

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-K

(Mark One)
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2012

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 001-34972

Booz Allen Hamilton Holding Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
8283 Greensboro Drive, McLean, Virginia
(Address of principal executive offices)

26-2634160
(I.R.S. Employer
Identification No.)
22102
(Zip Code)

(703) 902-5000

Registrant's telephone number, including area code

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

| <u>Title of Each Class</u> | <u>Name of Each Exchange on Which Registered</u> |
|----------------------------|--|
| Class A Common Stock | New York Stock Exchange |

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

None.

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

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

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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 Form 10-K or any amendment to this Form 10-K.

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. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) 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

As of September 30, 2011, the market value of the voting and non-voting common equity held by non-affiliates based on the closing price as of that day was \$432,268,580.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| | Shares Outstanding as of May 18, 2011 |
|-------------------------------------|--|
| Class A Common Stock | 128,417,006 |
| Class B Non-Voting Common Stock | 2,470,825 |
| Class C Restricted Common Stock | 1,533,020 |
| Class E Special Voting Common Stock | 10,140,067 |

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its Annual Meeting of Stockholders scheduled for August 2, 2012 are incorporated by reference into Part III.

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INTRODUCTORY NOTE

Unless the context otherwise indicates or requires, as used in this Annual Report on Form 10-K for the fiscal year ended March 31, 2012 references to: (i) “we,” “us,” “our” or our “company” refer to Booz Allen Hamilton Holding Corporation, its consolidated subsidiaries and predecessors; (ii) “Booz Allen Holding” refers to Booz Allen Hamilton Holding Corporation exclusive of its subsidiaries; (iii) “Booz Allen Investor” refers to Booz Allen Hamilton Investor Corporation, a wholly-owned subsidiary of Booz Allen Holding; (iv) “Booz Allen Hamilton” refers to Booz Allen Hamilton Inc., our primary operating company and a wholly-owned subsidiary of Booz Allen Holding; and (v) “fiscal,” when used in reference to any twelve-month period ended March 31, refers to our fiscal years ended March 31. Unless otherwise indicated, information contained in this Annual Report is as of March 31, 2012. We have made rounding adjustments to reach some of the figures included in this Annual Report and, unless otherwise indicated, percentages presented in this Annual Report are approximate.

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained or incorporated in this Annual Report include forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “could,” “should,” “forecasts,” “expects,” “intends,” “plans,” “anticipates,” “projects,” “outlook,” “believes,” “estimates,” “predicts,” “potential,” “continue,” “preliminary,” or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give you no assurance these expectations will prove to have been correct. These forward-looking statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to differ materially from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. These risks and other factors include:

- cost cutting and efficiency initiatives and other efforts to reduce U.S. government spending, which could reduce or delay funding for orders for services especially in the current political environment;
- delayed funding of our contracts due to delays in the completion of the U.S. government’s budgeting process and the use of continuing resolutions by the U.S. government to fund its operations or related changes in the pattern or timing of government funding and spending;
- any issue that compromises our relationships with the U.S. government or damages our professional reputation;
- changes in U.S. government spending and mission priorities that shift expenditures away from agencies or programs that we support;
- the size of our addressable markets and the amount of U.S. government spending on private contractors;
- failure to comply with numerous laws and regulations;
- our ability to compete effectively in the competitive bidding process and delays caused by competitors’ protests of major contract awards received by us;
- the loss of General Services Administration Multiple Award schedule contracts, or GSA schedules, or our position as prime contractor on government-wide acquisition contract vehicles, or GWACs;
- changes in the mix of our contracts and our ability to accurately estimate or otherwise recover expenses, time, and resources for our contracts;
- our ability to generate revenue under certain of our contracts;
- our ability to realize the full value of our backlog and the timing of our receipt of revenue under contracts included in backlog;

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- changes in estimates used in recognizing revenue;
- an inability to attract, train, or retain employees with the requisite skills, experience, and security clearances;
- an inability to hire, assimilate, and deploy enough employees to serve our clients under existing contracts;
- an inability to timely and effectively utilize our employees;
- failure by us or our employees to obtain and maintain necessary security clearances;
- the loss of members of senior management or failure to develop new leaders;
- misconduct or other improper activities from our employees or subcontractors;
- increased competition from other companies in our industry;
- failure to maintain strong relationships with other contractors;
- inherent uncertainties and potential adverse developments in legal or regulatory proceedings, including litigation, audits, reviews, and investigations, which may result in materially adverse judgments, settlements, withheld payments, penalties, or other unfavorable outcomes including debarment, as well as disputes over the availability of insurance or indemnification;
- internal system or service failures and security breaches, including, but not limited to, those resulting from external cyber attacks on our network and internal systems;
- risks related to changes to our operating structure, capabilities, or strategy intended to address client needs, grow our business or respond to market developments;
- risks associated with new relationships, clients, capabilities, and service offerings in our U.S. and international businesses;
- failure to comply with special U.S. government laws and regulations relating to our international operations;
- risks related to our indebtedness and credit facilities which contain financial and operating covenants;
- the adoption by the U.S. government of new laws, rules, and regulations, such as those relating to organizational conflicts of interest issues;
- an inability to utilize existing or future tax benefits, including those related to our net operating losses, or NOLs, and stock-based compensation expense, for any reason, including a change in law;
- variable purchasing patterns under U.S. government GSA schedules, blanket purchase agreements and indefinite delivery, indefinite quantity, or ID/IQ, contracts; and
- other risks and factors listed under “Item 1A. Risk Factors” and elsewhere in this Annual Report.

In light of these risks, uncertainties, and other factors, the forward-looking statements might not prove to be accurate and you should not place undue reliance upon them. All forward-looking statements speak only as of the date made and we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

PART I

Item 1. Business.

Overview

We are a leading provider of management and technology consulting services to the U.S. government in the defense, intelligence and civil markets. Additionally, we provide management and technology consulting services to major corporations, institutions, and not-for-profit organizations.

We are a well-known, trusted and long-term partner to our clients, who seek our expertise and objective advice to address their most important and complex problems. Leveraging our 98-year consulting heritage and a talent base of approximately 25,000 people, we deploy our deep domain knowledge, functional expertise, and experience to help our clients achieve their objectives. We have a collaborative culture, supported by our operating model, which helps our professionals identify and respond to emerging trends across the markets we serve and deliver enduring results for our clients.

We were founded in 1914 by Edwin Booz, one of the pioneers of management consulting. In 1940, we began serving the U.S. government by advising the Secretary of the Navy in preparation for World War II. As the needs of our clients have grown more complex, we have expanded beyond our management consulting foundation to develop deep expertise in technology, engineering, and analytics. Today, we serve substantially all of the cabinet-level departments of the U.S. government. Our major clients include the Department of Defense, all branches of the U.S. military, the U.S. Intelligence Community, and civil agencies such as the Department of Homeland Security, the Department of Energy, the Department of Health and Human Services, the Department of the Treasury, and the Environmental Protection Agency. We support these clients in addressing complex and pressing challenges such as combating global terrorism, improving cyber capabilities, transforming the healthcare system, improving efficiency and managing change within the government, and protecting the environment. In the commercial sector, we serve U.S. clients in the financial services, healthcare, and energy markets, and international clients, primarily in the Middle East.

We have strong and longstanding relationships with a diverse group of clients at all levels of the U.S. government. During fiscal 2012, we derived 98% of our revenue from services provided to more than 1,200 client organizations across the U.S. government under more than 5,800 contracts and task orders. The single largest entity that we served in fiscal 2012 was the U.S. Army, which represented approximately 17% of our revenue in that period. We derived 90% of our revenue in fiscal 2012 from engagements for which we acted as the prime contractor. Also during fiscal 2012, we achieved an overall win rate of 55% on new contracts and task orders for which we competed and a win rate of more than 91% on re-competed contracts and task orders for existing or related business. As of March 31, 2012, our total backlog, including funded, unfunded, and priced options, was \$10.8 billion, a decrease of 1% in total backlog with a 21% increase in funded backlog over March 31, 2011.

We attribute the strength of our client relationships, the commitment of our people, and our resulting growth to our management consulting heritage and culture, which instills our relentless focus on delivering value and enduring results to our clients. We operate our business as a single profit center, which drives our ability to collaborate internally and compete externally. Our operating model is built on (1) our dedication to client service, which focuses on leveraging our experience and knowledge to provide differentiated insights, (2) our partnership-style culture and compensation system, which fosters collaboration and the efficient allocation of our people across markets, clients, and opportunities, (3) our professional development and assessment system, which reinforces the alignment of our people with our collaborative culture, core values, and ethics, and (4) our approach to the market, which leverages our matrix of deep domain expertise in the defense, intelligence, and civil government markets and financial services, healthcare, and energy commercial markets with our strong capabilities in strategy and organization, analytics, technology, and engineering and operations.

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We are organized and operate as a corporation. Our use of the term “partnership” reflects our collaborative culture, and our use of the term “partner” refers to our Chairman and our Senior and Executive Vice Presidents. The use of the terms “partnership” and “partner” is not meant to create any implication that we operate our company as, or have any intention to create a legal entity that is, a partnership.

Corporate History

Booz Allen Holding was incorporated in Delaware in 2008 to serve as the top-level holding company for the consolidated Booz Allen Hamilton U.S. government consulting business. On July 31, 2008, or the Closing Date, Booz Allen Hamilton completed the separation of its U.S. government consulting business from its legacy commercial and international consulting business, the spin off of the commercial and international business, and the sale of 100% of its outstanding common stock to Booz Allen Holding, which was majority owned by The Carlyle Group and certain of its affiliated investment funds, or Carlyle. Our company is a corporation that is the successor to the government business of Booz Allen Hamilton following the separation.

The separation of the commercial and international business from the government business was accomplished pursuant to a series of transactions under the terms of a spin off agreement, dated as of May 15, 2008, by and among Booz Allen Hamilton and Booz & Company, or Spin Co., and certain of its subsidiaries. As a result of the spin off and related transactions, former stockholders of Booz Allen Hamilton that had been engaged in the commercial and international business became the owners of Spin Co., which held the commercial and international business. The spin off agreement included a three-year non-compete provision, which ended July 31, 2011, during which both Spin Co. and Booz Allen Hamilton were prohibited, with certain exceptions, from engaging in business in the other company’s principal markets.

Following the spin off, Booz Allen Hamilton was indirectly acquired by Carlyle pursuant to an Agreement and Plan of Merger, dated as of May 15, 2008, and subsequently amended, by and among Booz Allen Hamilton, Booz Allen Holding (formerly known as Explorer Holding Corporation), which was majority owned by Carlyle, Booz Allen Investor (formerly known as Explorer Investor Corporation), a wholly owned subsidiary of Booz Allen Holding, Explorer Merger Sub Corporation, a wholly-owned subsidiary of Booz Allen Investor, and Spin Co. Under the terms of the merger agreement, the acquisition of Booz Allen Hamilton was achieved through the merger of Explorer Merger Sub Corporation into Booz Allen Hamilton, with Booz Allen Hamilton as the surviving corporation. As a result of the merger, Booz Allen Hamilton became a direct subsidiary of Booz Allen Investor and an indirect wholly-owned subsidiary of Booz Allen Holding. The aforementioned transactions are referred to in this Annual Report as the acquisition.

To fund the aggregate consideration for the acquisition, to repay certain indebtedness in connection with the acquisition and to provide working capital, Booz Allen Investor and Booz Allen Hamilton entered into a series of financing transactions, which included:

- entry into our senior secured credit agreement, and the incurrence of \$125.0 million and \$585.0 million of term loans under the Tranche A and Tranche B term facilities, respectively, governed by the senior secured credit agreement;
- entry into our mezzanine credit agreement, and the incurrence of \$550.0 million of term loans governed by the mezzanine credit agreement; and
- an equity contribution from Explorer Coinvest LLC, or Coinvest, of approximately \$956.5 million.

The payment of \$158.0 million of the cash consideration for the acquisition was structured as a deferred payment obligation of Booz Allen Investor. On December 11, 2009, in order to facilitate the payment of a special dividend and the repayment of a portion of the deferred payment obligation, Booz Allen Investor and Booz Allen Hamilton entered into a series of amendments to the credit agreements governing our senior secured credit facilities and mezzanine credit facility to, among other things, add the Tranche C term facility under our senior secured credit facilities, increase commitments under the revolving credit facility under our senior secured credit

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facilities from \$100.0 million to \$245.0 million, and add a specific exception to the restricted payments covenant to permit the payment of the special dividend. Using cash on hand and \$341.3 million in net proceeds from the increased term loan facility, Booz Allen Hamilton paid a special dividend of \$650.0 million on its common stock, all of which was paid to Booz Allen Investor, its sole stockholder. Booz Allen Investor in turn used the proceeds of the special dividend (i) to repay approximately \$100.4 million of the deferred payment obligation, including \$22.4 million in accrued interest, in accordance with the terms of the merger agreement and (ii) to pay a special dividend of approximately \$549.6 million on its common stock, all of which was paid to Booz Allen Holding, its sole stockholder. Booz Allen Holding in turn declared a special dividend of \$497.5 million payable on its outstanding Class A Common Stock, Class B Non-Voting Common Stock and Class C Restricted Common Stock, approximately \$444.1 million of which was paid to Coinvest and the remainder of which was paid to the other stockholders of Booz Allen Holding. The aforementioned transactions are referred to in this Annual Report as the recapitalization transaction.

On February 3, 2011, we completed a refinancing transaction, or the Refinancing Transaction, which included amendments to the senior secured credit agreement and the repayment of all indebtedness outstanding under our mezzanine credit facility. The amended senior secured credit agreement provides for \$1.0 billion in term loans (\$500.0 million Tranche A term facility and \$500.0 million Tranche B term facility) and a \$275.0 million revolving credit facility. In connection with the Refinancing Transaction, we borrowed \$1.0 billion under the Tranche A and Tranche B term facilities and we used \$268.9 million of cash on hand to pay fees and expenses and repay the remaining \$222.1 million of indebtedness under our mezzanine credit facility and \$21.5 million under the then effective senior secured credit facilities. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness.”

