or unanticipated delays in connection with the performance of fixed-price contracts, including delays caused by factors outside our control, could make these contracts less profitable or unprofitable. From time to time, unexpected costs and unanticipated delays have caused us to incur losses on fixed-price contracts, primarily in connection with state government clients. On rare occasions, these losses have been significant. In the event that we encounter such problems in the future, our actual results could differ materially and adversely from those anticipated.

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

At June 30, 2011, our backlog included cost reimbursable, T&M and fixed-price contracts. Cost reimbursable and T&M contracts generally have lower profit margins than fixed-price contracts. Our earnings and margins may vary materially and adversely depending on the types of long-term government contracts undertaken, the costs incurred in their performance, the achievement of other performance objectives and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

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

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

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

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

One of our key growth strategies has been to selectively pursue acquisitions. Through acquisitions, we have expanded our base of federal government clients, increased the range of solutions we offer to our clients and deepened our penetration of existing markets and clients. We may encounter difficulty identifying and executing suitable acquisitions. To the extent that management is involved in identifying acquisition opportunities or integrating new acquisitions into our business, our management may be diverted from operating our core business. Without acquisitions, we may not grow as rapidly as the market expects, which could cause our actual results to differ materially and adversely from those anticipated. We may encounter other risks in executing our acquisition strategy, including:

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

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

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

The success of our acquisition strategy will depend upon our ability to continue to successfully integrate any businesses we may acquire in the future. The integration of these businesses into our operations may result in unforeseen operating difficulties, absorb significant management attention and require significant financial

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

Changes in the estimated fair value of contingent consideration associated with our acquisitions could materially impact our results of operations.

We made judgments in determining the acquisition-date assumptions used in estimating the fair value of the contingent consideration associated with the acquisitions we made during our fiscal year ended June 30, 2010 and similar judgments are made as we revalue their fair value each reporting period. Our future operating results could be materially impacted if actual earnings before interest, taxes, depreciation and amortization of the acquired businesses vary from our estimates.

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

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

A subcontractor s performance deficiency could result in the government terminating our contract for default. A default termination could expose us to liability for excess costs of reprocurement by the government and have a material adverse effect on our ability to compete for future contracts and task orders. Depending upon the level of problem experienced, such problems with subcontractors could cause our actual results to differ materially and adversely from those anticipated.

The federal government s appropriation process and other factors may delay the collection of our receivables, and our business may be adversely affected if we cannot collect our receivables in a timely manner.

We depend on the collection of our receivables to generate cash flow, provide working capital, pay debt and continue our business operations. If the federal government, any of our other clients or any prime contractor for whom we are a subcontractor fails to pay or delays the payment of their outstanding invoices for any reason, our business and financial condition may be materially and adversely affected. The government may fail to pay outstanding invoices for a number of reasons, including lack of appropriated funds or lack of an approved budget. In addition, the DCAA may revoke our direct billing privileges, which would adversely affect our ability to collect our receivables in a timely manner. Contracting officers have the authority to impose contractual withholdings, which can also adversely affect our ability to collect timely. A new Defense Federal Acquisition Regulations interim rule became effective May 18, 2011, applying to solicitations issued on or after that date, requiring DoD contracting officers to impose contractual withholdings at no less than certain minimum levels if a contracting officer determines that one or more of a contractor s business systems have one or more significant deficiencies. Some prime contractors for whom we are a subcontractor have significantly less financial resources than we do, which may increase the risk that we may not be paid in full or payment may be delayed. If we experience difficulties collecting receivables, it could cause our actual results to differ materially and adversely from those anticipated.

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We have substantial investments in recorded goodwill as a result of prior acquisitions, and changes in future business conditions could cause these investments to become impaired, requiring substantial write-downs that would reduce our operating income.

Goodwill accounts for $1.3 billion of our recorded total assets. We evaluate the recoverability of recorded goodwill amounts annually, or when evidence of potential impairment exists. The annual impairment test is based on several factors requiring judgment. Principally, a decrease in expected reporting unit cash flows or changes in market conditions may indicate potential impairment of recorded goodwill. If there is an impairment, we would be required to write down the recorded amount of goodwill, which would be reflected as a charge against operating income.

Our operations involve several risks and hazards, including potential dangers to our employees and to third parties that are inherent in aspects of our federal business (i.e., counterterrorism training services). If these risks and hazards are not adequately insured, it could adversely affect our operating results.

Our federal business includes the maintenance of global networks and the provision of special operations services (i.e., counterterrorism training) that require us to dispatch employees to various countries around the world. These countries may be experiencing political upheaval or unrest, and in some cases war or terrorism. It is possible that certain of our employees or executives will suffer injury or bodily harm, or be killed or kidnapped in the course of these deployments. We could also encounter unexpected costs for reasons beyond our control in connection with the repatriation of our employees or executives. Any of these types of accidents or other incidents could involve significant potential claims of employees, executives and/or third parties who are injured or killed or who may have wrongful death or similar claims against us.

We maintain insurance policies that mitigate against risk and potential liabilities related to our operations. This insurance is maintained in amounts that we believe are reasonable. However, our insurance coverage may not be adequate to cover those claims or liabilities, and we may be forced to bear significant costs from an accident or incident. Substantial claims in excess of our related insurance coverage could cause our actual results to differ materially and adversely from those anticipated.

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

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

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

We conduct the majority of our international operations in the United Kingdom. Our U.K.-based operations comprised 3.3 percent of our revenue in FY2011 and 3.7 percent of our revenue in FY2010. Our U.K.-based operations are subject to risks associated with operating in a foreign country. These risks include fluctuations in the value of the British pound and the Euro, longer payment cycles, changes in foreign tax laws and regulations and unexpected legislative, regulatory, economic or political changes.

Our U.K.-based operations are also subject to risks associated with operating a commercial as opposed to a government contracting business, including the effects of general economic conditions in the United Kingdom on the telecommunications, computer software and computer services sectors and the impact of more concentrated and intense competition for the reduced volume of work available in those sectors. We are marketing our services

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to clients in industries that are new to us and our efforts in that regard may be unsuccessful. Other factors that may adversely affect our international operations are difficulties relating to managing our business internationally, integrating recent acquisitions, multiple tax structures and adverse changes in foreign exchange rates. Any of these factors could cause our actual results to differ materially and adversely from those anticipated.

Our business could be adversely affected by the outcome of the various investigations/proceedings regarding our interrogation services work in Iraq.

In May 2004, press accounts disclosed an internal U.S. government report, the Taguba Report, which, among other things, alleged that one of our employees was involved in the alleged mistreatment of Iraqi prisoners at the Abu Ghraib facility. Another government report, the Jones/Fay Report, alleged that three of our employees, including the employee identified in the Taguba Report, acted improperly in performing their assigned duties in Iraq. The Jones/Fay Report included a recommendation that the information in the report regarding these employees be forwarded to the General Counsel of the U.S. Army for determination of whether each of them should be referred to the U.S. Department of Justice for prosecution and to the contracting officer for appropriate contractual action. Our investigation into these matters has not to date confirmed the allegations of abuse contained in either the Taguba Report or the Jones/Fay Report. To date, no charges have been brought by the government against us or any of our employees in connection with the Abu Ghraib allegations.

The results of the investigations and proceedings regarding our interrogation services in Iraq could affect our relationships with our clients and could cause our actual results to differ materially and adversely from those anticipated.

Our senior secured credit facility (the Credit Facility) imposes certain restrictions on our ability to take certain actions which may have an impact on our business, operating results and financial conditions.

The Credit Facility imposes certain operating and financial restrictions on us and requires us to meet certain financial tests. These restrictions may significantly limit or prohibit us from engaging in certain transactions, including the following:

- incurring or guaranteeing certain amounts of additional debt;
- paying dividends or other distributions to our stockholders or redeeming, repurchasing or retiring our capital stock in excess of specific limits;
- making certain investments, loans and advances;
- exceeding specific levels of liens on our assets;
- issuing or selling equity in our subsidiaries;
- transforming or selling certain assets currently held by us, including certain sale and lease-back transactions;

amending or modifying certain agreements, including those related to indebtedness; and

engaging in certain mergers, consolidations or acquisitions.

The failure to comply with any of these covenants would cause a default under the Credit Facility. A default, if not waived, could cause our debt to become immediately due and payable. In such situations, we may not be able to repay our debt or borrow sufficient funds to refinance it, and even if new financing is available, it may not contain terms that are acceptable to us.

