CACI

EVER VIGILANT

Thomas A. Mutryn
Executive Vice President
Chief Financial Officer
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October 15, 2007

LETTER OF COMMENT NO. 27

Via Email

Mr. Russell Golden
Director of Technical Application and
Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116

Re: File Reference: Proposed FSP APB 14-a

Dear Mr. Golden:

CACI International Inc appreciates the opportunity to express its views on the Proposed FASB Staff Position No. APB 14-a, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* (FSP 14-a). CACI International Inc (NYSE: CAI) is a $2 billion leading provider of information technology, network and professional services solutions to the federal government. In May 2007, we issued $300 million of convertible notes that would be subject to the revised accounting proposed by FSP 14-a, and therefore are providing you with the comments herein.

Currently the accounting for our convertible debt is clear. The principal amount of debt for which we're obligated to pay is, and will be through settlement or maturity, reflected on our balance sheet. The reported interest expense equals the coupon rate of 2.125 percent, and diluted earnings per share is adjusted to reflect the effect of conversion in periods in which our average stock price would provide incremental value to the note holders in the event of conversion. We consequently strongly disagree with the proposed accounting treatment and believe that if implemented, FSP 14-a will unnecessarily add complexity to the financial statements of convertible debt issuers, and will not improve financial reporting.

Paragraph 12 of APB No. 14 states that no portion of convertible debt proceeds should be allocated to equity as the conversion feature is not separable from the convertible debt. While in our case the form of payment for the principal obligation is cash instead of shares, the form of payment for the value of the conversion spread (the incremental value in excess of par) remains shares of common stock. Also, the aggregate value of consideration provided to note holders under a net-share settlement arrangement does not differ from the aggregate value provided in an all-share settlement. If there is no difference in the form, substance or value of the conversion spread under a net-share settlement arrangement relative to an all-share settlement, and if the aggregate values under both settlement scenarios are consistent, we do not believe that a change to existing accounting standards is warranted. We believe that the conversion feature remains inseparable from the debt, and that the liability and equity components should not be bifurcated as proposed.

The issuance of FSP 14-a in its current form would cause our debt obligations to be understated, and our equity to be overstated, by the balance of the unamortized discount, and would cause interest expense to be overstated by an economic value that may never materialize, and thus never be conveyed to note holders. FSP 14-a would also necessitate additional disclosures addressing the valuation of the embedded option, its period and method of amortization, the reconciliation of the carrying value of convertible debt to its par value, and cash flow and tax implications. The proposed standard appears to increase reporting complexities at a time when there is a focus on simplifying reporting.

Assuming the decision is made to implement this standard, we believe the following matters should be addressed prior to final issuance:

- **An inconsistency with SFAS No. 133.** Paragraph 199 of SFAS No. 133 stipulates situations in which an embedded option should be bifurcated and accounted for separately. FSP 14-a appears to be inconsistent with SFAS No. 133 on this matter. The FASB should explain how this apparent difference in accounting treatment should be reconciled if FSP 14-a is issued in its current form;

- **An inconsistency with International Accounting Standards.** In the Basis for Conclusions appendix of the proposal, it is indicated that FSP 14-a will not allow for convergence with international accounting standards regarding equity classification. Given the widespread interest to move towards convergence, the FASB should reconsider the provisions of FSP 14-a that are not conducive to convergence. Such an evaluation could be undertaken as part of the comprehensive liabilities and equity project;

- **The impact of the Comprehensive Liabilities and Equity Project.** Prior to finalizing FSP 14-a, any potential impacts that the comprehensive liabilities and equity project may have on convertible debt with characteristics of Instrument C should be carefully considered. It would be unfortunate, and confusing to investors, if further changes to the accounting for convertible debt with Instrument C characteristics were mandated by the comprehensive liabilities and equity project;

- **The failure to allow for mark-to-market accounting for the embedded option.** With such a focus on and movement towards fair value accounting, and the related practice of marking-to-market, we were puzzled to see that such accounting for the embedded option subsequent to the initial valuation was precluded by the proposal. Mark-to-market accounting would very clearly reflect the true economic value, and changes thereto, of the embedded option. Without it, an issuer could potentially report significant incremental interest expense when in reality – without stock appreciation – no economic value is transferred to the holders; and,

- **The accelerated timeline of the proposed standard.** We were disappointed with the decision to require implementation for fiscal years beginning after December 15, 2007. While CACI is less impacted given its fiscal year-end date of June 30, we believe it is unreasonable to require those entities with fiscal years coinciding with calendar years to alter their accounting on such short notice. The

> proposed timeline disregards the financial planning and budgeting process for a number of convertible debt issuers, and is inconsistent with the advance notification provided for the implementation of a number of recent pronouncements including SFAS No. 123, SFAS No. 158, and FIN No. 48. The accelerated timeline proposed by FSP 14-a does not provide affected entities with the time necessary to properly analyze, address, and communicate to pertinent parties, the many ramifications of the proposed standard. We strongly encourage the FASB to delay implementation for at least one-year.

In addition to these matters, the decision to residually value the embedded option by first valuing the debt component should be reconsidered. In prior deliberations, it has been asserted that issuers could readily value embedded options using one of the many models and/or techniques developed since the issuance of APB No. 14. It has also been noted that many convertible debt offerings containing Instrument C characteristics have been completed with concurrent option transactions that synthetically increase the conversion price, and that such transactions may readily aid in the valuation of an embedded option. Given the objective to accurately value and report the economic interest cost of convertible debt possessing Instrument C characteristics, the focus of valuation of the equity component should be placed on the very instrument that represents the incremental interest, and not indirectly on an estimated value of the debt component.

With regards to the remaining points for which comments were specifically requested, we concur with the proposed standard. We believe that references to other applicable U.S. generally accepted accounting principles, and that examples as provided in Appendix A, should be retained in any final version.

In summary, we believe that implementing FSP 14-a will not meet the objectives of improving the quality of accounting statements. The disadvantages of the proposed standard (complexity, confusion, inconsistencies in accounting treatments) far outweigh any benefits. If FSP 14-a is in fact implemented, consistent with past practice, sufficient time should be given to allow companies to efficiently and carefully adopt the standard. The accelerated timeline does not provide this.

We thank you for the chance to provide comments on this matter. If you should have any comments or questions regarding the points presented herein, please contact me directly at (703) 841-4488.

Sincerely,

CACI International Inc

Thomas A. Mutryn
Executive Vice President,
Chief Financial Officer & Treasurer