Our Value Proposition to Our Clients

As a leading provider of management and technology consulting services to the U.S. government and a provider of such services to major corporations, institutions, and not-for-profit organizations, we believe that we are well positioned to grow across markets characterized by increasing and rapid change. We believe that our dedication to client service, the quality of our people, our management consulting heritage and our client-oriented matrix approach provide the strong foundation necessary for our continued growth.

Our People

Our success as a management and technology consulting firm is highly dependent upon the quality, integrity and dedication of our people.

Superior Talent Base. We have a highly educated talent base of approximately 25,000 people: as of March 31, 2012, 84% held bachelor degrees, 42% held masters degrees and 4% held doctoral degrees (not including employees from ASE, Inc., one of our wholly owned subsidiaries). In addition, many of the U.S. government contracts for which we compete require contractors to have high-level security clearances, and our large pool of cleared employees allows us to meet these needs. As of March 31, 2012, 76% of our people held government security clearances: 27% at Top Secret/Sensitive Compartmented Information, 22% at Top Secret (excluding Sensitive Compartmented Information) and 26% at Secret. High-level security clearances generally afford a person access to data that affects national security, counterterrorism or counterintelligence, or other highly sensitive data. Persons with the highest security clearance, Top Secret, have access to information that would cause “exceptionally grave damage” to national security if disclosed to the public. Persons with access to the most sensitive and carefully controlled intelligence information hold a Top-Secret/Sensitive Compartmented Information clearance. Persons with the second-highest clearance classification, Secret, have access to information that would cause “serious damage” to national security if disclosed to the public. Through internal referrals and external recruiting efforts, we are able to successfully renew and grow our talent base, and we believe that our ability to attract top level talent is significantly enhanced by our commitment to professional development, our position as a leader in our markets, the high quality of our work and the appeal of our culture.

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Focus on Talent Development. We develop our talent base by providing our people with the opportunity to work on important and complex problems, encouraging and acknowledging contributions of our people at all levels of seniority, and facilitating broad, inclusive and insightful leadership. We also encourage our people to continue developing their substantive skills through continuing education. Our learning programs, which have consistently been recognized as best-in-class in the industry, include partnerships with universities, vendors and online content providers. These programs offer convenient, cost-effective, quality educational opportunities that are aligned with our core capabilities.

Assessment System that Promotes Collaboration. We use our assessment process, an employee assessment tool based on multiple sources of input to assess performance against competencies, to help promote and enforce the consistency of our collaborative culture, core values and ethics. Each of our approximately 25,000 people receives an annual assessment and also has the opportunity to participate in the assessment of other company personnel. Assessments combine the internal feedback from supervisors, peers and subordinates with input from internal and external clients. Our assessment process is focused on facilitating the continued development of skills and career paths and ensuring the exchange of support and knowledge among our people.

Core Values. We believe that one of the key components of our success is our focus on core values. Our core values are: client service, diversity, excellence, entrepreneurship, teamwork, professionalism, fairness, integrity, respect and trust. All new hires receive extensive training that emphasizes our core values, facilitates their integration into our collaborative, client-oriented culture and helps to ensure the delivery of consistent and exceptional client service. As of March 31, 2012, 98% of our employees participated in internal training including 4 hours of mandatory ethics training which is required to be completed each year.

The emphasis that we place on our people yields recognized results. External awards and recognition include being named for several consecutive years as one of Fortune Magazine's "100 Best Companies to Work For", and to the "Best Companies" to work for lists published by Working Mother, Consulting Magazine, GI Jobs, and a number of other publications and associations. Additionally, the company was named in 2012 as one of Fortune Magazine's "The World's Most Admired Companies," a list based on quality and brand reputation.

Our Management Consulting Heritage

Our Approach to Client Service. Over nearly a century of serving clients and 72 years that we have been supporting the U.S. government, we have cultivated relationships of trust with, and developed a comprehensive understanding of, our clients. This insight regarding our clients, together with our deep domain knowledge and capabilities, enable us to anticipate, identify and address the specific needs of our clients. While working on contract engagements, our people work to develop a holistic understanding of the issues and challenges facing the client to ensure that our advice helps them achieve enduring results.

Partnership-Style Culture and Compensation System. A commitment to teamwork is deeply ingrained in our company, and our partnership-style culture is critical to maintaining this component of our operating model. We manage our company as a single profit center with a partner-style compensation system that focuses on the success of the institution over the success of the individual. This distinctive system fosters internal collaboration that allows us to compete externally by motivating our partners to act in the best interest of the institution. As a result, we are able to emphasize overall client service, and encourage the rapid and efficient allocation of our people across markets, clients and opportunities.

Our Client-Oriented Matrix Approach

We are able to address the complex and evolving needs of our clients and grow our business through the application of our matrix of deep domain knowledge and market-leading capabilities. Through this approach, we deploy our four key capabilities — strategy and organization; analytics; technology; and engineering and operations — across our client base in the various markets we serve. This approach enables us to quickly

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assemble and deploy, and redeploy when necessary, client-focused teams comprised of people with the skills and expertise needed to address the challenges facing our clients. We believe that our significant win rates on new and re-competed contracts demonstrate the strength of our matrix approach as well as our industry-leading reputation and our proven track record.

Our Strategy for Continued Growth

We serve our clients by identifying, analyzing, and solving their most complex problems, providing technology and engineering and mission support services, and anticipating developments that will have near- and long-term impacts on their operations. To serve our clients and grow our business, we intend to execute the following strategies:

Expand Our Business Base

We are focused on growing our presence in our addressable markets primarily by expanding our relationships with, and the capabilities we deliver to, our existing clients. We will continue to help our clients recognize more efficient and effective mission execution by deploying our objective insight and market expertise across current and future contract engagements. We believe that significant growth opportunities exist in our markets, and we intend to:

- *Deepen Our Existing Client Relationships.* The complex and evolving nature of the challenges our clients face requires the application of different core competencies and capabilities. Our approach to client service and collaborative culture enables us to effectively cross-sell and deploy multiple services to existing clients. We plan to leverage our comprehensive understanding of our clients' needs and our track record of successful performance to grow our client relationships and expand the scope of the services we provide to our existing clients.
- *Help Clients Rapidly Respond to Change.* We will continue to help our clients formulate rapid and dynamic responses to the frequent and sometimes sudden changes that they face by leveraging the scope and scale of our domain expertise, our broad capabilities and our one-firm culture, which allow us to effectively and efficiently allocate our resources and deploy our intellectual capital.
- *Broaden Our Client Base.* We intend to capitalize on our scale, the scope of our domain expertise and core capabilities, and our reputation as a trusted long-term partner to grow our client base.
 - *U.S. Government Business.* We believe that growing demand for the types of services we provide and our ongoing business initiatives will enable us to leverage our reputation as a trusted partner and industry leader to cultivate new client relationships across all agencies and departments of the U.S. government.
 - *Commercial Business.* As we have done since the expiration of our non-competition agreement on July 31, 2011, we will continue to pursue new opportunities in the commercial market by building on our cyber-related work and leveraging our core competencies, with a focus on serving industries in which there is a strong intersection between government and commercial interests, such as financial services, healthcare, and energy. We will also look to selectively establish a physical presence in strategically important locations with a concentration of potential commercial clients, such as New York City where we expanded our presence in the fall of 2011.
 - *International Business.* As we have done since the expiration of our non-competition agreement on July 31, 2011, we will continue to pursue opportunities to grow internationally. Our international activities are focused on the Middle East and North Africa region, where we see strong demand for our services, in particular in the United Arab Emirates, Qatar, Oman, and Kuwait, and we are expanding our office in Abu Dhabi, United Arab Emirates, to facilitate our international growth.

Capitalize on Our Strengths in Emerging Areas

We will continue to leverage our deep domain expertise and broad capabilities to help our clients address emerging issues. Through the early identification of clients' emerging needs and the development of adaptive capabilities to help address those needs, we have established strong competencies and functional capabilities in numerous areas of potential growth, including:

Cyber. Network-enabled technology now forms the backbone of our economy, infrastructure and national and international security. We have been focused on cyber and predecessor areas, such as information assurance, since 1999 and in information security since the 1980's. We are currently involved in cyber-related initiatives for national defense, with the creation of the U.S. Cyber Command, intelligence and civil clients, as well as cyber-security initiatives for commercial clients. We have created a framework for dynamic defense of government and commercial networks and information assets based on the following four main components: threat intelligence, incident response, integrated remediation, and pre-emptive response. In January 2012, we formally launched the Booz Allen Cyber Solutions Network™, an integrated secure network of cyber centers, providing our clients with advanced analytics, cyber training, network defense, and cyber product/technology evaluation services. As of March 31, 2012, over 3,200 employees hold over 5,600 Certifications representing a variety of technical disciplines, including DoD 8570 specified certifications, from various certifying bodies, such as SANS, Comp TIA, Securible, Ultimate Knowledge, and Skillsoft. Additionally, to continue to position our company as a leader across the broad and growing range of areas requiring cyber-related services, we are focused on hiring new employees with cyber-related expertise and cross training existing employees through our Cyber University program.

Enterprise Effectiveness and Efficiency ("E3"). We are helping our clients address challenges ranging from reducing costs and doing more with less, to completely transforming the way they operate. Our E3 framework focuses on realizing efficiencies through IT management, cost restructuring change management/business process re-engineering, and human resource management/ back office operations. For our U.S. government clients, we are helping them achieve operating and budgetary efficiencies driven by the need to control spending while simultaneously pursuing numerous policy initiatives. In addition, recent U.S. government reforms in the procurement area may allow us to leverage our status as a large, objective service provider to win additional assignments to the extent that we are able to address organizational conflicts of interest and similar concerns more easily than our competitors.

Ongoing Healthcare Transformation. We expect recent and ongoing developments in the healthcare market, such as the passage of the Affordable Care Act of 2010 and the Health Information Technology for Economic and Clinical Health Act of 2009, to increase demand for our healthcare consulting capabilities across government, military, and commercial healthcare markets. In 2002, we began a focused expansion of our healthcare consulting business, and the current scale of that business, together with our technology-related capabilities, provide us with a strong platform from which to address our clients' increased focus on the interoperability of healthcare IT platforms, healthcare policy, and payment and caregiver reforms. Our current areas of focus include: health technology, health market infrastructure, global health issues, health facilities transformation (with a particular focus on the Veterans Administration), cyber privacy solutions for health information, behavioral health, and population health.

Engineering Services. We serve our clients by applying our broad and deep expertise in engineering, ranging from micro-electronics to biomedical engineering and high-energy lasers, to develop proof-of-concept designs, reverse engineer current products and systems, and build test prototypes. Additionally, we provide sophisticated systems engineering and integration, or SE&I, services to help clients manage every phase of the development and integration of increasingly sophisticated information technology, communications and mission systems – ranging from satellite and space systems to air traffic control and naval systems.

Cloud-Based Services. U.S. government and commercial markets have experienced a rise in the use of cloud computing, which allows shared resources and software to be provided to computers and other devices on-demand without requiring new user infrastructure. In addition, the use of cloud computing provides

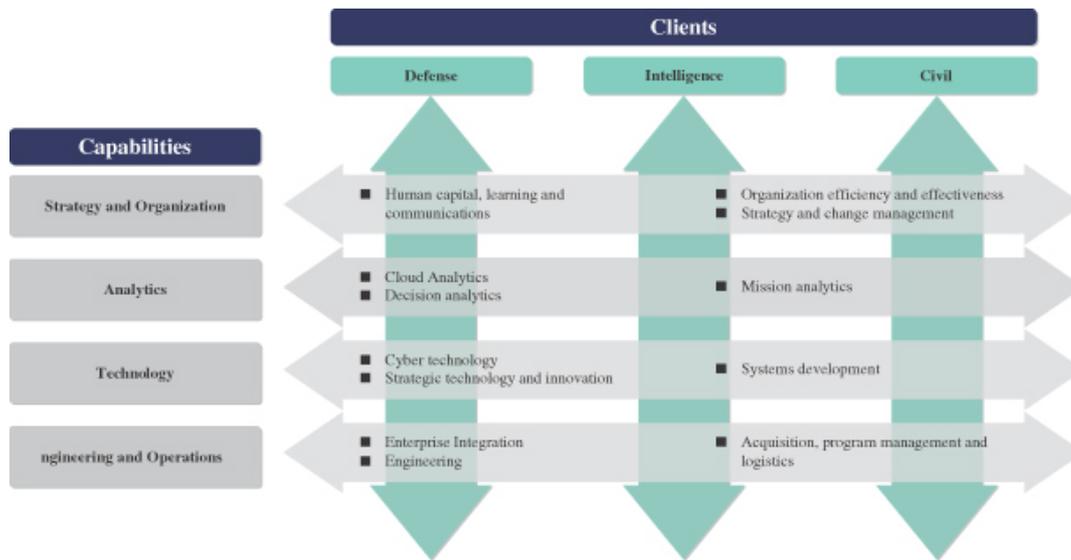
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clients with economical data storage and retrieval options. Building on our foundation of advanced information technology and our proven capabilities in strategy and change management, analytics, systems development and cyber technology, we have created a major initiative in cloud-based services, through which we intend to serve our clients by using cloud computing solutions to deliver cost savings, improved mission effectiveness, improved data analytics and improved IT infrastructure, including data center migration and optimization.

We will also continue to invest significant resources in our efforts to identify near-term developments and long-term trends that may present significant challenges or opportunities for our clients. Our single profit center and one-firm culture afford us the flexibility to devote company-wide resources and key intellectual capital to developing the functional capabilities and expertise needed to address those issues. We have regularly allocated significant resources to these business development efforts and have successfully transitioned several such initiatives into meaningful contributors to our business.

Our Clients and Capabilities

The diagram below illustrates the way we deploy our four capability areas, including specified areas of expertise, to serve our defense, intelligence, and civil clients. Our dynamic matrix of functional capabilities and domain expertise plays a critical role in our efforts to deliver results to our clients.



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Deployment of Capabilities to Serve Clients

Our Clients

We have strong and longstanding relationships with a diverse group of clients at all levels of the U.S. government. In addition, as a result of our re-entry into the commercial market and our growing international business, we have a growing group of commercial and non-U.S. government clients.