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Despite our outstanding debt, we may incur additional indebtedness.

The Credit Facility consists of a $600.0 million revolving credit facility (currently undrawn) and a $150.0 million term loan facility. In addition, we have $300.0 million outstanding under our convertible senior subordinated notes due 2014 (the Notes). We are able to incur additional debt in the future by drawing down on the unused portion of the revolving credit facility and have flexibility under the Credit Facility to increase the term loan facility or the revolving credit facility in an aggregate amount up to $200.0 million with applicable lender approvals. In addition, the terms of the Credit Facility allow us to incur additional indebtedness from other sources so long as we satisfy the covenants in the agreement governing the Credit Facility. If new debt is added to our current debt levels, the risks related to our ability to service that debt could increase.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Interest payments on the Notes are due each May and November and the outstanding principal amount comes due in May 2014. The Credit Facility expires in October 2015. Principal payments under the term loan facility are due in quarterly installments. Our business may not generate cash flow from operations sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive.

A change in control or fundamental change may adversely affect us.

The Credit Facility provides that certain change in control events with respect to us will constitute a default. Certain fundamental changes, as defined under the Notes, will constitute a change of control under the Credit Facility, and therefore will constitute a default under such facility. Furthermore, the fundamental change provisions, including the provisions requiring the increase to the conversion rate for conversions under the Notes in connection with certain fundamental changes, may in certain circumstances make more difficult or discourage a takeover of our company and the removal of incumbent management.

The conditional conversion features of the Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion features of the Notes are triggered, holders of the Notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert their notes, we would be required to settle any converted principal through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital. As of June 30, 2011, we had $600.0 million available under our revolving credit facility, which we could use to satisfy payment obligations arising from conversions of the Notes. However, there can be no assurance that all or any portion of this facility will be available at the time any such conversion obligations arise. Our failure to pay the required cash upon conversion as required under the Notes would constitute an event of default which, if not waived, would result in the immediate acceleration of our payment obligations under all of the Notes. Any such default would also result in an event of default under the Credit Facility. In such a situation, we may not be able to repay our debt or borrow sufficient funds to refinance it, and, even if new financing is available, it may be available on terms less favorable than the terms of our existing debt and, potentially, on terms that are unacceptable to us. A material deterioration in our financial condition or operating results could inhibit our access to additional investment capital and may cause the price of our common stock to decline.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

As of June 30, 2011, we leased office space at 128 U.S. locations containing an aggregate of approximately 2.4 million square feet located in 29 states and the District of Columbia. In four countries outside the U.S., we leased office space at 13 locations containing an aggregate of approximately 118,000 square feet. Our leases expire primarily within the next five years, with the exception of five leases in Northern Virginia and seven leases outside of Northern Virginia, which will expire within the next six to 12 years. We anticipate that most of these leases will be renewed or replaced by other leases. All of our offices are in reasonably modern and well-maintained buildings. The facilities are substantially utilized and adequate for present operations.

We maintain our corporate headquarters in approximately 117,000 square feet of space at 1100 North Glebe Road, Arlington, Virginia. See Note 14, Leases, in the Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K for additional information regarding our lease commitments.

Item 3. Legal Proceedings

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

Plaintiffs filed a twenty-six count class-action complaint on June 9, 2004, originally on behalf of seven named Plaintiffs and a class of similarly situated Plaintiffs, against a number of corporate Defendants and individual corporate employees. The complaint, originally filed in the United States District Court for the Southern District of California, named CACI International Inc, CACI, INC.-FEDERAL, and CACI N.V. as Defendants, along with Titan Corporation. The complaint also named CACI Premier Technology, Inc. employee Stephen A. Stefanowicz as a Defendant.

Plaintiffs alleged, inter alia, that Defendants formed a conspiracy to increase demand for interrogation services in Iraq and violated U.S. domestic and international law. Plaintiffs seek, inter alia, declaratory relief, a permanent injunction against contracting with the government, compensatory damages, treble damages and attorney s fees.

Plaintiffs subsequently amended their complaint several times and the action was ultimately transferred to the United States District Court for the District of Columbia. In March 2006, Plaintiffs filed a third amended complaint adding several new counts, adding CACI Premier Technology, Inc. as a Defendant, dropping CACI, N.V. as a Defendant, and adding two former CACI Premier Technology employees, Timothy Dugan and Daniel Johnson, as Defendants. On June 29, 2006, the Court entered an Order granting the Defendants motions to dismiss with respect to numerous claims, and granting the motions of the three individual Defendants to dismiss for lack of personal jurisdiction. Finally, the Court consolidated the *Saleh* and *Ibrahim* (noted below) actions for discovery purposes only.

On August 4, 2006, the CACI Defendants filed a summary judgment motion. On November 6, 2007, the Court issued its order denying CACI s motion for summary judgment. On December 6, 2007, the Court denied Plaintiffs motion to have the action proceed as a class action. On December 17, 2007, the Court certified its November 6, 2007 Memorandum Order denying CACI s motion for summary judgment for interlocutory appeal. On January 2, 2008, CACI filed a petition with the United States Court of Appeals for the District of Columbia Circuit asking for acceptance of an interlocutory appeal of the Court s November 6, 2007 Memorandum Order. On January 4, 2008, CACI filed a Notice of Appeal to the United States Court of Appeals for the District of Columbia Circuit from the Court s November 6, 2007 Memorandum Order.

On December 17, 2007, Plaintiffs filed a fourth amended complaint. On January 4, 2008, CACI filed a motion to dismiss the fourth amended complaint.

On December 21, 2007, the Court granted Titan s motion for entry of a final judgment of the November 6, 2007 Memorandum Order as to Titan, and on January 17, 2008, Plaintiffs filed a Notice of Appeal to the United States Court of Appeals for the District of Columbia Circuit from that final judgment in favor of Titan.

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CACI filed a motion with the United States Court of Appeals for the District of Columbia Circuit to pursue an interlocutory appeal of the decision denying its summary judgment motion. In February 2008, the United States District Court for the District of Columbia granted CACI s motion to have all trial court proceedings adjourned until all appeals in the action are resolved. On March 17, 2008, the United States Court of Appeals for the District of Columbia Circuit granted CACI s request for an interlocutory appeal.

On July 28, 2008, CACI submitted its brief to the United States Court of Appeals for the District of Columbia Circuit regarding its interlocutory appeal of the decision denying its summary judgment motion. On October 17, 2008, CACI filed its brief in support of its intervention in Plaintiffs appeal of the November 2007 decision by the United States District Court for the District of Columbia granting Titan s summary judgment. On February 10, 2009, a three judge panel of the United States Court of Appeals for the District of Columbia Circuit held a hearing on both appeals and took the matters under advisement.

On September 11, 2009, the United States Court of Appeals for the District of Columbia Circuit reversed the decision of the United States District Court for the District of Columbia with respect to CACI and dismissed the remaining claims against CACI. On January 25, 2010, the United States District Court for the District of Columbia Circuit denied Plaintiffs petition for a rehearing *en banc*. On April 26, 2010, Plaintiffs filed a petition for a writ of certiorari in the United States Supreme Court to review the September 11, 2009 decision of the Court of Appeals. On June 28, 2010, CACI filed its brief in opposition to the certiorari petition. On October 4, 2010, the Supreme Court of the United States invited the United States Solicitor General to file a brief expressing the views of the United States on Plaintiffs petition for certiorari. The Solicitor General subsequently filed a brief recommending that the Supreme Court decline to review the September 11, 2009 Court of Appeals decision. On June 27, 2011, the United States Supreme Court issued an Order denying Plaintiffs petition for a writ of certiorari. On August 12, 2011, CACI filed a motion in the district court to implement the mandate of the Court of Appeals and for entry of final judgment with respect to all Plaintiffs named in the Fourth Amended Complaint. That motion remains pending.

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

Plaintiffs filed a nine-count complaint on July 27, 2004 in the United States District Court for the District of Columbia. Plaintiffs are five Iraqis who claim they suffered significant physical injury, emotional distress, and/or wrongful death while they or their family members were held at Abu Ghraib prison in Iraq. The lawsuit names CACI International Inc, CACI, INC.-FEDERAL, and CACI N.V. as Defendants, along with Titan Corporation.