Selected Long-Term Client Relationships

| <u>Client (1)</u> | <u>Relationship Length (Years)</u> |
|---------------------------------|------------------------------------|
| U.S. Navy | 70+ |
| U.S. Army | 60+ |
| National Security Agency | 25+ |
| Department of Homeland Security | 20+ |
| U.S. Air Force | 20+ |
| National Reconnaissance Office | 15+ |
| A U.S. intelligence agency | 15+ |
| Department of Energy | 15+ |
| Federal Bureau of Investigation | 15+ |
| Internal Revenue Service | 15+ |

(1) Includes predecessor organizations.

Defense Clients

Our reputation and track record in serving the U.S. military and defense agencies spans 70 years. Our defense business revenue represented 53% of our business based on revenue for fiscal 2012. Our revenue in this area for fiscal 2012 was approximately \$3.0 billion. Our key defense clients are set forth below.

- *U.S. Army.* For over 60 years, we have addressed challenges for the U.S. Army at the strategic, operational, and tactical levels by bringing experienced people, high quality processes, and advanced technologies together. We work with our U.S. Army clients to help sustain their land combat capabilities while responding to current demands and preparing for future needs. Recent examples of the services that we have provided include enhancing field intelligence systems, delivering rapid response solutions to counter improvised explosive devices, infusing lifecycle sustainment capabilities to improve distribution and delivery of material, and employing systems and consulting methods to help expand care and support for soldiers and their families. Our clients include Army Headquarters, Army Material Command (AMC), Forces Command (FORSCOM), Training and Doctrine Command (TRADOC), and many Program Executive Offices, Direct Reporting Units and Army Service Component Commands.
- *U.S. Navy/Marine Corps.* We have supported the U.S. Navy for over 70 years. We employ a multidimensional approach that analyzes and balances people, processes, technology, and infrastructure to meet their missions of equipping global forces for greater flexibility, mobility, and efficiency, sustaining results while reducing costs, and integrating new technology. Our clients include the Office of the Secretary of the Navy, Chief of Naval Operations, the Commandant of the Marine Corps to the Office of Naval Intelligence, and U.S. Navy/Marine Corps operating commands and systems commands, as well as the Joint Program Executive Offices (PEO) and individual PEOs such as Naval Air Systems Command (NAVAIR), Naval Seas Systems Command (NAVSEA), U.S. Marine Corps Systems Command, and Space and Naval Warfare (SPAWAR).

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- *U.S. Air Force/NASA/Aerospace.* We provide integrated strategy and technical services to the U.S. Air Force. Our skilled strategists and technology experts bring diverse capabilities to assignments that include weapons analysis, capability-based planning, and aircraft systems engineering. We also support the space industry in applying new technologies, integrating space operations, and using strategies to address the technical issues, cost, schedule, and risk of space systems. Our clients include Air Combat Command, Air Force Space Command, Air Force Materiel Command, Air Mobility Command, Air Force Cyber Command, Air Force Pacific Command and National Aeronautics and Space Administration (NASA).
- *Joint Staff and Combatant Commands.* We provide mission-critical support to the Office of the Secretary of Defense, the Joint Staff, the Combatant Commands (COCOMs), and other U.S. government departments and agencies during the planning and mission execution phases to meet global mission requirements ranging from integrated intelligence, surveillance, and reconnaissance (ISR) to space and global strike operations. Our clients include most major organizations within the Office of the Secretary of Defense and the Department of Defense's agencies, as well as the Pacific Command, Northern Command, Central Command, the Defense Information Systems Agency (DISA), Southern Command, European Command, Strategic Command, Special Operations Command, and Transportation Command.
- *Cyber/Military Intelligence.* We provide advanced solutions designed to protect critical infrastructure systems for the public and private sector to our U.S. government defense and intelligence agency clients to meet new and evolving cyber warfare threats. Our cyber professionals, many with the highest security clearances to handle the most sensitive materials, assist clients in all phases of cyber-security operations and dynamic network defense. We develop cyber-security solutions utilizing a multi-dimensional approach including people, operations, technology, policy, and management.

Intelligence Clients

We have provided the primary group of government agencies and organizations that carry out intelligence activities for the U.S. government (the U.S. Intelligence Community), with forward-thinking, success-oriented consulting and mission support services in analysis, systems engineering, program management, operations, organization, and change management, budget and resource management, studies, and war-gaming. This critical business area has strong barriers to entry for competitors because of the specialized expertise and high-level security clearances required. Our intelligence business represented 23% of our business based on revenue for fiscal 2012. Revenue in this area for fiscal 2012 was approximately \$1.3 billion. Our major intelligence clients include:

- *U.S. Intelligence Agencies.* We provide critical support in strategic planning, policy development, program development and execution, information sharing, architecture, and program management for research and development projects, as well as support to reform initiatives flowing from the Intelligence Reform and Terrorism Protection Act. We help clients improve the processes and substance of intelligence information provided to the executive and legislative branches of the U.S. government for policy development and operational decision making.
- *Joint Staff and Unified Combatant Commands.* We deliver comprehensive intelligence analysis, including providing all-source intelligence analysis and open-source intelligence analysis conducted in high intensity environments. We also provide data collection management and analytical systems intelligence training services, and provide intellectual capital and best practices for intelligence activities.
- *Military Intelligence.* We provide consulting services, integrated intelligence and information operations mission support, and a range of counterintelligence services to the U.S. Army, U.S. Air Force, U.S. Navy, Marine Corps, and Defense Intelligence Agency.

Civil Clients

Support to civil government agencies of the U.S. government and U.S.-funded international development work has grown significantly as a percentage of our overall business. The Federal Procurement Data System ranked us 16th on its overall list of top 100 federal contractors for federal fiscal year 2011 based on overall prime contracting dollars. For that same period and using data provided by USAspending.gov, we estimate that we ranked 18th based on overall prime contracting dollars for civil clients. Our civil business represented 24% of our business based on revenue for fiscal 2012. Revenue in this area for fiscal 2012 was approximately \$1.4 billion. Our civil government clients include:

- *Financial Services.* We provide support to all major U.S. government finance and treasury organizations charged with the collection, management, and protection of the U.S. financial system, including the Department of the Treasury, Internal Revenue Service, and other agencies of the Department of the Treasury, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Federal Reserve Board and Banks, the Securities and Exchange Commission (SEC), and Pension Benefit Guaranty Corporation. We create innovative approaches to some of their most challenging problems, including bank receivership, payment channel modernization, cyber initiatives, and fraud detection.
- *Health.* We support U.S. government clients on innovative projects that help achieve public health missions, including entitlement reform, developing a national health information network, mitigating risk to populations, improving government infrastructure, and facilitating an international public-private sector dialogue on international health issues. Our clients include the Department of Health and Human Services and its agencies, including the U.S. Food and Drug Administration, National Institutes of Health, Centers for Disease Control and Prevention (CDC), the Centers for Medicare and Medicaid Services, the Department of Defense Military Health System, and Department of Veterans Affairs.
- *Energy, Transportation and Environment.* We support clients in the transportation, energy, and environment sectors which have control over our national infrastructure. We support our clients' efforts to maintain and build infrastructure that is efficient, effective, and sustainable. Our services include strategy, operations, technology, and engineering. Our clients include the Departments of Energy, Transportation, and Interior and their component agencies, and the Environmental Protection Agency. We also support the Department of Defense in major environmental and infrastructure programs in the United States and Europe.
- *Justice and Homeland Security.* We support the U.S. government's homeland security mission and operations in the areas of intelligence (analysis, information sharing, and risk assessment), operations (coordination, contingency planning, and decision support), strategy, technology and management (program management and information technology tools), emergency management and response planning, and border, cargo, and transportation security. We support law enforcement missions and operations in counterterrorism, intelligence and counterintelligence, and traditional criminal areas (narcotics, white collar crime, organized crime, and violent crime).
- *Business of Government.* We help agencies effectively and efficiently manage the business processes that support government in its provision of services to its citizens, spanning management, personnel, budget operations, information technology, and telecommunications. Our clients include the General Services Administration, Office of Management and Budget, Office of Personnel Management, the Congress and Courts. We also support public sector grant-making agencies, from health and education, to labor and homeland and economic security, serving clients such as the Departments of Agriculture, Homeland Security, Commerce, Education, Labor, and Housing and Urban Development, as well as the National Science Foundation. In addition, we serve our U.S. government clients abroad in helping them resolve systemic global development needs. Our clients include the U.S. Agency for International Development, the Department of State, Millennium Challenge Corporation, and the World Bank.

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Commercial and International Clients

Following the expiration of our non-competition agreement on July 31, 2011, we re-entered the commercial market and pursued growth in our international business.

We have pursued new opportunities in the commercial market by building on our cyber-related work and leveraging our core competencies with a focus on serving industries in which there is a strong intersection between government and commercial interests, such as financial services, healthcare, and energy. We believe that our cyber and technology-based capabilities provide us with an important point of functional differentiation with which we are able to help our clients increase revenue, improve efficiencies, and manage risk. Our key service offerings to commercial clients include: dynamic defense (cyber), next-generation virtual infrastructure, decision analytics, design for affordability, and smart compliance. Our commercial clients include major commercial banks and investment banks, healthcare providers, energy companies, and utilities.

Our international activities are primarily focused on the Middle East and North Africa region, where we see strong demand for our services, in particular in the United Arab Emirates, Qatar, Oman, and Kuwait. Our service offerings to international clients leverage our cyber and technology-based capabilities with a focus on on-line government services and cloud applications, enterprise resource planning, advanced persistent threat resolution, supervisory control and data acquisition, and geospatial systems. Our international clients include government ministries and commercial companies in the Middle East and North Africa.

Our Capabilities

We provide services to clients in all of our markets by drawing on the four capability areas below. These services include strategic consulting on our clients' most important missions, engineering and technology services such as systems integration, and mission support services.

Strategy and Organization

Our strategy and organization capability focuses on helping clients define and achieve their strategic objectives. As of March 31, 2012, we had approximately 2,500 consulting staff providing client service through our strategy and organization capability. We provide transformational programs to improve organizational effectiveness, manage change, and enable client organizations to improve their performance. Our Transformation Life Cycle[™] framework and Change Management Advanced Practitioner program provide a proven methodology and credentialed experts to help clients succeed. Our areas of expertise include:

- *Strategy and Change Management*, helping clients formulate business strategies to meet their mission, and transforming key elements within organizations such as people, processes, technology and physical infrastructure;
- *Organization Efficiency & Effectiveness*, redesigning an organization's structure to fit its mission and strategy, aligning its business purpose, and improving operations and performance through business process reengineering, knowledge management, strategic sourcing, shared services and lean six sigma methodologies; and
- *Human Capital, Learning and Communications*, helping clients build new capabilities and increasing workforce performance through competency identification and development of learning programs, designing programs to better manage the workforce for high performance, and building stakeholder understanding and buy-in.

Analytics

Our analytics capability focuses on helping clients address the full spectrum of their business, operational, and mission challenges. From operational and business planning to mission performance and strategic decision

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making, we help clients make informed decisions with deeper insight, less risk, and greater certainty. As of March 31, 2012, we had approximately 5,500 consulting staff providing client service through our analytics capability. Our areas of expertise include:

- *Cloud Analytics*, enhancing our clients' ability to analyze very large amounts of information stored in or accessed through the cloud using sophisticated statistical and mathematical techniques, to weigh alternative futures, and to make sound decisions that are supported by rigorous methods, including capabilities-based assessments, optimization, modeling and simulation, policy analysis, threat, vulnerability and risk analysis, and war-games;
- *Decision Analytics*, enabling our clients to optimize decisions regarding resources through financial and economic analysis, financial stewardship and accountability, and disciplined contract strategy and program controls; and
- *Mission Analytics*, helping our clients to gather information from varied sources through the use of human and technical analysis, innovative all-source analysis, analytic training, and counter-intelligence services to gain insights, create foresight and make predictions, support fact-based decision making, and guard against threats.

Technology

Our technology capability focuses on helping clients solve their mission-critical needs through the deployment of advanced technological solutions and techniques. As of March 31, 2012, we had approximately 7,900 highly skilled technology experts and engineers who maintain a deep knowledge of current technology trends and applications. Our experts combine specialized skills with a collaborative problem-solving approach to ensure that we understand a client's mission and objectives and, based on that understanding, design, develop, and implement technology solutions to support our client's mission and objectives. Our areas of expertise include:

- *Cyber Technology*, enabling clients to execute their missions in cyberspace with trusted and secure networks, systems, and data by delivering solutions for the full life cycle to support information exchange, collaboration, transportation, and storage;
- *Strategic Technology and Innovation*, identifying and incubating advanced technologies, while introducing innovative processes and management techniques critical to the achievement of our clients' goals; and
- *Systems Development*, designing and deploying information technology solutions, including software development, to automate business processes, improve client service, solve mission requirements, and share information effectively and securely.

Engineering and Operations

Our engineering and operations capability focuses on assisting clients across all markets in executing the transactions associated with buying and selling complex, large-scale products and services. Our staff brings operational expertise in critical areas and offers full spectrum engineering, program integration, and support services throughout the product or service life cycle from scientific exploration and rapid prototyping through development, production, operation, and logistical sustainment. As of March 31, 2012, we had approximately 5,500 consulting staff providing client service through our engineering and operations capability. Our areas of expertise include:

- *Enterprise Integration*, providing concept, design, specification, and oversight of the development of complex information technology, communications and mission systems to meet targets for cost, schedule, and performance by providing trained and certified staff ; providing in-depth understanding of, and expertise in, our clients' mission, culture, processes, and unique and specific capabilities to help ensure the success of a client's enterprises and associated programs over their life cycle;

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- *Engineering*, providing specialized support by supplying consulting staff with product, system, or technology specific engineering and scientific skills for application by clients to their missions and programs; and
- *Acquisition, Program Management, and Logistics*, providing expertise in program strategy, initiation, planning, management, monitoring, control, or transition for the acquisition of large complex systems to meet client expectations; providing in-depth understanding of clients' supply chain practices and goals to enhance their ability to optimize logistics business operations and achieve service level requirements at more affordable costs.

Contracts

Our portfolio of contracts is highly diversified consisting of a range of contract vehicles through which our clients may contract for our services, with no single contract accounting for more than 10% of our revenue in any of fiscal 2012, fiscal 2011, or fiscal 2010, and no single task order under any contract accounting for more than 1.2% of our revenue in any of fiscal 2012, fiscal 2011, or fiscal 2010.

There are two predominant contracting methods by which the U.S. government procures services: definite contracts and indefinite contract vehicles. Each of these is described below:

- Definite contracts call for the performance of specified services or the delivery of specified products. The U.S. government procures services and solutions through single award, definite contracts that specify the scope of services that will be delivered and identify the contractor that will provide the specified services. When an agency recognizes a need for services or products, it develops an acquisition plan, which details the means by which it will procure those services or products. During the acquisition process, the agency may release a request for information to determine if qualified bidders exist, a draft request for a proposal to allow industry to comment on the scope of work and acquisition strategy, and finally a formal request for a proposal. Following the evaluation of submitted proposals, the agency will award the contract to the winning bidder.
- Indefinite contract vehicles provide for the issuance by the client of orders for services or products under the terms of the contract. Indefinite contracts are formally known as ID/IQ contracts and are often referred to as contract vehicles or ordering contracts. ID/IQ contracts may be awarded to one contractor (single award) or several contractors (multiple award). Under a multiple award ID/IQ contract, there is no guarantee of work as contract holders must compete for individual work orders. ID/IQ contracts will often include pre-established labor categories and rates, and the ordering process is streamlined (usually taking less than a month from recognition of a need to an established order with a contractor). ID/IQ contracts often have multi-year terms and unfunded ceiling amounts, thereby enabling but not committing the U.S. government to purchase substantial amounts of products and services from one or more contractors in a streamlined procurement process.
 - GWACs and GSA schedules are ID/IQ contracts that are open to all U.S. government agencies. Contract holders compete for individual task orders under both types of ID/IQ contract vehicles. Prices (labor rates) are pre-established under GSA schedules, while prices under GWACs may be pre-established or determined by task order proposal. Agencies may solicit companies directly under GSA schedules and, under GWACs, must work through the agency that operates the GWAC or receive a delegation of authority to use the GWAC. GSA schedules are administered by the General Services Administration and support a wide range of products and services. GWACs are used to procure IT products and services and are administered by the agency soliciting the services or products, with permission from the Office of Management and Budget.

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Listed below are our top definite contract, our top five definite contracts and our top ten definite contracts for fiscal 2012 and revenue recognized under these contracts in fiscal 2012.

| | Fiscal 2012 | % of Total Revenue (Revenue in millions) | Expiration Date |
|-----------------------------|----------------|---|--------------------|
| Top Definite Contract | \$ 72.4 | 1% | 12/31/2020 |
| Top Five Definite Contracts | 306.1 | 5% | |
| Top Ten Definite Contracts | 442.9 | 8% | |

Listed below are our top ID/IQ contract, our top five ID/IQ contracts and our top ten ID/IQ contracts for fiscal 2012, in each case excluding GSA schedules or GWACS, and revenue and the number of active task orders under these contracts as of March 31, 2012. The number of task orders for our top ten contracts does not include task orders under classified contracts due to the fact that information associated with those contracts is classified.

| | Fiscal 2012 | % of Total Revenue (Revenue in millions) | Number of Task Orders as of March 31, 2012 | Expiration Date |
|--------------------------|----------------|---|---|--------------------|
| Top ID/IQ Contract | \$ 572.3 | 10% | 195 | 9/29/2014 |
| Top Five ID/IQ Contracts | 1,548.4 | 26% | 370 | |
| Top Ten ID/IQ Contracts | 2,018.2 | 34% | 433 | |

As of September 30, 2011, the end of the U.S. government's fiscal year, there were a total of 32 GSA schedules with over 18,000 schedule holders that generated more than \$38.6 billion in annual sales in U.S. government fiscal year 2011. During the U.S. government fiscal year 2011 our top three GSA Schedules in terms of sales were the Mission Oriented Business Integrated Services (MOBIS) Schedule, Information Technology (IT) Schedule 70, and the Professional Engineering Services (PES) Schedule. Overall, we were the number two provider under the GSA Federal Supply Schedule program based on total reported GSA contracts sales of \$868 million during U.S. government fiscal year 2011.

Listed below are our top three GSA schedules and GWACs in fiscal 2012 and revenue for each of fiscal 2012, fiscal 2011, and fiscal 2010, the number of active task orders as of March 31, 2012 under each of our top three GSA schedules and GWACs and an aggregation of all other GSA schedules and GWACs. These contract vehicles are available to all U.S. government agencies and the revenue stated is the result of individually competed task orders.

| | Fiscal 2012 | % of Total Revenue (Revenue in millions) | Fiscal 2011 | % of Total Revenue | Fiscal 2010 | % of Total Revenue | Number of Task Orders as of 31-Mar-12 | Expiration Date |
|---|------------------|---|------------------|--------------------------|------------------|--------------------------|--|--------------------|
| Mission Oriented Business Integrated Services (MOBIS) — | | | | | | | | |
| #874 | \$ 413.0 | 7% | \$ 411.6 | 7% | \$ 351.7 | 7% | 306 | 9/30/2012 |
| Information Technology (IT) — #70 | 196.0 | 3% | 226.7 | 4% | 257.7 | 5% | 149 | 3/22/2014 |
| Professional Engineering Services (PES) — #871 | 152.9 | 3% | 174.4 | 3% | 216.5 | 4% | 155 | 10/28/2014 |
| All Others | 398.0 | 7% | 363.4 | 6% | 368.2 | 7% | 176 | |
| Total | \$1,159.9 | 20% | \$1,176.1 | 20% | \$1,194.1 | 23% | 786 | |

We derived approximately 75% of our revenue for fiscal 2012 from over 4,600 task orders under ID/IQ contracts (inclusive of GSA Schedules and GWACs). Listed below for each specified revenue band is the number of, revenue derived from, and average duration of our task orders as of March 31, 2012. The table includes revenue earned during fiscal 2012 under all task orders under these ID/IQ contracts and the number of task orders on which this revenue was earned. Average duration reflected in the table below is calculated based on the

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inception date of the task order, which may be prior to the beginning of fiscal 2012, and the completion date which may have been prior or subsequent to March 31, 2012. As a result, the actual average remaining duration for task orders included in this table may be less than the average duration shown in the table, and task orders included in the table may have been complete on March 31, 2012.

| <u>Segmentation of Task Order by Revenue Fiscal 2012</u> | <u>Number of Task Orders as of March 31, 2012</u> | <u>Fiscal 2012 Revenue (In millions)</u> | <u>% of Total Fiscal 2012 Revenue</u> | <u>Average Duration (Years)</u> |
|--|---|--|---------------------------------------|---------------------------------|
| Less than \$1 million | 3,812 | \$ 656.3 | 11% | 1.8 |
| Between \$1 million and \$3 million | 457 | 792.2 | 14% | 3.1 |
| Between \$3 million and \$5 million | 179 | 697.8 | 12% | 3.7 |
| Between \$5 million and \$10 million | 136 | 955.4 | 16% | 3.4 |
| Greater than \$10 million | 65 | 1,315.8 | 22% | 3.6 |
| Total | 4,649 | \$ 4,417.5 | 75% | 2.0 |

Backlog

We define backlog to include the following three components:

- *Funded Backlog.* Funded backlog represents the revenue value of orders for services under existing contracts for which funding is appropriated or otherwise authorized, less revenue previously recognized on these contracts.
- *Unfunded Backlog.* Unfunded backlog represents the revenue value of orders for services under existing contracts for which funding has not been appropriated or otherwise authorized.
- *Priced Options.* Priced contract options represent 100% of the revenue value of all future contract option periods under existing contracts that may be exercised at our clients' option and for which funding has not been appropriated or otherwise authorized.

Backlog does not include any task orders under ID/IQ contracts, including GWACs and GSA schedules, except to the extent that task orders have been awarded to us under those contracts.

The following table summarizes the value of our contract backlog at the respective dates presented:

| | <u>As of March 31,</u> | |
|--------------------|------------------------|-----------------|
| | <u>2012</u> | <u>2011</u> |
| | <u>(In millions)</u> | |
| Funded | \$ 2,898 | \$ 2,392 |
| Unfunded (1) | 2,681 | 2,979 |
| Priced options (2) | 5,225 | 5,553 |
| Total backlog | <u>\$10,804</u> | <u>\$10,924</u> |

- (1) Reflects a reduction by management to the revenue value of orders for services under two existing single award ID/IQ contracts based on an established pattern of funding under these contracts by the U.S. government.
- (2) Amounts shown reflect 100% of the undiscounted revenue value of all priced options.

We may never realize all of the revenue that is included in our total backlog, and there is a higher degree of risk in this regard with respect to unfunded backlog and priced options. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Our Results of Operations — Sources of Revenue — Contract Backlog" for additional disclosure regarding our backlog. See also "Item 1A. Risk Factors — Risks Related to Our Business — We may not realize the full value of our backlog, which may result in lower than expected revenue."

Competition

Due to its size, the government consulting market is highly fragmented. As certain commercial sectors of the consulting market have declined over the past few years, competition within the government professional services industry has intensified. In addition to professional service companies like our own that focus principally on the provision of services to the U.S. government, other companies active in our markets include large defense contractors, diversified service providers, and small businesses. Changing government policies and market dynamics are also helping to reshape the competitive landscape. Some large prime contractors are beginning to divest their professional services business units due to the U.S. government's increased sensitivity to organizational conflicts of interest and these divested companies will be free to compete with us without their former organizational conflicts of interest constraints. The formal adoption of the Federal Acquisition Regulation, or FAR, organizational conflicts of interest rules or additional more restrictive rules by U.S. government agencies could cause further such divestitures which could further increase competition in our markets. At the other end of the spectrum are small businesses. Small businesses are growing in the government services industry due in large part to a push by both the Obama and Bush administrations to bolster the economy by helping small business owners. Finally, due to the foregoing factors and the drive in our markets to quickly build competencies in growth areas and achieve economies of scale, we believe that consolidation activity among market participants will increase.

In the course of doing business, we compete and collaborate with companies of all types. We strive to maintain positive and productive relationships with these organizations. Some of them hire us as a subcontractor, and we hire some of them to work with us as our subcontractors. Our major competitors include: (i) contractors focused principally on the provision of services to the U.S. government, such as CACI International, Inc., L-3 Communications Holdings, Inc., ManTech International Corp., SRA International, Inc., and TASC Inc.; (ii) large defense contractors which provide both products and services to the U.S. government, such as General Dynamics Corp., Lockheed Martin Corp., Northrop Grumman Corp., and Raytheon Co.; and (iii) diversified service providers, such as Accenture, Computer Sciences Corp., Deloitte Consulting LLP, and SAIC, Inc. We compete on the basis of our technical expertise and client knowledge, our ability to successfully recruit appropriately skilled and experienced talent, our ability to deliver cost-effective multi-faceted services in a timely manner, our reputation and relationship with our clients, past performance, security clearances, and the size and scale of our company. In addition, in order to maintain our competitive position, we routinely review our operating structure, capabilities and strategy to determine whether we are effectively meeting the needs of existing clients, effectively responding to developments in our markets and successfully building a platform intended to provide the foundation for the future growth of our business.

Patents and Proprietary Information

Our management and technology consulting services and related products are not generally dependent upon patent protection. We claim a proprietary interest in certain of our service offerings and related products, methodologies, and know-how. We have a few patents but we do not consider our business to be materially dependent on the protection of such patents. Additionally, we have a number of trade secrets that contribute to our success and competitive position, and we endeavor to protect this proprietary information. While protecting trade secrets and proprietary information is important, we are not materially dependent on any specific trade secret or group of trade secrets. Other than licenses to commercially available third-party software, we have no licenses to intellectual property that are significant to our business.

We rely upon a combination of nondisclosure agreements and other contractual arrangements, as well as copyright, trademark, patent, and trade secret laws to protect our proprietary information. We also enter into proprietary information and intellectual property agreements with employees, which require them to disclose any inventions created during employment, to convey such rights to inventions to us, and to restrict any disclosure of proprietary information.

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Our most important trademark is the “Booz Allen Hamilton” mark, registered in the United States and certain foreign countries. Generally, registered trademarks have perpetual life, provided that they are renewed on a timely basis and continue to be used properly as trademarks. We have four registered trademarks related to our name and logo with the earliest renewal in November 2012. Under a branding agreement entered in connection with the acquisition, Spin Co. was granted a perpetual, exclusive, worldwide, royalty-free license to use “Booz” as a name and mark other than with “Allen” or “Hamilton” and certain other words associated with our business in connection with certain activities. We agreed not to use “Booz” unless it is accompanied by “Allen” or “Hamilton” or both and we are restricted in our use of certain other words associated with Spin Co.’s business. Under certain circumstances, including if certain Spin Co. competitors obtain ownership of Booz Allen Hamilton, the licensed marks will be assigned to Spin Co.

For our work under U.S. government funded contracts and subcontracts, the U.S. government obtains certain rights to data, software, and related information developed under such contracts or subcontracts. These rights generally allow the U.S. government to disclose such data, software, and related information to third parties, which third parties may include our competitors in some instances. In the case of our work as a subcontractor, our prime contractor may also have certain rights to data, information, and products we develop under the subcontract.

Booz Allen Hamilton®, Transformation Life Cycle™, the Booz Allen Cyber Solutions Network™ the Booz Allen Hamilton logo, and other trademarks or service marks of Booz Allen Hamilton Inc. appearing in this Annual Report are property of Booz Allen Hamilton Inc. Trade names, trademarks, and service marks of other companies appearing in this Annual Report are the property of their respective owners.