On August 12, 2005, the United States District Court for the District of Columbia issued a Memorandum Opinion dismissing many of the claims. Subsequently, CACI Premier Technology, Inc. was substituted as a Defendant in lieu of CACI International Inc, CACI, INC.-FEDERAL and CACI N.V.

In December 2005, CACI filed a motion for summary judgment. On November 6, 2007, the Court issued its order, denying CACI s motion for summary judgment. On December 17, 2007, the Court certified its November 6, 2007 Memorandum Order denying CACI s motion for summary judgment for interlocutory appeal. On January 2, 2008, CACI filed a petition with the United States Court of Appeals for the District of Columbia Circuit asking for acceptance of an interlocutory appeal of the Court s November 6, 2007 Memorandum Order. On January 4, 2008, CACI filed a Notice of Appeal to the United States Court of Appeals for the District of Columbia Circuit from the Court s November 6, 2007 Memorandum Order.

On December 21, 2007, the Court granted Titan s motion for entry of a final judgment of the November 6, 2007 Memorandum Order as to Titan, and on January 17, 2008, Plaintiffs filed a Notice of Appeal to the United States Court of Appeals for the District of Columbia Circuit from the

November 6, 2007 Memorandum Order.

On December 17, 2007, Plaintiffs filed a third amended complaint. On January 4, 2008, CACI filed a motion to dismiss the third amended complaint. On January 29, 2008, the Court granted Plaintiffs motion to adjourn the deadline for responding to the motion to dismiss until thirty days after final disposition of the pending appeals.

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CACI filed a motion with the United States Court of Appeals for the District of Columbia Circuit to pursue an interlocutory appeal of the decision denying its summary judgment motion. On March 17, 2008, the United States Court of Appeals for the District of Columbia Circuit granted CACI s request for an interlocutory appeal.

On July 28, 2008, CACI submitted its brief to the United States Court of Appeals for the District of Columbia Circuit regarding its interlocutory appeal of the decision denying its summary judgment motion. On October 17, 2008, CACI filed its brief in support of its intervention in Plaintiffs appeal of the November 2007 decision by the United States District Court for the District of Columbia granting Titan s summary judgment. On February 10, 2009, a three judge panel of the United States Court of Appeals for the District of Columbia Circuit held a hearing on both appeals and took the matters under advisement.

On September 11, 2009, the United States Court of Appeals for the District of Columbia Circuit reversed the decision of the United States District Court for the District of Columbia with respect to CACI and dismissed the remaining claims against CACI. On January 25, 2010, the United States District Court for the District of Columbia Circuit denied Plaintiffs petition for a rehearing *en banc*. On April 26, 2010, Plaintiffs filed a petition for a writ of certiorari in the United States Supreme Court to review the September 11, 2009 decision of the Court of Appeals. On June 28, 2010, CACI filed its brief in opposition to the certiorari petition. On October 4, 2010, the Supreme Court of the United States invited the United States Solicitor General to file a brief expressing the views of the United States on Plaintiffs petition for certiorari. The Solicitor General subsequently filed a brief recommending that the Supreme Court decline to review the September 11, 2009 Court of Appeals decision. On June 27, 2011, the United States Supreme Court issued an Order denying Plaintiffs petition for a writ of certiorari. On August 12, 2011, CACI filed a motion in the district court to implement the mandate of the Court of Appeals and for entry of final judgment with respect to all Plaintiffs named in the Third Amended Complaint. On August 17, 2011, the district court granted CACI s motion to dismiss the Third Amended Complaint with prejudice and directed the clerk to enter final judgment in favor of CACI. On August 19, 2011, the Clerk of the District Court entered final judgment in favor of CACI.

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

On June 30, 2008, Plaintiff Al Shimari filed a twenty-count complaint in the United States District Court for the Southern District of Ohio. Plaintiff Al Shimari is an Iraqi who claims that he suffered significant physical injury and emotional distress while held at Abu Ghraib prison in Iraq. The lawsuit names CACI International Inc, CACI Premier Technology, Inc. and former CACI employee Timothy Dugan as Defendants, along with L-3 Services, Inc. The complaint alleges that the Defendants conspired with U.S. military personnel to engage in illegal treatment of Iraqi detainees. The complaint does not allege any interaction between Plaintiff Al Shimari and any CACI employee. Plaintiff Al Shimari seeks, inter alia, compensatory damages, punitive damages, and attorney s fees. On August 8, 2008, the court granted CACI s motion to transfer the action to the United States District Court for the Eastern District of Virginia. Thereafter, an amended complaint was filed adding three plaintiffs. On September 12, 2008, Mr. Dugan was dismissed from the case without prejudice. On October 2, 2008, CACI filed a motion to dismiss the case. CACI also moved to stay discovery pending further proceedings. The court granted CACI s motion to stay discovery. On March 18, 2009, the court granted in part and denied in part CACI s motion to dismiss. On March 23, 2009, CACI filed a notice of appeal with respect to the March 18, 2009 decision. Plaintiffs filed a motion to strike CACI s notice of appeal and a motion to lift the stay on discovery. The United States District Court for the Eastern District of Virginia denied both motions. On April 27, 2009, Plaintiffs filed a motion to dismiss the appeal in the United States Court of Appeals for the Fourth Circuit. The United States Court of Appeals for the Fourth Circuit deferred any ruling on Plaintiffs motion and issued a briefing schedule. Plaintiffs filed a notice of cross-appeal, which CACI moved to dismiss. The Court of Appeals dismissed the Plaintiffs cross-appeal. On October 26, 2010, the United States Court of Appeals for the Fourth Circuit heard oral argument in the appeal and took the matter under advisement. The Court of Appeals determined to hold the matter in abeyance pending a decision by the U.S. Supreme Court on Plaintiffs certiorari petitions in the *Saleh* and *Ibrahim* actions.

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Abbas, et al. v. L-3 Services, Inc. et al.

In February 2009, Plaintiffs filed a complaint in the United States District Court for the District of Columbia. Plaintiffs are fifty-five Iraqi citizens who claim that they suffered significant physical injury, emotional distress, and/or wrongful death while being held as detainees at Abu Ghraib prison and elsewhere in Iraq. The lawsuit names CACI Premier Technology, Inc. and L-3 Services, Inc. as Defendants. Plaintiffs seek, inter alia, compensatory damages, punitive damages, and costs.

On April 9, 2009, the United States District Court for the District of Columbia granted a joint motion of the parties to stay the case pending resolution of the appeals in the *Saleh* and *Ibrahim* cases described above. The case remains stayed pending final resolution of the *Saleh* and *Ibrahim* cases.

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

Item 4. [Reserved.]

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PART II

Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the New York Stock Exchange under the ticker symbol CACI .

The ranges of high and low sales prices of our common stock quoted on the New York Stock Exchange for each quarter during the fiscal years ended June 30, 2011 and 2010 were as follows:

	2011		2010	
Quarter	High	Low	High	Low
1st	$ 48.70	$ 40.00	$ 48.85	$ 42.00
2nd	$ 54.11	$ 43.61	$ 49.92	$ 44.65
3rd	$ 62.75	$ 50.91	$ 52.92	$ 45.36
4th	$ 64.40	$ 58.15	$ 51.93	$ 41.44

We have never paid a cash dividend. Our present policy is to retain earnings to provide funds for the operation and expansion of our business. We do not intend to pay any cash dividends at this time. The Board of Directors will determine whether to pay dividends in the future based on conditions then existing, including our earnings, financial condition and capital requirements, as well as economic and other conditions as the board may deem relevant. In addition, our ability to declare and pay dividends on our common stock is restricted by the provisions of Delaware law and covenants in the Credit Facility.

As of August 24, 2011, the number of stockholders of record of our common stock was approximately 332. The number of stockholders of record is not representative of the number of beneficial stockholders due to the fact that many shares are held by depositories, brokers, or nominees.

The following table provides certain information with respect to our purchases of shares of CACI International Inc s common stock:

Period	Total Number of Shares Purchased(1)(2)	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Programs(2)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(3)
April 2011	111,100	$ 59.37	95,965	
May 2011				2,500,000
June 2011				2,500,000
Total	111,100	$ 59.37	95,965	

(1) 15,135 shares at $60.30 per share were purchased in April 2011 to satisfy our obligations under the 2002 Employee Stock Purchase Plan (ESPP). The ESPP was adopted by the Company in 2002. There are 1.0 million shares authorized for grant under the ESPP. Through June 30, 2011, we have purchased a total of 0.8 million shares under the ESPP and there are 0.2 million shares available for purchase by our employees through payroll withholding.