Regulation

As a contractor to the U.S. government, as well as state and local governments, we are heavily regulated in most fields in which we operate. We deal with numerous U.S. government agencies and entities, and when working with these and other entities, we must comply with and are affected by unique laws and regulations relating to the formation, administration, and performance of U.S. government contracts. Some significant laws and regulations that affect us include:

- FAR, and agency regulations supplemental to the FAR, which regulate the formation, administration, and performance of U.S. government contracts. For example, FAR 52.203-13 requires contractors to establish a Code of Business Ethics and Conduct, implement a comprehensive internal control system, and report to the government when the contractor has credible evidence that a principal, employee, agent, or subcontractor, in connection with a government contract, has violated certain federal criminal laws, violated the civil False Claims Act, or has received a significant overpayment;
- the False Claims Act and False Statements Act, which impose civil and criminal liability for presenting false or fraudulent claims for payments or reimbursement, and making false statements to the U.S. government, respectively;
- the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with the negotiation of a contract, modification, or task order;
- the Procurement Integrity Act, which regulates access to competitor bid and proposal information and certain internal government procurement sensitive information, and our ability to provide compensation to certain former government procurement officials;
- post government employment laws and regulations, which restrict the ability of a contractor to recruit, hire, and deploy former employees of the U.S. government;
- laws, regulations, and executive orders restricting the use and dissemination of information classified for national security purposes and the export of certain products, services, and technical data, including requirements regarding any applicable licensing of our employees involved in such work; and

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- the Cost Accounting Standards and Cost Principles, which impose accounting requirements that govern our right to reimbursement under certain cost-based U.S. government contracts and require consistency of accounting practices over time.

Given the magnitude of our revenue derived from contracts with the Department of Defense, the Defense Contract Audit Agency, or DCAA, is our cognizant government audit agency. The DCAA audits the adequacy of our internal control systems and policies including, among other areas, compensation. As a result of its audits, the DCAA may determine that a portion of our employee compensation is unallowable. See “Item 1A. Risk Factors — Risk Related to Our Industry — Our contracts, performance and administrative processes and systems are subject to audits, reviews, investigations and cost adjustments by the U.S. government, which could reduce our revenue, disrupt our business or otherwise materially adversely affect our results of operations.”

The U.S. government may revise its procurement practices or adopt new contract rules and regulations at any time. In order to help ensure compliance with these laws and regulations, all of our employees are required to attend ethics training at least annually, as well as other compliance training relevant to their position. Internationally, we are subject to special U.S. government laws and regulations (such as the Foreign Corrupt Practices Act), local government regulations and procurement policies and practices, including regulations relating to import-export control, investments, exchange controls, and repatriation of earnings, as well as varying currency, political, and economic risks.

U.S. government contracts are, by their terms, subject to termination by the U.S. government either for its convenience or default by the contractor. In addition, U.S. government contracts are conditioned upon the continuing availability of Congressional appropriations. Congress usually appropriates funds for a given program on a September 30 fiscal year basis, even though contract performance may take many years. As is common in the industry, our company is subject to business risks, including changes in governmental appropriations, national defense policies, service modernization plans, and availability of funds. Any of these factors could materially adversely affect our company’s business with the U.S. government in the future.

The U.S. government has a broad range of actions that it can instigate in order to enforce its procurement policies. These include proposing a contractor or certain of its operations for debarment or suspending or debaring a contractor or certain of its operations from future government business. On February 6, 2012, our San Antonio office was proposed for debarment by the U.S. Air Force and listed on the government’s Excluded Parties List System (EPLS) website. Although the government’s action did not terminate ongoing work under existing contracts; it affected the ability of our San Antonio office to attain new government business. This matter arose from actions of a former government employee hired by us who inappropriately retained and shared sensitive information about a pending government procurement in violation of the Company’s policies and high standards of ethical conduct. On April 13, 2012, our operating subsidiary, Booz Allen Hamilton Inc., entered in an Administrative Agreement with the U.S. Air Force, which lifted the proposed debarment and removed our San Antonio office from the U.S. government’s Excluded Parties List System. As a result, our San Antonio office is now eligible to compete for new contracts with the U.S. federal government.

Pursuant to the Administrative Agreement, we accepted responsibility for the incident that gave rise to the proposed debarment and related matters. In addition, we agreed to implement firm-wide enhancements to our ethics and compliance program, including future improvements identified by external advisors, to significantly mitigate the possibility of a re-occurrence of such issues. During the three-year term of the Administrative Agreement, which begins on April 13, 2012 (or, if the Air Force determines at any time during such three year period that the Company is not fully compliant with the Administrative Agreement, from the reestablishment of full compliance as determined by the Air Force), we have agreed, among other things, to file quarterly reports with the Air Force regarding the implementation of our remedial measures and adhere to a number of provisions relating to enhanced disclosure of employee misconduct or violations of our ethics and compliance program.

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See “Item 1A. Risk Factors — Risks Related to Our Business — We are required to comply with numerous laws and regulations, some of which are highly complex, and our failure to comply could result in fines or civil or criminal penalties or suspension or debarment by the U.S. government that could result in our inability to continue to work on or receive U.S. government contracts, which could materially and adversely affect our results of operations.”

Available Information

We file annual, quarterly, and current reports and other information with the SEC. You may read and copy any documents that we file at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 to obtain further information about the public reference room. In addition, the SEC maintains an Internet website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC, including us. You may also access, free of charge, our reports filed with the SEC (for example, our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, and our Current Reports on Form 8-K and any amendments to those forms) through the “Investors” portion of our Internet website (www.boozallen.com). Reports filed with or furnished to the SEC will be available as soon as reasonably practicable after they are filed with or furnished to the SEC. Our website is included in this Annual Report as an inactive textual reference only. The information found on our website is not part of this or any other report filed with or furnished to the SEC.

Item 1A. Risk Factors

You should consider and read carefully all of the risks and uncertainties described below, as well as other information included in this Annual Report, including our consolidated financial statements and related notes. The risks described below are not the only ones facing us. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition, or results of operations. This Annual Report also contains forward-looking statements and estimates that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks and uncertainties described below.

Risks Related to Our Business

We depend on contracts with U.S. government agencies for substantially all of our revenue. If our relationships with such agencies are harmed, our future revenue and operating profits would decline.

The U.S. government is our primary client, with revenue from contracts and task orders, either as a prime or a subcontractor, with U.S. government agencies accounting for 98% of our revenue for fiscal 2012. Our belief is that the successful future growth of our business will continue to depend primarily on our ability to be awarded work under U.S. government contracts, as we expect this will be the primary source of all of our revenue in the foreseeable future. For this reason, any issue that compromises our relationship with the U.S. government generally or any U.S. government agency that we serve would cause our revenue to decline. Among the key factors in maintaining our relationship with U.S. government agencies are our performance on contracts and task orders, the strength of our professional reputation, compliance with applicable laws and regulations, and the strength of our relationships with client personnel. In addition, the mishandling or the perception of mishandling of sensitive information, such as our failure to maintain the confidentiality of the existence of our business relationships with certain of our clients, could harm our relationship with U.S. government agencies. If a client is not satisfied with the quality or type of work performed by us, a subcontractor, or other third parties who provide services or products for a specific project, the client might seek to terminate the contract prior to its scheduled expiration date, provide a negative assessment of our performance to government-maintained contractor past-performance data repositories, fail to award us additional business under existing contracts or otherwise, and direct future business to our competitors. Furthermore, we may incur additional costs to address any such

situation and the profitability of that work might be impaired. To the extent that our performance does not meet client expectations, or our reputation or relationships with any of our clients is impaired, our revenue and operating profits could materially decline.

U.S. government spending and mission priorities could change in a manner that adversely affects our future revenue and limits our growth prospects.

Our business depends upon continued U.S. government expenditures on defense, intelligence, and civil programs for which we provide support. These expenditures have not remained constant over time, have been reduced in certain periods and, recently, have been affected by the U.S. government's efforts to improve efficiency and reduce costs affecting federal government programs generally. Our business, prospects, financial condition, or operating results could be materially harmed, among other causes, by the following:

- budgetary constraints affecting U.S. government spending generally, or specific agencies in particular, and changes in available funding;
- a shift in expenditures away from agencies or programs that we support;
- reduced U.S. government outsourcing of functions that we are currently contracted to provide, including as a result of increased insourcing;
- further efforts to improve efficiency and reduce costs affecting federal government programs;
- changes in U.S. government programs that we support or related requirements;
- U.S. government shutdowns due to a failure by elected officials to fund the government (such as that which was threatened in March of 2011 or which occurred during government fiscal year 1996) or weather-related closures in the Washington, DC area (such as that which occurred in February 2010) and other potential delays in the appropriations process;
- U.S. government agencies awarding contracts on a technically acceptable/lowest cost basis in order to reduce expenditures;
- delays in the payment of our invoices by government payment offices;
- an inability by the U.S. government to fund its operations as a result of a failure to increase the federal government's debt ceiling, a credit downgrade of U.S. government obligations or for any other reason; and
- changes in the political climate and general economic conditions, including a slowdown of the economy or unstable economic conditions and responses to conditions, such as emergency spending, that reduce funds available for other government priorities.

The U.S. government budget deficits, the national debt, and the prevailing economic condition, and actions taken to address them, could negatively affect the U.S. government expenditures on defense, intelligence, and civil programs for which we provide support. The Department of Defense is one of our significant clients and cost cutting, including through consolidation and elimination of duplicative organizations and insourcing, has become a major initiative for the Department of Defense. In particular, in March 2011, the Secretary of Defense announced that he has directed the Department of Defense to reduce funding for service support contractors by 10% per year for the next three years. Furthermore, the Budget Control Act of 2011 could impose an estimated \$500-\$600 billion in automatic federal defense spending cuts between 2013 and 2021 unless the federal government delays or changes this legislation. A reduction in the amount of services that we are contracted to provide to the Department of Defense as a result of any of these related initiatives, legislation or otherwise could have a material adverse effect on our business and results of operations.

These or other factors could cause our defense, intelligence, or civil clients to decrease the number of new contracts awarded generally and fail to award us new contracts, reduce their purchases under our existing contracts, exercise their right to terminate our contracts, or not exercise options to renew our contracts, any of which could cause a material decline in our revenue.

We are required to comply with numerous laws and regulations, some of which are highly complex, and our failure to comply could result in fines or civil or criminal penalties or suspension or debarment by the U.S. government that could result in our inability to continue to work on or receive U.S. government contracts, which could materially and adversely affect our results of operations.

As a U.S. government contractor, we must comply with laws and regulations relating to the formation, administration, and performance of U.S. government contracts, which affect how we do business with our clients. Such laws and regulations may potentially impose added costs on our business and our failure to comply with them may lead to civil or criminal penalties, termination of our U.S. government contracts, and/or suspension or debarment from contracting with federal agencies. Some significant laws and regulations that affect us include:

- FAR, and agency regulations supplemental to the FAR, which regulate the formation, administration, and performance of U.S. government contracts. For example, FAR 52.203-13 requires contractors to establish a Code of Business Ethics and Conduct, implement a comprehensive internal control system, and report to the government when the contractor has credible evidence that a principal, employee, agent, or subcontractor, in connection with a government contract, has violated certain federal criminal laws, violated the civil False Claims Act, or has received a significant overpayment;
- the False Claims Act and False Statements Act, which impose civil and criminal liability for presenting false or fraudulent claims for payments or reimbursement, and making false statements to the U.S. government, respectively;
- the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with the negotiation of a contract, modification, or task order;
- post government employment laws and regulations, which restrict the ability of a contractor to recruit, hire, and deploy former employees of the U.S. government;
- laws, regulations, and executive orders restricting the use and dissemination of information classified for national security purposes and the export of certain products, services, and technical data, including requirements regarding any applicable licensing of our employees involved in such work; and
- the FAR Cost Accounting Standards and Cost Principles, which impose accounting requirements that govern our right to reimbursement under certain cost-based U.S. government contracts and require consistency of accounting practices over time.

In addition, the U.S. government adopts new laws, rules, and regulations from time to time that could have a material impact on our results of operations.

Our performance under our U.S. government contracts and our compliance with the terms of those contracts and applicable laws and regulations are subject to periodic audit, review, and investigation by various agencies of the U.S. government and the current environment has led to increased regulatory scrutiny and sanctions for non-compliance by such agencies generally. In addition, from time to time we report potential or actual violations of applicable laws and regulations to the relevant governmental authority. Any such report of a potential or actual violation of applicable laws or regulations could lead to an audit, review, or investigation by the relevant agencies of the U.S. government. If such an audit, review, or investigation uncovers a violation of a law or regulation, or improper or illegal activities relating to our U.S. government contracts, we may be subject to civil or criminal penalties or administrative sanctions, including the termination of contracts, forfeiture of profits, the triggering of price reduction clauses, withholding of payments, suspension of payments, fines and suspension, or debarment from contracting with U.S. government agencies. Such penalties and sanctions are not uncommon in the industry and there is inherent uncertainty as to the outcome of any particular audit, review, or investigation. If we incur a material penalty or administrative sanction or otherwise suffer harm to our reputation, our profitability, cash position, and future prospects could be materially and adversely affected.

Further, if the U.S. government were to initiate suspension or debarment proceedings against us or if we are indicted for or convicted of illegal activities relating to our U.S. government contracts following an audit, review,

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or investigation, we may lose our ability to be awarded contracts in the future or receive renewals of existing contracts for a period of time which could materially and adversely affect our results of operations or financial condition. We could also suffer harm to our reputation if allegations of impropriety were made against us, which would impair our ability to win awards of contracts in the future or receive renewals of existing contracts. For example, on February 6, 2012, our San Antonio office was proposed for debarment by the U.S. Air Force and listed on the government's Excluded Parties List System due to the actions of one of our former employees who inappropriately retained and shared sensitive information with other professionals in that office. The U.S. Air Force has since lifted the proposed debarment and removed our San Antonio office from the government's Excluded Parties List System. See "Item 1. Business — Regulation" for additional information.

We derive a majority of our revenue from contracts awarded through a competitive bidding process, and our revenue and profitability may be adversely affected if we are unable to compete effectively in the process or if there are delays caused by our competitors protesting major contract awards received by us.

We derive a majority of our revenue from U.S. government contracts awarded through competitive bidding processes. We do not expect this to change for the foreseeable future. Our failure to compete effectively in this procurement environment would have a material adverse effect on our revenue and profitability.

The competitive bidding process involves risk and significant costs to businesses operating in this environment, including:

- the necessity to expend resources, make financial commitments (such as procuring leased premises) and bid on engagements in advance of the completion of their design, which may result in unforeseen difficulties in execution, cost overruns and, in the case of an unsuccessful competition, the loss of committed costs;
- the substantial cost and managerial time and effort spent to prepare bids and proposals for contracts that may not be awarded to us;
- the ability to accurately estimate the resources and costs that will be required to service any contract we are awarded;
- the expense and delay that may arise if our competitors protest or challenge contract awards made to us pursuant to competitive bidding, and the risk that any such protest or challenge could result in the resubmission of bids on modified specifications, or in termination, reduction, or modification of the awarded contract; and
- any opportunity cost of bidding and winning other contracts we might otherwise pursue.

In circumstances where contracts are held by other companies and are scheduled to expire, we still may not be provided the opportunity to bid on those contracts if the U.S. government determines to extend the existing contract. If we are unable to win particular contracts that are awarded through the competitive bidding process, we may not be able to operate in the market for services that are provided under those contracts for the duration of those contracts to the extent that there is no additional demand for such services. An inability to consistently win new contract awards over any extended period would have a material adverse effect on our business and results of operations.

The current competitive environment has resulted in an increase in the number of bid protests from unsuccessful bidders. It can take many months for the relevant U.S. government agency 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.

We may lose GSA schedules or our position as a prime contractor on one or more of our GWACs.

We believe that one of the key elements of our success is our position as the holder of 11 GSA schedules, and as a prime contractor under two GWACs as of March 31, 2012. Our ability to maintain our existing business and win new business depends on our ability to maintain our position as a GSA schedule contractor and a prime contractor on GWACs. The loss of any of our GSA schedules or our prime contractor position on any of our contracts could have a material adverse effect on our ability to win new business and our operating results. In addition, if the U.S. government elects to use a contract vehicle that we do not hold, we will not be able to compete for work under that contract vehicle as a prime contractor.

We may earn less revenue than projected, or no revenue, under certain of our contracts.

Many of our contracts with our clients are ID/IQ contracts, including GSA schedules and GWACs. ID/IQ contracts provide for the issuance by the client of orders for services or products under the contract, and often contain multi-year terms and unfunded ceiling amounts, which allow but do not commit the U.S. government to purchase products and services from contractors. Our ability to generate revenue under each of these types of contracts depends upon our ability to be awarded task orders for specific services by the client. ID/IQ contracts may be awarded to one contractor (single award) or several contractors (multiple award). Multiple contractors must compete under multiple award ID/IQ contracts for task orders to provide particular services, and contractors earn revenue only to the extent that they successfully compete for these task orders. In fiscal 2012, fiscal 2011, and fiscal 2010, our revenue under our GSA schedules and GWACs accounted for 20%, 20%, and 23%, respectively, of our total revenue. A failure to be awarded task orders under such contracts would have a material adverse effect on our results of operations and financial condition.

Our earnings and profitability may vary based on the mix of our contracts and may be adversely affected by our failure to accurately estimate or otherwise recover the expenses, time, and resources for our contracts.

We enter into three general types of U.S. government contracts for our services: cost-reimbursable, time-and-materials, and fixed-price. For fiscal 2012, we derived 54% of our revenue from cost-reimbursable contracts, 31% from time-and-materials contracts and 15% from fixed-price contracts.

Each of these types of contracts, to varying degrees, involves the risk that we could underestimate our cost of fulfilling the contract, which may reduce the profit we earn or lead to a financial loss on the contract and adversely affect our operating results.

Under cost-reimbursable contracts, we are reimbursed for allowable costs up to a ceiling and paid a fee, which may be fixed or performance-based. If our actual costs exceed the contract ceiling or are not allowable under the terms of the contract or applicable regulations, we may not be able to recover those costs. In particular, there is increasing focus by the U.S. government on the extent to which government contractors, including us, are able to receive reimbursement for employee compensation.

Under time-and-materials contracts, we are reimbursed for labor at negotiated hourly billing rates and for certain allowable expenses. We assume financial risk on time-and-materials contracts because our costs of performance may exceed these negotiated hourly rates.

Under fixed-price contracts, we perform specific tasks for a pre-determined price. Compared to time-and-materials and cost-reimbursable contracts, fixed-price contracts generally offer higher margin opportunities because we receive the benefits of any cost savings, but involve greater financial risk because we bear the impact of any cost overruns. The U.S. government has generally indicated that it intends to increase its use of fixed price contract procurements. In addition, the Department of Defense adopted purchasing guidelines that mark a shift towards fixed-priced procurement contracts under certain competitive conditions. Because we assume the risk for cost overruns and contingent losses on fixed-price contracts, an increase in the percentage of fixed-price contracts in our contract mix would increase our risk of suffering losses.

Additionally, our profits could be adversely affected if our costs under any of these contracts exceed the assumptions we used in bidding for the contract. We have recorded provisions in our consolidated financial statements for losses on our contracts, as required under U.S. Generally Accepted Accounting Principles, or GAAP, but our contract loss provisions may not be adequate to cover all actual losses that we may incur in the future.

Our professional reputation is critical to our business, and any harm to our reputation could decrease the amount of business the U.S. government does with us, which could have a material adverse effect on our future revenue and growth prospects.

We depend on our contracts with U.S. government agencies for substantially all of our revenue and if our reputation or relationships with these agencies were harmed, our future revenue and growth prospects would be materially and adversely affected. Our reputation and relationship with the U.S. government is a key factor in maintaining and growing revenue under contracts with the U.S. government. Negative press reports regarding poor contract performance, employee misconduct, information security breaches, or other aspects of our business, or regarding government contractors generally, could harm our reputation. If our reputation with these agencies is negatively affected, or if we are suspended or debarred from contracting with government agencies for any reason, such actions would decrease the amount of business that the U.S. government does with us, which would have a material adverse effect on our future revenue and growth prospects.

We use estimates in recognizing revenue and if we make changes to estimates used in recognizing revenue, our profitability may be adversely affected.

Revenue from our fixed-price contracts is primarily recognized using the percentage-of-completion method with progress toward completion of a particular contract based on actual costs incurred relative to total estimated costs to be incurred over the life of the contract. Revenue from our cost-plus-award-fee contracts are based on our estimation of award fees over the life of the contract. Estimating costs at completion and award fees on our long-term contracts is complex and involves significant judgment. Adjustments to original estimates are often required as work progresses, experience is gained, and additional information becomes known, even though the scope of the work required under the contract may not change. Any adjustment as a result of a change in estimate is recognized as events become known.

In the event updated estimates indicate that we will experience a loss on the contract, we recognize the estimated loss at the time it is determined. Additional information may subsequently indicate that the loss is more or less than initially recognized, which requires further adjustments in our consolidated financial statements. Changes in the underlying assumptions, circumstances, or estimates could result in adjustments that could have a material adverse effect on our future results of operations.

We may not realize the full value of our backlog, which may result in lower than expected revenue.

As of March 31, 2012, our total backlog was \$10.8 billion, of which \$2.9 billion was funded. We define backlog to include the following three components:

- *Funded Backlog.* Funded backlog represents the revenue value of orders for services under existing contracts for which funding is appropriated or otherwise authorized, less revenue previously recognized on these contracts.
- *Unfunded Backlog.* Unfunded backlog represents the revenue value of orders for services under existing contracts for which funding has not been appropriated or otherwise authorized.
- *Priced Options.* Priced contract options represent 100% of the revenue value of all future contract option periods under existing contracts that may be exercised at our clients' option and for which funding has not been appropriated or otherwise authorized.

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Backlog does not include any task orders under ID/IQ contracts, including GWACs and GSA schedules, except to the extent that task orders have been awarded to us under those contracts.

We historically have not realized all of the revenue included in our total backlog, and we may not realize all of the revenue included in our total backlog in the future. There is a somewhat higher degree of risk in this regard with respect to unfunded backlog and priced options. In addition, there can be no assurance that our backlog will result in actual revenue in any particular period. This is because the actual receipt, timing, and amount of revenue under contracts included in backlog are subject to various contingencies, including congressional appropriations, many of which are beyond our control. In particular, delays in the completion of the U.S. government's budgeting process and the use of continuing resolutions could adversely affect our ability to timely recognize revenue under our contracts included in backlog. Furthermore, the actual receipt of revenue from contracts included in backlog may never occur or may be delayed because: a program schedule could change or the program could be canceled; a contract's funding or scope could be reduced, modified, delayed, or terminated early, including as a result of a lack of appropriated funds or as a result of cost cutting initiatives and other efforts to reduce U.S. government spending such as the initiatives announced by the Secretary of Defense in March 2011 and the automatic federal defense spending cuts required by the Budget Control Act of 2011; in the case of funded backlog, the period of performance for the contract has expired; in the case of unfunded backlog, funding may not be available; or, in the case of priced options, our clients may not exercise their options. In addition, consulting staff headcount growth is the primary means by which we are able to recognize revenue growth. Any inability to hire additional appropriately qualified personnel or failure to timely and effectively deploy such additional personnel against funded backlog could negatively affect our ability to grow our revenue. Furthermore, even if our backlog results in revenue, the contracts may not be profitable.

We may fail to attract, train and retain skilled and qualified employees with appropriate security clearances, which may impair our ability to generate revenue, effectively serve our clients, and execute our growth strategy.

Our business depends in large part upon our ability to attract and retain sufficient numbers of highly qualified individuals who may have advanced degrees in areas such as information technology as well as appropriate security clearances. We compete for such qualified personnel with other U.S. government contractors, the U.S. government, and private industry, and such competition is intense. Personnel with the requisite skills, qualifications, or security clearance may be in short supply or generally unavailable. In addition, our ability to recruit, hire, and internally deploy former employees of the U.S. government is subject to complex laws and regulations, which may serve as an impediment to our ability to attract such former employees, and failure to comply with these laws and regulations may expose us and our employees to civil or criminal penalties. If we are unable to recruit and retain a sufficient number of qualified employees, or fail to deploy such employees or obtain their appropriate security clearances in a timely manner, our ability to maintain and grow our business and to effectively serve our clients could be limited and our future revenue and results of operations could be materially and adversely affected. Furthermore, to the extent that we are unable to make necessary permanent hires to appropriately serve our clients, we could be required to engage larger numbers of contracted personnel, which could reduce our profit margins.

If we are able to attract sufficient numbers of qualified new hires, training and retention costs may place significant demands on our resources. In addition, to the extent that we experience attrition in our employee ranks, we may realize only a limited or no return on such invested resources, and we would have to expend additional resources to hire and train replacement employees. The loss of services of key personnel could also impair our ability to perform required services under some of our contracts and to retain such contracts, as well as our ability to win new business.

We may fail to obtain and maintain necessary security clearances which may adversely affect our ability to perform on certain contracts.

Many U.S. government programs require contractors to have security clearances. Depending on the level of required clearance, security clearances can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain 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 are not able to obtain and maintain facility security clearances or engage employees with the required security clearances for a particular contract, we may not be able to bid on or win new contracts, or effectively rebid on expiring contracts, as well as lose existing contracts, which may adversely affect our operating results and inhibit the execution of our growth strategy.

Our profitability could suffer if we are not able to timely and effectively utilize our employees.

The cost of providing our services, including the degree to which our employees are utilized, affects our profitability. The degree to which we are able to utilize our employees is affected by a number of factors, including:

- our ability to transition employees from completed projects to new assignments and to hire, assimilate, and deploy new employees;
- our ability to forecast demand for our services and to maintain and deploy headcount that is aligned with demand, including employees with the right mix of skills and experience to support our projects;
- our employees' inability to obtain or retain necessary security clearances;
- our ability to manage attrition; and
- our need to devote time and resources to training, business development, and other non-chargeable activities.

If our employees are under-utilized, our profit margin and profitability could suffer. Additionally, if our employees are over-utilized, it could have a material adverse effect on employee engagement and attrition, which would in turn have a material adverse impact on our business.

We may lose one or more members of our senior management team or fail to develop new leaders, which could cause the disruption of the management of our business.

We believe that the future success of our business and our ability to operate profitably depends on the continued contributions of the members of our senior management and the continued development of new members of senior management. We rely on our senior management to generate business and execute programs successfully. In addition, the relationships and reputation that many members of our senior management team have established and maintain with our clients are important to our business and our ability to identify new business opportunities. We do not have any employment agreements providing for a specific term of employment with any member of our senior management. The loss of any member of our senior management or our failure to continue to develop new members could impair our ability to identify and secure new contracts, to maintain good client relations, and to otherwise manage our business.

Our employees or subcontractors may engage in misconduct or other improper activities, which could harm our ability to conduct business with the U.S. government.

We are exposed to the risk that employee or subcontractor fraud or other misconduct could occur. Misconduct by employees or subcontractors could include intentional or unintentional failures to comply with U.S. government procurement regulations, engaging in unauthorized activities, or falsifying time records. Employee or subcontractor misconduct could also involve the improper use of our clients' sensitive or classified

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information or the failure to comply with legislation or regulations regarding the protection of sensitive or classified information. It is not always possible to deter employee or subcontractor misconduct, and the precautions we take to prevent and detect this activity may not be effective in controlling unknown or unmanaged risks or losses, which could materially harm our business. As a result of such misconduct, our employees could lose their security clearance and we could face fines and civil or criminal penalties, loss of facility clearance accreditation, and suspension or debarment from contracting with the U.S. government, as well as reputational harm, which would materially and adversely affect our results of operations and financial condition. See, for example, “Item 1. Business — Regulation” for a description of the recently resolved debarment proceedings against our San Antonio office.

We face intense competition from many competitors, which could cause us to lose business, lower prices and suffer employee departures.