(2) In June 2010, our Board of Directors authorized a stock repurchase program under which we could repurchase up to 1.0 million shares of our common stock, where the total expenditure for the purchase of the shares under this repurchase program did not exceed $50.0 million. The repurchase program was announced on June 29, 2010. 95,965 shares at an average price of $59.22 per share were purchased in April 2011. As of April 25, 2011, we completed the acquisition of shares under this program.

(3) In May 2011, our Board of Directors authorized a stock repurchase program under which we could repurchase up to 2.5 million shares of our common stock, where the total expenditure for the purchase of shares under this repurchase program did not exceed $175.0 million. This repurchase program was

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announced on May 2, 2011. As of June 30, 2011, we had not purchased any shares under this program. Subsequent to our year end, the Board of Directors replaced the May 2011 authorization by an authorization to repurchase up to 4.0 million shares of our common stock. See Note 26 in the Notes to Consolidated Financial Statements contained in our annual report on Form 10-K for additional information.

The following graph compares the cumulative 5-year total return to shareholders on CACI International Inc s common stock relative to the cumulative total returns of the Russell 1000 index and the Dow Jones U.S. Computer Services Total Stock Market index. The graph assumes that the value of the investment in our common stock and in each of the indexes (including reinvestment of dividends) was $100 on June 30, 2006 and tracks it through June 30, 2011.

Comparison of Five Year Cumulative Total Returns

Performance Graph for

CACI International Inc

					June 30,				
		2006		**2007**		**2008**	**2009**	**2010**	**2011**
CACI International Inc		100.00		83.75		78.47	73.23	72.83	108.15
Russell 1000		100.00		120.43					
Cash	$	1,287	$	1,287	$	$			
Money market funds		52,002		52,002					
Restricted cash		260		260					
	$	53,549	$	53,549	$	$			

		Balance at December 31, 2014		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:						
Cash	$	10,348	$	10,348	$	$
Money market funds		63,501		63,501		
Restricted cash		340		340		
	$	74,189	$	74,189	$	$

For certain financial instruments, including accounts payable and accrued expenses, the carrying amounts approximate their fair values as of June 30, 2015 and December 31, 2014 because of their short-term nature. At June 30, 2015 and December 31, 2014, the carrying value of the Company s debt approximated fair value, which was determined using Level 3 inputs, including a market interest rate.

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4. Supplemental Balance Sheet Information

Inventories

Inventories are stated at the lower of cost or market value on a first-in, first-out basis and are comprised of the following (in thousands):

	June 30, 2015	December 31, 2014
Raw materials	$ 265	$ 71
Work-in-process	219	44
Finished goods	85	
Total inventories	$ 569	$ 115

Property and Equipment

Property and equipment consists of the following (in thousands):

	June 30, 2015	December 31, 2014
Office and computer equipment	$ 384	$ 383
Software	596	480
Laboratory equipment	3,768	3,312
Furniture	187	187
Manufacturing tooling and molds	32	26
Leasehold improvements	3,144	764
T2Dx Instruments and components	2,486	563
Construction in progress	1,154	387
	11,751	6,102
Less accumulated depreciation and amortization	(3,942)	(3,342)
Property and equipment, net	$ 7,809	$ 2,760

Construction in progress is primarily comprised of equipment and leasehold improvement construction projects that have not been placed in service. T2Dx Instruments and components is comprised of raw materials and work-in-process inventory that are expected to be used or used to produce Company-owned instruments, based on our business model and forecast, and completed instruments that will be used for internal research and development or reagent rental agreements with customers. Such completed instruments have not yet been placed in service.

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	June 30, 2015	December 31, 2014
Accrued payroll and compensation	$ 1,885	$ 1,846
Accrued research and development expenses	296	733
Accrued professional services	286	374
Other accrued expenses	1,008	709
Total accrued expenses	$ 3,475	$ 3,662

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5. Debt

On July 11, 2014, the Company entered into a loan and security agreement (Note Agreement) with two lenders to borrow up to $30.0 million for operations. The Note Agreement allows the Company to borrow amounts in two tranches, up to $20.0 million (drawn in amounts not less than $10.0 million upon closing and the remainder drawn in amounts not less than $5.0 million draws) by December 31, 2014 for tranche A and up to $10.0 million by June 30, 2015 for tranche B. Under the Note Agreement, borrowings under tranche B are only available to the Company if both of the following conditions are met by June 30, 2015: (a) the Company receives Section 510(k) clearance from the FDA on the Company s T2Dx and T2Candida products and (b) the Company completes a public or private stock offering, equity raise or strategic partner arrangement resulting in the receipt of at least $30.0 million in net proceeds by the Company. As the Company received FDA approval in September 2014 and the Company closed its initial public offering in August 2014, the borrowings under tranche B are now available as both of the required conditions have been met.

On May 27, 2015, the Company entered into the First Amendment to the Note Agreement whereby the availability to draw up to $10.0 million for tranche B was extended from June 30, 2015 to December 31, 2015. Commencing July 1, 2015, the Company will incur a fee equal to 1.0% per annum of any undrawn amounts under tranche B. This fee is payable on the date tranche B is drawn or upon the expiration of the draw period. All other terms of the Note Agreement remain in effect.

Through June 30, 2015, the Company received proceeds of $19.7 million under tranche A, net of deferred financing costs. To date, the Company has not drawn the remaining tranche B available borrowings of $10.0 million.

The amounts borrowed under the Note Agreement are collateralized by substantially all of the assets of the Company and bear interest at the one-month LIBOR plus 7.05%, which was 7.24% on June 30, 2015. The Company will pay interest only payments on the amounts borrowed under the Note Agreement through July 31, 2016. After the interest only period, the Company will repay the amounts borrowed in equal monthly installments until the maturity date of July 1, 2019. The Note Agreement requires payment of a final fee of 4.75% of the aggregate original principal of amounts borrowed, which the Company is accruing over the term of the Note Agreement. In addition, amounts borrowed may be prepaid at the option of the Company in denominations of not less than $1.0 million, and any amounts prepaid are subject to a prepayment premium of 1.5% if prepaid prior to the first anniversary of the borrowing date, 1.0% if prepaid prior to the second anniversary of the borrowing date and after the first anniversary of the borrowing date, and 0.5% if prepaid prior to the maturity date and after the second anniversary of the borrowing date. The effective interest rate for the Note Agreement, including final fee interest and non-cash interest, is 9.4%.

The Note Agreement does not include any financial covenants, but does contain a subjective acceleration clause whereby upon an event of default, which includes a material adverse change in the business, operations, or conditions (financial or otherwise) of the Company or a material impairment of the prospect of repayment of any portion of the obligations, the lender may accelerate the Company s repayment obligations under the Note Agreement. In the event of default, the lender has first priority to substantially all of the Company s assets. The lender has not exercised its right under this clause, as there have been no such events. The Company believes the likelihood of the lender exercising this right is remote.

The Company assessed all terms and features of the Note Agreement in order to identify any potential embedded features that would require bifurcation or any beneficial conversion features. As part of this analysis, the Company assessed the economic characteristics and risks of the Note Agreement, including put and call features. The Company determined that all features of the Note Agreement are clearly and closely associated with a debt host and do not require bifurcation as a derivative liability, or the fair value of the feature is immaterial. The Company will continue to reassess the features to determine if they require separate accounting on a quarterly basis.

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6. Stockholders Equity

Stock-Based Compensation

2006 Stock Incentive Plan

The Company s 2006 Stock Option Plan (2006 Plan) was established for granting stock incentive awards to directors, officers, employees and consultants of the Company. Upon closing of the Company s IPO in August 2014, the Company ceased granting stock incentive awards under the 2006 Plan. The 2006 Plan provided for the grant of incentive and non-qualified stock options and restricted stock grants as determined by the Company s board of directors. Under the 2006 Plan, stock options were generally granted with exercise prices equal to or greater than the fair value of the common stock as determined by the board of directors, expired no later than 10 years from the date of grant, and vest over various periods not exceeding 4 years.

2014 Stock Incentive Plan

The Company s 2014 Plan (2014 Plan , and together with the 2006 Plan, the Plans) provides for the issuance of shares of common stock in the form of stock options, awards of restricted stock, awards of restricted stock units, performance awards, dividend equivalent awards, stock payment awards and stock appreciation rights to directors, officers, employees and consultants of the Company. Since the establishment of the 2014 Plan, the Company has only granted stock options. Generally, stock options are granted with exercise prices equal to or greater than the fair value of the common stock on the date of grant, expire no later than 10 years from the date of grant, and vest over various periods not exceeding 4 years.