Our business operates in a highly competitive industry, and we generally compete with a wide variety of U.S. government contractors, including large defense contractors, diversified service providers, and small businesses. We also face competition from entrants into our markets including companies divested by large prime contractors in response to increasing scrutiny of organizational conflicts of interest issues and from market participants formed by or benefiting from industry consolidation. Some of these companies possess greater financial resources and larger technical staffs, and others have smaller and more specialized staffs. These competitors could, among other things:

- divert sales from us by winning very large-scale government contracts, a risk that is enhanced by the recent trend in government procurement practices to bundle services into larger contracts;
- force us to charge lower prices in order to win or maintain contracts;
- seek to hire our employees; or
- adversely affect our relationships with current clients, including our ability to continue to win competitively awarded engagements where we are the incumbent.

If we lose business to our competitors or are forced to lower our prices or suffer employee departures, our revenue and our operating profits could decline. In addition, we may face competition from our subcontractors who, from time to time, seek to obtain prime contractor status on contracts for which they currently serve as a subcontractor to us. If one or more of our current subcontractors are awarded prime contractor status on such contracts in the future, it could divert sales from us and could force us to charge lower prices, which could have a material adverse effect on our revenue and profitability.

Our failure to maintain strong relationships with other contractors, or the failure of contractors with which we have entered into a sub- or prime contractor relationship to meet their obligations to us or our clients, could have a material adverse effect on our business and results of operations.

Maintaining strong relationships with other U.S. government contractors, who may also be our competitors, is important to our business and our failure to do so could have a material adverse effect on our business, prospects, financial condition, and operating results. To the extent that we fail to maintain good relations with our subcontractors or other prime contractors due to either perceived or actual performance failures or other conduct, they may refuse to hire us as a subcontractor in the future or to work with us as our subcontractor. In addition, other contractors may choose not to use us as a subcontractor or choose not to perform work for us as a subcontractor for any number of additional reasons, including because they choose to establish relationships with our competitors or because they choose to directly offer services that compete with our business.

As a prime contractor, we often rely on other companies to perform some of the work under a contract, and we expect to continue to depend on relationships with other contractors for portions of our delivery of services

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and revenue in the foreseeable future. If our subcontractors fail to perform their contractual obligations, our operating results and future growth prospects could be impaired. There is a risk that we may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, client concerns about the subcontractor, our failure to extend existing task orders or issue new task orders under a subcontract, or our hiring of a subcontractor's personnel. In addition, if any of our subcontractors fail to deliver the agreed-upon supplies or perform the agreed-upon services on a timely basis, our ability to fulfill our obligations as a prime contractor may be jeopardized. Material losses could arise in future periods and subcontractor performance deficiencies could result in a client terminating a contract for default. A termination for default could expose us to liability and have an adverse effect on our ability to compete for future contracts and orders.

We estimate that revenue derived from contracts under which we acted as a subcontractor to other companies represented 10% of our revenue for fiscal 2012. As a subcontractor, we often lack control over fulfillment of a contract, and poor performance on the contract could tarnish our reputation, even when we perform as required, and could cause other contractors to choose not to hire us as a subcontractor in the future. In addition, if the U.S. government terminates or reduces other prime contractors' programs or does not award them new contracts, subcontracting opportunities available to us could decrease, which would have a material adverse effect on our financial condition and results of operations.

Adverse judgments or settlements in legal disputes could result in materially adverse monetary damages or injunctive relief and damage our reputation.

We are subject to, and may become a party to, a variety of litigation or other claims and suits that arise from time to time in the ordinary course of our business. For example, over time, we have had disputes with current and former employees involving alleged violations of civil rights, wage and hour, and worker's compensation laws. Further, as more fully described under "Item 3. Legal Proceedings," six former officers and stockholders who had departed the firm prior to the acquisition have filed suits against our company and certain of our current and former directors and officers. Each of the suits arises out of the acquisition and alleges that the former stockholders are entitled to certain payments that they would have received if they had held their stock at the time of acquisition. The results of litigation and other legal proceedings are inherently uncertain and adverse judgments or settlements in some or all of these legal disputes may result in materially adverse monetary damages or injunctive relief against us. Any claims or litigation, even if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or obtain adequate insurance in the future. The litigation and other claims described under the "Item 3. Legal Proceedings" are subject to future developments and management's view of these matters may change in the future.

Systems that we develop, integrate, or maintain could experience security breaches which may damage our reputation with our clients and hinder future contract win rates.

Many of the systems we develop, integrate, or maintain involve managing and protecting information involved in intelligence, national security, and other sensitive or classified government functions. A security breach in one of these systems could cause serious harm to our business, damage our reputation, and prevent us from being eligible for further work on sensitive or classified systems for U.S. government clients. Damage to our reputation or limitations on our eligibility for additional work or any liability resulting from a security breach in one of the systems we develop, install, or maintain could have a material adverse effect on our results of operations.

Internal system or service failures, including as a result of cyber or other security threats, could disrupt our business and impair our ability to effectively provide our services to our clients, which could damage our reputation and have a material adverse effect on our business and results of operations.

We create, implement, and maintain information technology and engineering systems, and provide services that are often critical to our clients' operations, some of which involve classified or other sensitive information and may be conducted in war zones or other hazardous environments. As a result, we are subject to systems or service failures, not only resulting from our own failures or the failures of third-party service providers, natural disasters, power shortages, or terrorist attacks, but also from continuous exposure to cyber and other security threats, including computer viruses, attacks by computer hackers or physical break-ins. In particular, as a U.S. Government contractor, we face a heightened risk of a security breach or disruption with respect to classified or other sensitive information resulting from an attack by computer hackers, foreign governments, and cyber terrorists. We have been the target of these types of attacks in the past and future attacks are likely to occur. If successful, these types of attacks on our network or other systems or service failures could have a material adverse effect on our business and results of operations, due to, among other things, the loss of client or proprietary data, interruptions or delays in our clients' businesses, and damage to our reputation. In addition, the failure or disruption of our systems, communications, or utilities could cause us to interrupt or suspend our operations, which could have a material adverse effect on our business and results of operations.

If our systems, services, or other applications have significant defects or errors, are successfully attacked by cyber and other security threats, suffer delivery delays, or otherwise fail to meet our clients' expectations, we may:

- lose revenue due to adverse client reaction;
- be required to provide additional services to a client at no charge;
- incur additional costs related to monitoring and increasing our cybersecurity;
- lose revenue due to the deployment of internal staff for remediation efforts instead of client assignments;
- receive negative publicity, which could damage our reputation and adversely affect our ability to attract or retain clients;
- be unable to successfully market services that are reliant on the creation and maintaining of secure information technology systems to U.S. government, international, and commercial clients;
- suffer claims for substantial damages, particularly as a result of any successful network or systems breach and exfiltration of client information; or
- incur significant costs complying with applicable federal or state law, including laws governing protection of personal information.

In addition to any costs resulting from contract performance or required corrective action, these failures may result in increased costs or loss of revenue if they result in clients postponing subsequently scheduled work or canceling or failing to renew contracts.

Our errors and omissions insurance coverage may not continue to be available on reasonable terms or in sufficient amounts to cover one or more large claims, or the insurer may disclaim coverage as to some types of future claims. The successful assertion of any large claim against us could seriously harm our business. Even if not successful, these claims could result in significant legal and other costs, may be a distraction to our management, and may harm our client relationships. In certain new business areas, we may not be able to obtain sufficient insurance and may decide not to accept or solicit business in these areas.

The growth of our U.S. and international business entails risks, including those associated with new relationships, clients, capabilities, service offerings, and maintaining our collaborative culture and core values.

We are focused on growing our presence in our addressable markets by: expanding our relationships with existing clients, developing new clients by leveraging our core competencies, creating new capabilities to address our clients' emerging needs, and undertaking business development efforts focused on identifying near-term developments and long-term trends that may pose significant challenges for our clients. These efforts entail inherent risks associated with innovation and competition from other participants in those areas, potential failure to help our clients respond to the challenges they face and, with respect to potential international growth, risks associated with operating in foreign jurisdictions, such as compliance with foreign laws and regulations and applicable U.S. regulation and economic, legal, and political conditions in the foreign jurisdictions in which we operate. As we attempt to develop new relationships, clients, capabilities, and service offerings, these efforts could harm our results of operations due to, among other things, a diversion of our focus and resources and actual costs and opportunity costs of pursuing these opportunities in lieu of others and these efforts could ultimately be unsuccessful. In addition, our ability to grow our business by leveraging our operating model to efficiently and effectively deploy our people across our client base is largely dependent on our ability to maintain our collaborative culture. To the extent that we are unable to maintain our culture for any reason, we may be unable to grow our business. Any such failure could have a material adverse effect on our business and results of operations.

In addition, with the growth of our U.S. and international operations, we are now providing client services and undertaking business development efforts in numerous and disparate geographic locations both domestically and internationally. Our ability to effectively serve our clients is dependent upon our ability to successfully leverage our operating model across all of these and any future locations, maintain effective management controls over all of our locations to ensure, among other things, compliance with applicable laws, rules and regulations, and instill our core values in all of our personnel at each of these and any future locations. Any inability to ensure any of the foregoing could have a material adverse effect on our business and results of operations.

Our international operations are subject to special U.S. government laws and regulations, such as the Foreign Corrupt Practices Act, and regulations and procurement policies and practices, including regulations to import-export control, which may expose us to liability or impair our ability to compete in international markets.

Our international operations are subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. and other business entities for the purpose of obtaining or retaining business. We have operations and deal with governmental customers in countries known to experience corruption, including certain emerging countries in the Middle East. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, consultants or contractors that could be in violation of various laws including the FCPA, even though these parties are not always subject to our control. We are also subject to import-export control regulations restricting the use and dissemination of information classified for national security purposes and the export of certain products, services, and technical data, including requirements regarding any applicable licensing of our employees involved in such work.

If we were to fail to comply with the FCPA or the applicable import-export control regulations, we could be subject to substantial civil and criminal penalties, including fines for our company and incarceration for responsible employees and managers, and the possible loss of export or import privileges which could have a material adverse effect on our business and results of operations.

Changes to our operating structure, capabilities or strategy intended to address our clients' needs, respond to developments in our markets and grow our business may not be successful.

We routinely review our operating structure, capabilities and strategy to determine whether we are effectively meeting the needs of existing clients, effectively responding to developments in our markets and successfully building a platform intended to provide the foundation for the future growth of our business. The outcome of any such review is difficult to predict and the extent of changes to our business following such a review, if any, are dependent in part upon the nature and extent of the review. If we decide to implement changes to our operating structure, capabilities, strategy or any other aspect of our business following an internal review, those changes may materially alter various aspects of our business or our business model as an entirety and there can be no assurance that any such changes will be successful or that they will not ultimately have a negative effect on our business and results of operations.

We and our subsidiaries may incur debt in the future, which could substantially reduce our profitability, limit our ability to pursue certain business opportunities, and reduce the value of your investment.

In connection with the acquisition and the recapitalization transaction, which refers to the December 2009 payment of a special dividend and repayment of a portion of the deferred payment obligation and the related amendments to our credit agreements, and as a result of our business activities, we have incurred a substantial amount of debt. As of March 31, 2012, we had approximately \$965.4 million of debt outstanding. The instruments governing our indebtedness may not prevent us or our subsidiaries from incurring additional debt in the future or other obligations that do not constitute indebtedness, which could increase the risks described below and lead to other risks. In addition, we may, increase the borrowing capacity under our senior secured credit agreement without the consent of any person other than the institutions agreeing to provide all or any portion of such increase, to an amount not to exceed \$150.0 million and, subject to certain closing conditions including pro forma compliance with financial covenants, an additional \$150.0 million. The amount of our debt or such other obligations could have important consequences, including, but not limited to:

- our ability to satisfy obligations to lenders may be impaired, resulting in possible defaults on and acceleration of our indebtedness;
- our ability to obtain additional financing for refinancing of existing indebtedness, working capital, capital expenditures, product and service development, acquisitions, general corporate purposes, and other purposes may be impaired;
- a substantial portion of our cash flow from operations could be dedicated to the payment of the principal and interest on our debt;
- we may be increasingly vulnerable to economic downturns and increases in interest rates;
- our flexibility in planning for and reacting to changes in our business and the industry may be limited; and
- we may be placed at a competitive disadvantage relative to other firms in our industry.

Our senior secured credit agreement contains financial and operating covenants that limit our operations and could lead to adverse consequences if we fail to comply with them.

Our senior secured credit agreement contains financial and operating covenants relating to, among other things, interest coverage and leverage ratios, as well as limitations on mergers, consolidations and dissolutions, sales of assets, investments and acquisitions, indebtedness and liens, dividends, repurchase of shares of capital stock and options to purchase shares of capital stock, transactions with affiliates, sale and leaseback transactions, and restricted payments. The revolving credit facility matures on July 31, 2014. The Tranche A and Tranche B term facilities mature on February 3, 2016 and August 3, 2017, respectively. Failure to meet these financial and operating covenants could result from, among other things, changes in our results of operations, the incurrence of

debt, or changes in general economic conditions, which may be beyond our control. These covenants may restrict our ability to engage in transactions that we believe would otherwise be in the best interests of our stockholders, which could harm our business and operations.

Many of our contracts with the U.S. government are classified or subject to other security restrictions, which may limit investor insight into portions of our business.

For fiscal 2012, we derived a substantial portion of our revenue from contracts with the U.S. government that are classified or subject to security restrictions that preclude the dissemination of certain information. In addition, a significant number of our employees have security clearances which preclude them from providing information regarding certain of our clients and services provided to such clients to other of our employees without security clearances and investors. Because we are limited in our ability to provide information about these contracts and services, the various risks associated with these contracts or services or any dispute or claims relating to such contracts or services, you may not have important information concerning our business, which will limit your insight into a substantial portion of our business and therefore may be less able to fully evaluate the risks related to that portion of our business.

If we cannot collect our receivables or if payment is delayed, our business may be adversely affected by our inability to generate cash flow, provide working capital, or continue our business operations.

We depend on the timely collection of our receivables to generate cash flow, provide working capital, and continue our business operations. If the U.S. government or any prime contractor for whom we are a subcontractor fails to pay or delays the payment of invoices for any reason, our business and financial condition may be materially and adversely affected. The U.S. government may delay or fail to pay invoices for a number of reasons, including lack of appropriated funds, lack of an approved budget, or as a result of audit findings by government regulatory agencies. Some prime contractors for whom we are a subcontractor have significantly fewer financial resources than we do, which may increase the risk that we may not be paid in full or that payment may be delayed.