The number of shares reserved for future issuance under the 2014 Plan is the sum of (1) 823,529 shares, (2) any shares that were granted under the 2006 Plan which are forfeited, lapsed unexercised or are settled in cash subsequent to the effective date of the 2014 Plan and (3) an annual increase on the first day of each calendar year beginning January 1, 2015 and ending on January 1, 2024, equal to the lesser of (A) 823,529 shares, (B) 4% of the shares outstanding (on an as-converted basis) on the final day of the immediately preceding calendar year, and (C) such smaller number of shares determined by the Company s board of directors. As of June 30, 2015 there were 725,086 shares available for future grant under the 2014 Plan.

Stock Options

During the six months ended June 30, 2015, the Company granted options with an aggregate fair value of $6.7 million, which are being amortized into compensation expense over the vesting period of the options as the services are being provided. The following is a summary of option activity under the Plans:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2014	2,911,146	$ 5.30	7.87	$ 40,586
Granted	699,983	18.18		
Exercised	(241,053)	2.88		3,327
Cancelled	(75,057)	9.17		
Outstanding at June 30, 2015	3,295,019	8.12	7.94	28,833
Exercisable at June 30, 2015	1,439,321	3.20	6.56	18,846
Vested or expected to vest at June 30, 2015	3,069,705	7.76	7.85	27,851

The total grant date fair values of stock options that vested during the six months ended June 30, 2015 and 2014 was $1.2 million and $359,000, respectively.

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The weighted-average fair values of options granted in the six-month periods ended June 30, 2015 and 2014 were $9.53 per share and $6.00 per share, respectively, and were calculated using the following estimated assumptions:

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Weighted-average risk-free interest rate	1.69%	1.97%
Expected dividend yield	0.00%	0.00%
Expected volatility	55%	62%
Expected terms	5.9 years	6.0 years

Employee Stock Purchase Plan

The Company s 2014 Employee Stock Purchase Plan (the 2014 ESPP) provides initially for granting up to 220,588 shares of the Company s common stock to eligible employees. The 2014 ESPP plan period is semi-annual and allows participants to purchase the Company s common stock at 85% of the lower of (i) the market value per share of common stock on the first day of the offering period or (ii) the market value per share of the common stock on the purchase date. Each participant can purchase up to a maximum of $25,000 per calendar year in fair market value of such shares of common stock, as determined by the market value per share of common stock at the beginning of the offering period. The Company issued 33,224 shares of common stock for total proceeds of $404,000 upon completion of the offering period ended April 30, 2015. The current offering period commenced on May 1, 2015 and ends November 15, 2015. Stock-based compensation expense from the 2014 ESPP for the three and six-months ended June 30, 2015 was $68,000 and $128,000, respectively.

Stock-Based Compensation Expense

The following table summarizes the stock-based compensation expense resulting from awards granted under stock incentive plans, including the 2014 ESPP, that was recorded in the Company s results of operations for the periods presented (in thousands):

	Three Months Ended June 30, 2015		Three Months Ended June 30, 2014		Six Months Ended June 30, 2015		Six Months Ended June 30, 2014	
Research and development	$	297	$	67	$	577	$	123
Selling, general and administrative		558		199		1,000		382
Total stock-based compensation expense	$	855	$	266	$	1,577	$	505

As of June 30, 2015, there was $11.5 million of total unrecognized compensation cost related to unvested stock options granted under the Plans. Total unrecognized compensation cost will be adjusted for future changes in the estimated forfeiture rate. The Company expects to recognize that cost over a remaining weighted-average period of 3.0 years as of June 30, 2015.

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7. Net Loss Per Share

The following shares were excluded from the calculation of diluted net loss per share applicable to common stockholders, prior to the application of the treasury stock method, because the effect of including such shares would have been anti-dilutive for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Redeemable convertible preferred stock		12,516,298		12,516,298
Options to purchase common shares	3,295,019	2,348,206	3,295,019	2,348,206
Warrants to purchase redeemable convertible preferred stock		147,484		147,484
Total	3,295,019	15,011,988	3,295,019	15,011,988

8. Commitments and Contingencies

Lease Amendments

In May 2015, the Company entered into an amendment to a lease to expand existing manufacturing facilities. The lease amendment term is June 1, 2015 to December 31, 2017, and the annual rent for the expansion space is $66,000.

In May 2015, the Company entered into an amendment to a lease to extend the term of the lease for office and laboratory space at the Company s headquarters in Lexington, MA. The lease term will now extend from December 31, 2015 to December 31, 2017. The annual rent for the extension period is $1.1 million for 2016 and $1.2 million for 2017.

In April 2015, the Company entered into an amendment to extend the term of an office space lease. The lease amendment extends the lease term from December 31, 2016 to December 31, 2017 and the annual rent for the additional year is approximately $300,000.

9. Co-Development Agreement with Canon US Life Sciences

On February 3, 2015, the Company entered into a Co-Development Partnership Agreement (the Co-Development Agreement) with Canon U.S. Life Sciences, Inc. (Canon US Life Sciences) to develop a diagnostic test panel to rapidly detect Lyme disease. Under the terms of the Co-Development Agreement, the Company received an upfront payment of $2.0 million from Canon US Life Sciences and may receive an additional $6.5 million of consideration upon achieving certain development and regulatory milestones for total aggregate payments of up to $8.5 million. The next payment the Company is eligible to receive is $1.5 million related to the achievement of a specified technical requirement. All payments under the Co-Development Agreement are non-refundable once received. The Company will retain exclusive worldwide commercialization rights of any products developed under the Co-Development Agreement, including sales, marketing and distribution and Canon US Life Sciences will not receive any commercial right and will be entitled to only receive royalty payments on the sales of all products developed under the Co-Development Agreement.

Either party may terminate the Co-Development Agreement upon the occurrence of a material breach by the other party (subject to a cure period).

The Company evaluated the deliverables under the Co-Development Agreement and determined that the Co-Development Agreement included one unit of accounting, the research and development services, as the joint research and development committee deliverable was deemed to be diminimus. The Company will recognize revenue for research and development services as a component of research revenue in the condensed consolidated financial statements as the services are delivered using the proportional performance method of accounting, limited to payments earned. Costs incurred to deliver the services under the Co-Development Agreement are recorded as research and development expense in the condensed consolidated financial statements.

The Company recorded revenue of $324,000 and $377,000 during the three and six months ended June 30, 2015, respectively, under this Agreement.

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

This Quarterly Report on Form 10-Q contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations and financial position, business strategy, prospective products and product candidates, their expected performance and impact on healthcare costs, marketing authorization from the U.S. Food and Drug Administration, or FDA, regulatory clearance, reimbursement for our product candidates, research and development costs, timing of regulatory filings, timing and likelihood of success, plans and objectives of management for future operations and future results of anticipated products, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as may, will, should, expect, plan, anticipate, could, intend, target, project, contemplate, believe, estimate, predict, potential or continue or the negative of these terms or other similar expressions. The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are subject to a number of risks, uncertainties and assumptions described under the sections in this Quarterly Report on Form 10-Q entitled Item 1A. Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this Quarterly Report on Form 10-Q. These forward looking statements are subject to numerous risks, including, without limitation, the following:

- *our expectation to incur losses in the future;*

- *our ability to obtain marketing authorization from the FDA or regulatory clearance for new product candidates in the United States or any other jurisdiction;*

- *the market acceptance of our T2MR technology;*

- *our ability to timely and successfully develop and commercialize our existing products and future product candidates;*

- *our future capital needs and our need to raise additional funds;*
- *the length of our anticipated sales cycle;*
- *our ability to gain the support of leading hospitals and key thought leaders and publish the results of our clinical trials in peer-reviewed journals;*
- *the performance of our diagnostics;*
- *our ability to compete in the highly competitive diagnostics market;*
- *our ability to protect and enforce our intellectual property rights, including our trade secret-protected proprietary rights in T2MR; and*
- *our ability to successfully manage our growth;*
- *federal, state, and foreign regulatory requirements, including FDA regulation of our product candidates.*

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These forward-looking statements represent our estimates and assumptions only as of the date of this Quarterly Report on Form 10-Q. Unless required by U.S. federal securities laws, we do not intend to update any of these forward-looking statements to reflect circumstances or events that occur after the statement is made or to conform these statements to actual results. The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2014, as supplemented or amended from time to time under Item 1A. Risk Factors in our Quarterly Reports on Form 10-Q, and elsewhere in this Quarterly Report on Form 10-Q.

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the Item 1A. Risk Factors section of this Quarterly Report on Form 10-Q, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

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Business Overview

We are an *in vitro* diagnostics company that has developed an innovative and proprietary technology platform that offers a rapid, sensitive and simple alternative to existing diagnostic methodologies. We are using our T2 Magnetic Resonance platform, or T2MR, to develop a broad set of applications aimed at lowering mortality rates, improving patient outcomes and reducing the cost of healthcare by helping medical professionals make targeted treatment decisions earlier. Our initial development efforts utilizing T2MR target sepsis and hemostasis, which are areas of significant unmet medical need where existing therapies could be more effective with improved diagnostics. On September 22, 2014, we received market authorization from the FDA for our first two products, the T2Dx Instrument, or T2DX and the T2Candida Panel or T2Candida, for the direct detection of *Candida* species in human whole blood specimens and independent of blood culture from patients with symptoms of, or medical conditions predisposing the patient to, invasive fungal infections. We have launched the commercialization of the T2Dx and T2Candida in the United States and we are building a direct sales force that is targeting the top 450 hospitals in the United States that have the highest concentration of patients at risk for *Candida* infections. Our next three diagnostic applications are called T2Bacteria, T2HemoStat, and T2Lyme, which are focused on bacterial sepsis infections, hemostasis, and Lyme disease, respectively. We plan to initiate clinical trials in late 2015 or the first part of 2016 for T2Bacteria and in 2016 for T2HemoStat. We expect that existing reimbursement codes will support our T2Bacteria and T2HemoStat product candidates, and that the anticipated economic savings associated with T2Bacteria and T2Candida will be realized directly by hospitals. We believe our combined initial annual addressable market opportunity for sepsis, hemostasis and Lyme disease is over $3.7 billion in the United States alone, when the market opportunity for T2Candida, T2Bacteria, T2Lyme and our initial hemostasis diagnostic panel is combined.

We have never been profitable and have incurred net losses in each year since inception. Our accumulated deficit at June 30, 2015 was $125.2 million. Substantially all our net losses resulted from costs incurred in connection with our research and development programs and from general and administrative costs associated with our operations. Having recently obtained authorization from the FDA to market the T2Dx and T2Candida, we now expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. In addition, we expect that our expenses will increase substantially as we continue the research and development of our other product candidates and maintain, expand and protect our intellectual property portfolio. Accordingly, we may seek to fund our operations through public equity or private equity or debt financings, as well as other sources. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements as and when needed would have a negative impact on our financial condition and our ability to develop and commercialize the T2Dx, T2Candida and our other product candidates.

Our Commercial Products and the Unmet Clinical Need

Our initial FDA-authorized products, the T2Dx and T2Candida utilize T2MR to detect species-specific *Candida* directly from whole blood in three to five hours versus the two to five days required by blood culture-based diagnostics. The T2Candida runs on the T2Dx and provides high sensitivity with a limit of detection as low as 1 CFU/mL, even in the presence of antimicrobial therapy.

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Our T2Candida Panel

Our direcT2 pivotal clinical trial was designed to evaluate the sensitivity and specificity of T2Candida on the T2Dx. The direcT2 trial consisted of two patient arms: a prospective arm with 1,501 samples from patients with a possible infection and a seeded arm with 300 samples, also obtained from patients with a possible infection. T2Candida and T2Dx demonstrated a sensitivity of 91.1 percent and a specificity of 99.4 percent. In addition, the speed to a species-specific positive result with T2Candida was 4.4 hours versus 129 hours with blood culture. A negative result from T2Candida was obtained in just 4.2 hours versus 120 hours with blood culture. The data and other information from the direcT2 pivotal clinical trial was published in January 2015 in *Clinical Infectious Diseases.*

Candida is the fourth leading hospital-acquired bloodstream infection and the most lethal form of common bloodstream infections that cause sepsis, with an average mortality rate of approximately 40%. This high mortality rate is largely due to the elapsed time from *Candida* infection to positive diagnosis and treatment. According to a study published in Antimicrobial Agents and Chemotherapy, the *Candida* mortality rate can be reduced to 11% with the initiation of targeted therapy within 12 hours of presentation of symptoms. Additionally, a typical patient with a *Candida* infection averages 40 days in the hospital, including nine days in intensive care, resulting in an average cost per hospital stay of more than $130,000 per patient. In a study published in the *American Journal of Respiratory and Critical Care Medicine*, providing targeted antifungal therapy within 24 hours of the presentation of symptoms decreased the length of hospital stay by approximately ten days and decreased the average cost of care by approximately $30,000 per patient. Furthermore, in April 2015, *Future Microbiology* published the results of IMS Health s T2Candida economic study showing T2Candida can potentially reduce a sepsis patient length of stay at a cost savings of $26,887 per patient and that rapid detection of Candida reduces patient deaths by 60.6%. Most recently, results from an investigational study presented at the American Society of Microbiology Conference demonstrated that in 15 pediatric cases of confirmed candidemia, the T2Candida Panel accurately identified the correct *Candida* species in each sample in three to five hours compared to two to six days for blood culture. In addition, the protocol was adapted to deliver results from just 2mL of blood compared to the 3mL that is currently required for testing.

Additionally, the speed to result of the T2Candida, run on the T2Dx, can help reduce the empiric overuse of ineffective, or even unnecessary, antimicrobial therapy. This inappropriate therapy is a driving force behind the spread of antimicrobial-resistant pathogens, which the United States Centers for Disease Control and Prevention recently called one of our most serious health threats.

Our T2Dx Instrument

Our FDA-authorized T2Dx is an easy-to-use, fully-automated, benchtop instrument utilizing T2MR for use in hospitals and labs for a broad range of diagnostic tests. To operate the system, a patient s sample tube is snapped onto a disposable test cartridge, which is pre-loaded with all necessary reagents. The cartridge is then inserted into the T2Dx, which automatically processes the sample and then delivers a diagnostic test result. Test results are displayed on screen or directly through the lab information system.

By utilizing our proprietary T2MR for direct detection, the T2Dx eliminates the need for sample purification and analyte extraction, which are necessary for other optical-detection devices. Eliminating these sample processing steps increases diagnostic sensitivity and accuracy, enables a broad menu of tests to be run on a single platform, and greatly reduces the complexity of the consumables. The T2Dx incorporates a simple user interface and is designed to efficiently process up to seven specimens simultaneously.

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Our T2MR Platform

T2MR is a miniaturized, magnetic resonance-based approach that measures how water molecules react in the presence of magnetic fields. For molecular and immunodiagnostics targets, T2MR introduces nanoparticles to the sample that are coated with target-specific binding agents. If the target is present, the nanoparticles bind to and cluster around it, disrupting the surrounding water molecules and altering the magnetic resonance signal.

For hemostasis measurements, T2MR is highly sensitive to changes in viscosity in a blood sample (such as clot formation, stabilization or dissipation), which alter the magnetic resonance signal and enable identification of clinically relevant hemostasis changes.

We believe T2MR is the first technology with the ability to detect directly from a clinical sample of whole blood, plasma, serum, saliva, sputum or urine, saving time and potentially improving sensitivity by eliminating the need for purification or the extraction of target pathogens. T2MR has been demonstrated to detect cellular targets at limits of detection as low as one colony-forming unit per milliliter (CFU/mL). More than 100 studies published in peer reviewed journals have featured T2MR in a breadth of applications.

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Financial Overview

Revenue

To date, we have generated revenue primarily from research and development agreements. Revenue earned from activities performed pursuant to research and development agreements and grants is reported as research revenue using the proportional performance method as the work is completed, limited to payments earned, and the related costs are expensed as incurred as research and development expense.

Product revenue will be derived from the sale of our instruments and related consumable diagnostic tests. We expect product revenue from the sale of our instruments to occur as soon as all applicable revenue recognition criteria have been met. We expect product revenue from the sale of consumable diagnostic tests to occur three to six months after signing a contract with a customer, once the installation and verification of the performance of our instruments has been completed. In the majority of cases, we expect to place instruments in hospitals in exchange for longer-term agreements, minimum commitments and/or an up-charge on the purchase of our consumable diagnostic tests. Under this business model, we believe we will recover the cost of placing our instruments in hospitals through the margins realized from our consumable diagnostic tests. Our consumable diagnostic tests can only be used with our instruments, and accordingly, as the installed base of our instruments grows, we expect the following to occur:

- recurring revenue from our consumable diagnostic tests will increase and become subject to less period-to-period fluctuation;
- consumable revenue will become an increasingly predictable and important contributor to our total revenue; and
- we will gain economies of scale through the growth in our sales, resulting in improving gross margins and operating margins.

Revenue from consumables is expected to be based on the volume of tests sold and the price of each consumable unit.

We plan to continue to expand our capacity to support our growth, which will result in higher cost of revenue in absolute dollars. However, we expect cost of product revenue, as a percentage of revenue, to decline as revenue grows in the future.

Research and development expenses

Our research and development expenses consist primarily of costs, including costs associated with manufacturing activities, incurred for development of our technology and product candidates, technology improvements and enhancements, clinical trials to evaluate the clinical utility of our product candidates, and laboratory development and expansion, and include salaries and benefits, including stock-based compensation, research-related facility and overhead costs, laboratory supplies, equipment and contract services. Research and development expenses also include costs of delivering products or services associated with research. We expense all research and development costs as incurred.

We expect that our overall research and development expenses will continue to increase in absolute dollars. We have committed, and expect to commit, significant resources toward developing additional product candidates, improving product performance and reliability, conducting ongoing and new clinical trials and expanding our laboratory capabilities.

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Selling, general and administrative expenses

Selling, general and administrative expenses consist primarily of costs for our sales and marketing, finance, legal, human resources, business development and general management functions, as well as professional services, such as legal, consulting and accounting services. We expect selling, general and administrative expenses to increase in future periods as we commercialize products and future product candidates that receive marketing authorization or regulatory clearance and as our needs for sales, marketing and administrative personnel grow. Other selling, general and administrative expenses include facility-related costs, fees and expenses associated with obtaining and maintaining patents, clinical and economic studies and publications, marketing expenses, and travel expenses. We also anticipate increased expenses related to audit, legal, regulatory and tax-related services associated with being a public company. We expense all selling, general and administrative expenses as incurred.

Interest expense, net

Interest expense, net, consists primarily of interest expense on our notes payable and the amortization of deferred financing costs, partially offset by interest earned on our cash and cash equivalents.

Other income (expense), net

Other income (expense), net, consists of government grant income and the gain or loss associated with the change in the fair value of our liability for warrants to purchase redeemable securities.

Application of Critical Accounting Policies and Use of Estimates

We have prepared our condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States. Our preparation of these condensed consolidated financial statements requires us to make estimates, assumptions, and judgments that affect the reported amounts of assets, liabilities, expenses, and related disclosures at the date of the condensed consolidated financial statements, as well as revenue and expenses recorded during those periods. We evaluated our estimates and judgments on an ongoing basis. We based our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could therefore differ materially from these estimates under different assumptions or conditions.

The items that we disclosed as our critical accounting policies and estimates in Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2014 remain materially consistent. For a description of those critical accounting policies, please refer to our Annual Report on Form 10-K filing for the year ended December 31, 2014.

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Results of Operations for the Three Months Ended June 30, 2015 and June 30, 2014

	Three Months Ended June 30, 2015	2014 (in thousands)	Change
Revenue:			
Product revenue	$	$	$
Research revenue	564		564
Total revenue	564		564
Costs and expenses:			
Cost of product revenue			
Research and development	6,651	4,703	1,948
Selling, general and administrative	4,437	2,446	1,991
Total costs and expenses	11,088	7,149	3,939
Loss from operations	(10,524)	(7,149)	(3,375)
Interest expense, net	(477)	(80)	(397)
Other income (expense), net	6	(74)	80
Net loss	$ (10,995)	$ (7,303)	$ (3,692)

Research revenue

We recorded $564,000 of research revenue during the three months ended June 30, 2015 from research and development agreements with third parties utilizing T2MR for potential applications. We did not record any research revenue in the three months ended June 30, 2014.

Research and development expenses

Research and development expenses were $6.7 million for the three months ended June 30, 2015, compared to $4.7 million for the three months ended June 30, 2014, an increase of approximately $2.0 million. The increase was primarily due to increased payroll and payroll related expenses of approximately $1.5 million, including $230,000 of incremental stock compensation expense, as we increased full-time and temporary headcount, increased facilities costs of $572,000 related to expanded laboratory and office space, and increased lab-related expenses of $441,000 related to headcount and facility expansion. Partially offsetting these increases was a decrease in other research and development expenses of $332,000 and a $237,000 decrease in clinical expenditures as the Company was incurring expenses related to the T2Candida direcT2 pivotal clinical trial, which was completed during the three months ended June 30, 2014.

Selling, general and administrative expenses

Selling, general and administrative expenses were $4.4 million for the three months ended June 30, 2015, compared to $2.4 million for the three months ended June 30, 2014. The increase of approximately $2.0 million was due primarily to increased payroll and related expenses of approximately $1.3 million, including $359,000 of increased stock compensation expense, as we hired additional executive, sales, marketing and administrative employees, increased public company expenditures of $283,000, increased facilities costs of $221,000 related to expanded office space, and an increase in other selling, general and administrative expenses of $204,000.

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Interest expense, net

Interest expense, net, was $477,000 for the three months ended June 30, 2015, compared to $80,000 for the three months ended June 30, 2014. Interest expense, net, increased by $397,000 due to higher borrowing levels on our notes payable.

Other income (expense), net

Other income (expense), net, was $6,000 of net income for the three months ended June 30, 2015, compared to $74,000 of net expense for the three months ended June 30, 2014. Other income (expense), net for the three months ended June 30, 2014 included a loss from the remeasurement of the liability for warrants to purchase redeemable convertible preferred stock. The liability for warrants to purchase redeemable convertible preferred stock was extinguished in connection with our August 2014 initial public offering, or IPO, as the warrants were net exercised into common stock.

Results of Operations for the Six Months Ended June 30, 2015 and 2014

	Six Months Ended June 30,		
	2015	2014	Change
		(in thousands)	
Revenue:			
Product revenue	$ 10	$	$ 10
Research revenue	743		743
Total revenue	753		753
Costs and expenses:			
Cost of product revenue	3		3
Research and development	12,520	9,768	2,752
Selling, general and administrative	8,905	4,288	4,617
Total costs and expenses	21,428	14,056	7,372
Loss from operations	(20,675)	(14,056)	(6,619)
Interest expense, net	(954)	(166)	(788)
Other income (expense), net	15	(1)	16
Net loss	$ (21,614)	$ (14,223)	$ (7,391)

Product revenue

During the six months ended June 30, 2015, we recorded our initial product revenue from the sale of T2Candida Panels to a customer.

Research revenue

We recorded $743,000 of research revenue during the six months ended June 30, 2015 from research and development agreements with third parties utilizing T2MR for potential applications. We did not record any research revenue in the six months ended June 30, 2014.

Cost of product revenue

During the six months ended June 30, 2015, we recorded cost of revenue and gross profit associated with its initial sale of T2Candida Panels to a customer.

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Research and development expenses

Research and development expenses were $12.5 million for the six months ended June 30, 2015, compared to $9.8 million for the six months ended June 30, 2014, an increase of approximately $2.8 million. The increase was primarily due to increased payroll and payroll related expenses of approximately $2.7 million, including $454,000 of incremental stock compensation expense, as we increased full-time and temporary headcount, increased facilities costs of approximately $1.1 million related to expanded laboratory and office space, an increase in lab expenses of $574,000, and increased subcontractor expenditures related to prototype development work of $444,000. Partially offsetting these increases was a decrease in clinical expenditures of approximately $1.3 million as the Company was incurring expenses related to the T2Candida direcT2 pivotal clinical trial, which was completed during the six months ended June 30, 2014, as well as a $491,000 decrease in other research and development expenses and a decrease in consulting expenses of $257,000.

Selling, general and administrative expenses

Selling, general and administrative expenses were $8.9 million for the six months ended June 30, 2015, compared to $4.3 million for the six months ended June 30, 2014. The increase of approximately $4.6 million was due primarily to increased payroll and related expenses of approximately $2.7 million, including $618,000 of increased stock compensation expense, as we hired additional executive, sales, marketing and administrative employees, increased marketing program expenses of $516,000, increased public company expenditures of $597,000, an increase in facilities costs of $428,000 related to expanded office space, and increased other selling, general and administrative costs of $369,000.

Interest expense, net

Interest expense, net, was $954,000 for the six months ended June 30, 2015, compared to $166,000 for the six months ended June 30, 2014. Interest expense, net, increased by $788,000 due to higher borrowing levels on our notes payable.

Liquidity and Capital Resources

We have incurred losses and cumulative negative cash flows from operations since our inception, and as of June 30, 2015, we had an accumulated deficit of $125.2 million. We anticipate that we will continue to incur losses for at least the next several years. We expect that our research and development and selling, general and administrative expenses will continue to increase and, as a result, we will need additional capital to fund our operations, which we may raise through a combination of equity offerings, debt financings, other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements.

We have been funding our operations principally from the sale of common stock and preferred stock, the incurrence of indebtedness, and revenue from research and development agreements.

As of June 30, 2015, we had cash and cash equivalents of approximately $53.3 million. We believe that our existing cash and cash equivalents, and additional liquidity of up to $10.0 million available from existing debt facilities, will be sufficient to meet our anticipated cash requirements for at least the next 12 months.

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Cash flows

The following is a summary of cash flows for each of the periods set forth below:

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
	(in thousands)	
Net cash (used in) provided by:		
Operating activities	$ (17,392)	$ (12,191)
Investing activities	(4,104)	(508)
Financing activities	936	(1,623)
Net decrease in cash and cash equivalents	$ (20,560)	$ (14,322)

Net cash used in operating activities

Net cash used in operating activities was approximately $17.4 million for the six months ended June 30, 2015, and consisted primarily of a net loss of $21.6 million adjusted for non-cash items including depreciation and amortization expense of $600,000, stock-based compensation expense of $1.6 million, non-cash interest expense of $180,000 and a net change in operating assets and liabilities (source of cash) of $1.9 million, primarily related to an increase in deferred revenue from an up-front payment received from our Co-Development Agreement with Canon US Life Sciences.

Net cash used in operating activities was approximately $12.2 million for the six months ended June 30, 2014, and consisted primarily of a net loss of $14.2 million adjusted for non-cash items including depreciation and amortization expense of $0.3 million, stock-based compensation expense of $0.5 million, and a net change in operating assets and liabilities of $1.2 million.

Net cash used in investing activities

Net cash used in investing activities was approximately $4.1 million for the six months ended June 30, 2015, and consisted of costs to develop Company-owned instruments and purchases of laboratory equipment and leasehold improvements of $4.2 million, partially offset by proceeds of $80,000 from the release of certain restricted cash balances.

Net cash used in investing activities was approximately $0.5 million for the six months ended June 30, 2014, and consisted of $0.5 million of purchases of laboratory equipment and computer software.

Net cash provided by (used in) financing activities

Net cash provided by financing activities was approximately $936,000 for the six months ended June 30, 2015, and consisted of $1.1 million of proceeds from the exercise of stock options and the sale of stock from the Company s 2014 employee stock purchase plan, partially offset by $152,000 of repayments of notes payable.

Net cash used in financing activities was approximately $1.6 million for the six months ended June 30, 2014, and consisted of $0.9 million of repayments of notes payable and $0.8 million of payments of deferred initial public offering costs, partially offset by proceeds from the exercise of stock options of $0.1 million.

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Contractual Obligations and Commitments

Other than as described below, there were no other material changes to our contractual obligations and commitments from those described under Management s Discussion and Analysis of Financial Condition and Results of Operations in the Annual Report on Form 10-K for the year ended December 31, 2014.

In May 2015, the Company entered into the First Amendment to our loan and security agreement with Solar Capital, Ltd. whereby the availability to draw up to $10.0 million for tranche B was extended from June 30, 2015 to December 31, 2015. Commencing July 1, 2015, the Company will incur a fee equal to 1.0% per annum of any undrawn amounts under tranche B. This fee is payable on the date tranche B is drawn or upon the expiration of the draw period. All other terms of the Note Agreement remain in effect.

In May 2015, the Company entered into an amendment to a lease to expand existing manufacturing facilities. The lease amendment term is June 1, 2015 to December 31, 2017, and the annual rent for the expansion space is $66,000.

In May 2015, the Company entered into an amendment to a lease to extend the term of the lease for office and laboratory space at the Company s headquarters in Lexington, MA. The lease term will now extend from December 31, 2015 to December 31, 2017. The annual rent for the extension period is $1.1 million for 2016 and $1.2 million for 2017.

In April 2015, the Company entered into an amendment to extend the term of an office space lease. The lease amendment extends the lease term from December 31, 2016 to December 31, 2017 and the annual rent for the additional year is approximately $300,000.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under Securities and Exchange Commission, or SEC, rules.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk related to changes in interest rates. As of June 30, 2015, we had cash and cash equivalents of $53.3 million held primarily in money market funds consisting of U.S. government agency securities. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because our investments are in short-term securities. Due to the short-term duration of our investment portfolio and the low risk profile of our investments, an immediate one percent change in interest rates would not have a material effect on the fair market value of our portfolio. We are also subject to interest rate risk from the loans under our credit facility with Solar Capital, Ltd., which has an outstanding principal balance of $20.0 million as of June 30, 2015 and bears interest at an annual rate equal to the one-month LIBOR plus 7.05%. A 10% increase in the one-month LIBOR annual rate would result in an immaterial increase in our annual interest expense under our credit facility with Solar Capital, Ltd., as a result of the current low interest rate environment.

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Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of June 30, 2015. The Company s disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company s disclosure controls and procedures were effective as of June 30, 2015.

(b) Changes in Internal Control over Financial Reporting

There have been no material changes to the Company s internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II.

OTHER INFORMATION

Item 1. Legal Proceedings

We may be from time to time subject to various claims and legal actions during the ordinary course of our business. There are currently no claims or legal actions, individually or in the aggregate, that would have a material adverse effect on our results of operations or financial condition.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2014, which could materially affect our business, financial condition or future results. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

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

Use of Proceeds

Use of Proceeds from the Sale of Registered Securities

Proceeds of approximately $1.1 million received from the issuance of common stock upon the exercise of options and the purchase of shares under our ESPP were principally used to fund operations.

On August 6, 2014, the SEC declared effective our Registration Statement on Form S-1 (File No. 333-197920), as amended, or Registration Statement, filed in connection with our IPO. Pursuant to the Registration Statement, we registered the offer and sale of 5,200,000 shares of common stock with an aggregate offering price of approximately $57.2 million. Goldman Sachs & Co. and Morgan Stanley acted as joint book-running managers for the offering; Leerink Partners and Janney Montgomery Scott acted as co-managers. On August 8, 2014, the underwriters exercised in full their option to purchase additional shares of common stock pursuant to the underwriting agreement. On August 12, 2014, we closed our IPO, including 780,000 additional shares of common stock related to the option to purchase additional shares pursuant to the underwriting agreement, and sold a total of 5,980,000 shares at a price to the public of $11.00 per share for net proceeds of approximately $58.1 million, which is comprised of gross proceeds of approximately $65.8 million, offset by underwriting discounts and commissions of approximately $4.6 million and offering expenses of approximately $3.1 million. No payments for such expenses were made directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities or (iii) any of our affiliates.

The net proceeds of approximately $58.1 million from our IPO have been invested in accordance with the Company s investment policy and the remaining net proceeds are included in cash and cash equivalents at June 30, 2015. There has been no material change in the expected use of the net proceeds from our IPO as described in our final prospectus, dated August 6, 2014, filed with the SEC pursuant to Rule 424(b) relating to our Registration Statement.

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Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits, Financial Statement Schedules

Exhibit Number	Exhibit Description
10.1	Non-Employee Director Compensation Program (as amended)
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1	The following financial statements from the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, formatted in XBRL: (i) Condensed Consolidated Balance Sheets (unaudited), (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited), (iii) Condensed Consolidated Statements of Cash Flows (unaudited), and (iv) Notes to the Condensed Consolidated Financial Statements.

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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 thereunto duly authorized.

	T2 Biosystems, Inc.	
Date: August 5, 2015	By:	/s/ John McDonough John McDonough President and Chief Executive Officer
	T2 Bioystems, Inc.	
Date: August 5, 2015	By:	/s/ Marc R. Jones Marc R. Jones Chief Financial Officer