Recent efforts by the U.S. government to revise its organizational conflict of interest rules could limit our ability to successfully compete for new contracts or task orders, which would adversely affect our results of operations.

Recent efforts by the U.S. government to reform its procurement practices have focused, among other areas, on the separation of certain types of work to facilitate objectivity and avoid or mitigate organizational conflicts of interest and the strengthening of regulations governing organizational conflicts of interest. Organizational conflicts of interest may arise from circumstances in which a contractor has:

- impaired objectivity during performance;
- unfair access to non-public information; or
- the ability to set the “ground rules” for another procurement for which the contractor competes.

A focus on organizational conflicts of interest issues has resulted in legislation and a proposed regulation aimed at increasing organizational conflicts of interest requirements, including, among other things, separating sellers of products and providers of advisory services in major defense acquisition programs. In addition, we expect the U.S. government to adopt a FAR rule to address organizational conflicts of interest issues that will apply to all government contractors, including us, in Department of Defense and other procurements. A future FAR rule may also increase the restrictions in current organizational conflicts of interest regulations and rules. To the extent that proposed and future organizational conflicts of interest laws, regulations, and rules, limit our ability to successfully compete for new contracts or task orders with the U.S. government, either because of organizational conflicts of interest issues arising from our business, or because companies with which we are affiliated, including through Carlyle, or with which we otherwise conduct business, create organizational conflicts of interest issues for us, our results of operations could be materially and adversely affected.

Acquisitions could result in operating difficulties or other adverse consequences to our business.

As part of our operating strategy, we may choose to selectively pursue acquisitions. This could pose many risks, including:

- we may not be able to identify suitable acquisition candidates at prices we consider attractive;
- we may not be able to compete successfully for identified acquisition candidates, complete acquisitions, or accurately estimate the financial effect of acquisitions on our business;
- future acquisitions may require us to issue common stock or spend significant cash, resulting in dilution of ownership or additional debt leverage;
- we may have difficulty retaining an acquired company's key employees or clients;
- we may have difficulty integrating acquired businesses, resulting in unforeseen difficulties, such as incompatible accounting, information management, or other control systems, and greater expenses than expected;
- acquisitions may disrupt our business or distract our management from other responsibilities;
- as a result of an acquisition, we may incur additional debt and we may need to record write-downs from future impairments of intangible assets, each of which could reduce our future reported earnings; and
- we may have difficulty integrating personnel from the acquired company with our people and our core values.

In connection with any acquisition that we make, there may be liabilities that we fail to discover or that we inadequately assess, and we may fail to discover any failure of a target company to have fulfilled its contractual obligations to the U.S. government or other clients. Acquired entities may not operate profitably or result in improved operating performance. Additionally, we may not realize anticipated synergies, business growth opportunities, cost savings, and other benefits we anticipate, which could have a material adverse effect on our business and results of operations.

Risks Related to Our Industry

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

U.S. government contracts contain provisions and are subject to laws and regulations that provide government clients with rights and remedies not typically found in commercial contracts. These rights and remedies allow government clients, among other things, to:

- terminate existing contracts, with short notice, for convenience as well as for default;
- reduce orders under or otherwise modify contracts;
- for contracts subject to the Truth in Negotiations Act, reduce the contract price or cost where it was increased because a contractor or subcontractor furnished cost or pricing data during negotiations that was not complete, accurate, and current;
- for some contracts, (i) demand a refund, make a forward price adjustment, or terminate a contract for default if a contractor provided inaccurate or incomplete data during the contract negotiation process and (ii) reduce the contract price under certain triggering circumstances, including the revision of price lists or other documents upon which the contract award was predicated;
- terminate our facility security clearances and thereby prevent us from receiving classified contracts;
- cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;

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- decline to exercise an option to renew a multi-year contract or issue task orders in connection with ID/IQ contracts;
- claim rights in solutions, systems, and technology produced by us, appropriate such work-product for their continued use without continuing to contract for our services and disclose such work-product to third parties, including other U.S. government agencies and our competitors, which could harm our competitive position;
- prohibit future procurement awards with a particular agency due to a finding of organizational conflicts of interest based upon prior related work performed for the agency that would give a contractor an unfair advantage over competing contractors, or the existence of conflicting roles that might bias a contractor's judgment;
- subject the award of contracts to protest by competitors, which may require the contracting federal agency or department to suspend our performance pending the outcome of the protest and may also result in a requirement to resubmit offers for the contract or in the termination, reduction, or modification of the awarded contract;
- suspend or debar us from doing business with the U.S. government; and
- control or prohibit the export of our services.

If a U.S. government client were to unexpectedly terminate, cancel, or decline to exercise an option to renew with respect to one or more of our significant contracts, or suspend or debar us from doing business with the U.S. government, our revenue and operating results would be materially harmed.

The U.S. government may revise its procurement, contract or other practices in a manner adverse to us.

The U.S. government may:

- revise its procurement practices or adopt new contract laws, rules, and regulations, such as cost accounting standards, organizational conflicts of interest, and other rules governing inherently governmental functions at any time;
- reduce, delay, or cancel procurement programs resulting from U.S. government efforts to improve procurement practices and efficiency;
- limit the creation of new government-wide or agency-specific multiple award contracts;
- face restrictions or pressure from government employees and their unions regarding the amount of services the U.S. government may obtain from private contractors;
- award contracts on a technically acceptable/lowest cost basis in order to reduce expenditures, and we may not be the lowest cost provider of services;
- adopt new socio-economic requirements, including setting aside funds to small, disadvantaged businesses;
- change the basis upon which it reimburses our compensation and other expenses or otherwise limit such reimbursements; and
- at its option, terminate or decline to renew our contracts.

In addition, any new contracting methods could be costly or administratively difficult for us to implement and could adversely affect our future revenue and profit margin. In addition, changes to the procurement system could cause delays in the procurement decision-making process. Any such changes to the U.S. government's procurement practices or the adoption of new contracting rules or practices could impair our ability to obtain new or re-compete contracts and any such changes or increased associated costs could materially and adversely affect our results of operations.

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As part of its cost-cutting initiative, the Department of Defense has issued guidance regarding changes to the procurement process that is intended to control cost growth throughout the acquisition cycle by developing a competitive strategy for each program. Because this initiative may significantly change the way the U.S. government solicits, negotiates, and manages its contracts, it could result in an increase in competitive pressure and decreased profitability on contracts and have a material adverse effect on our results of operations.

The U.S. government may prefer minority-owned, small and small disadvantaged businesses; therefore, we may not win contracts we bid for.

As a result of the Small Business Administration set-aside program, the U.S. government may decide to restrict certain procurements only to bidders that qualify as minority-owned, small, or small disadvantaged businesses. As a result, we would not be eligible to perform as a prime contractor on those programs and would be restricted to a maximum of 49% of the work as a subcontractor on those programs. An increase in the amount of procurements under the Small Business Administration set-aside program may impact our ability to bid on new procurements as a prime contractor or restrict our ability to recomplete on incumbent work that is placed in the set-aside program.

Our contracts, performance, and administrative processes and systems are subject to audits, reviews, investigations, and cost adjustments by the U.S. government, which could reduce our revenue, disrupt our business or otherwise materially adversely affect our results of operation.

U.S. government agencies routinely audit, review, 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, including applicable government cost accounting standards. These agencies also review our compliance with government regulations and policies, and the DCAA audits, among other areas, the adequacy of our internal control systems and policies, including our purchasing, property, estimating, earned value and accounting systems. These internal control systems could focus on significant elements of costs, such as executive compensation. Determination of a significant internal control deficiency by a government agency could result in increased payment withholding that might materially increase our accounts receivable days sales outstanding and adversely affect our cash flow. In particular, over time the DCAA has increased and may continue to increase the proportion of executive compensation that it deems unallowable and the size of the executive population whose compensation is disallowed, which will continue to materially and adversely affect our results of operations or financial condition including the requirement to carry an increased level of reserves. Any costs found to be unallowable under a contract will not be reimbursed, and any such costs already reimbursed must be refunded. Moreover, if any of the administrative processes and systems are found not to comply with government imposed 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. Unfavorable U.S. government audit, review, or investigation results could subject us to civil or criminal penalties or administrative sanctions, and could harm our reputation and relationships with our clients and impair our ability to be awarded new contracts. For example, if our invoicing system were found to be inadequate following an audit by the DCAA, our ability to directly invoice U.S. government payment offices could be eliminated. As a result, we would be required to submit each invoice to the DCAA for approval prior to payment, which could materially increase our accounts receivable days sales outstanding and adversely affect our cash flow. In addition, proposed regulatory changes, if adopted, would require the Department of Defense's contracting officers to impose contractual withholdings at no less than certain minimum levels based on assessments of a contractor's business systems. An unfavorable outcome to an audit, review, or investigation by any U.S. government agency could materially and adversely affect our relationship with the U.S. government. 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, withholding of payments, suspension of payments, fines, and suspension or debarment from doing business with the U.S. government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us. Provisions that we have recorded in our financial statements as a compliance

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reserve may not cover actual losses. Furthermore, the disallowance of any costs previously charged could directly and negatively affect our current results of operations for the relevant prior fiscal periods, and we could be required to repay any such disallowed amounts. Each of these results could materially and adversely affect our results of operations or financial condition.

A delay in the completion of the U.S. government's budget process could result in a reduction in our backlog and have a material adverse effect on our revenue and operating results.

On an annual basis, the U.S. Congress must approve budgets that govern spending by each of the federal agencies we support. When the U.S. Congress is unable to agree on budget priorities, and thus is unable to pass the annual budget on a timely basis, the U.S. Congress typically enacts a continuing resolution. A continuing resolution allows government agencies to operate at spending levels approved in the previous budget cycle. Most recently, in the absence of an annual budget for the government's fiscal year 2011, from September 30, 2010 through March 18, 2011, President Obama signed six continuing resolutions passed by the U.S. Congress into law, and, after a threatened government shutdown, a spending bill providing funding for the government through the end of the government's fiscal year 2011 was enacted on April 15, 2011. Under a continuing resolution, funding may not be available for new projects. In addition, when government agencies operate on the basis of a continuing resolution, they may delay funding we expect to receive on contracts we are already performing. Any such delays would likely result in new business initiatives being delayed or cancelled and a reduction in our backlog, and could have a material adverse effect on our revenue and operating results. In addition, a failure to complete the budget process and fund government operations pursuant to a continuing resolution may result in a federal government shutdown. A shutdown may result in us incurring substantial costs without reimbursement under our contracts and the delay or cancellation of key programs, which could have a material adverse effect on our revenue and operating results.

Risks Related to Our Common Stock

Booz Allen Holding is a holding company with no operations of its own, and it depends on its subsidiaries for cash to fund all of its operations and expenses, including to make future dividend payments, if any.

The operations of Booz Allen Holding are conducted almost entirely through its subsidiaries and its ability to generate cash to meet its debt service obligations or to pay dividends is highly dependent on the earnings and the receipt of funds from its subsidiaries via dividends or intercompany loans. Further, our senior secured credit agreement significantly restricts the ability of our subsidiaries to pay dividends or otherwise transfer assets to us. In addition, Delaware law may impose requirements that may restrict our ability to pay dividends to holders of our common stock. On February 29, 2012 we paid a dividend to holders of our Class A Common Stock, Class B Non-Voting Common Stock and Class E Special Voting Stock, which was funded entirely by our subsidiaries. In addition, on May 29, 2012, we declared a special and regular dividend to holders of our Class A Common Stock, Class B Non-Voting Common Stock and Class E Special Voting Stock, which was funded entirely by our subsidiaries. We may declare and make future dividend payments, which obligates our subsidiaries to make funds available to us for the payment of the dividends.

Our principal stockholder could exert significant influence over our company.

As of March 31, 2012, Carlyle, through Coinvest, owned shares of our common stock representing 75% of our outstanding voting power (excluding shares of common stock with respect to which Carlyle has received a voting proxy pursuant to irrevocable proxy and tag-along agreements). Under the terms of the irrevocable proxy and tag-along agreements Carlyle is able to exercise voting power over shares of our common stock owned by a number of other stockholders, including our executive officers, with respect to the election and removal of directors and change of control transactions. As a result, Carlyle will have a controlling influence over all matters presented to our stockholders for approval, including election and removal of our directors and change of control transactions.

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In addition, Coinvest is a party to the amended and restated stockholders agreement pursuant to which Carlyle has the right to nominate a majority of the members of our board of directors, or our Board, and to exercise control over matters requiring stockholder approval and our policy and affairs. In addition, we are a “controlled company” within the meaning of the New York Stock Exchange rules and, as a result, currently intend to rely on exemptions from certain corporate governance requirements. The concentrated holdings of funds affiliated with Carlyle, certain provisions of the amended and restated stockholders agreement and the presence of Carlyle’s nominees on our Board may result in a delay or the deterrence of possible changes in control of our company, which may reduce the market price of our common stock. The interests of Carlyle may not always coincide with the interests of the other holders of our common stock.

Carlyle is in the business of making investments in companies, and may from time to time in the future acquire controlling interests in businesses engaged in management and technology consulting that complement or directly or indirectly compete with certain portions of our business. If Carlyle pursues such acquisitions in our industry, those acquisition opportunities may not be available to us. In addition, to the extent that Carlyle acquires a controlling interest in one or more companies that provide services or products to the U.S. government, our affiliation with any such company through Carlyle could create organizational conflicts of interest and similar issues for us under federal procurement laws and regulations. See “— Risks Related to Our Business — Recent efforts by the U.S. government to revise its organizational conflicts of interest rules could limit our ability to successfully compete for new contracts or task orders, which would adversely affect our results of operations.”

Our financial results may vary significantly from period to period as a result of a number of factors many of which are outside our control, which could cause the market price of our Class A Common Stock to fluctuate.

Our financial results may vary significantly from period to period in the future as a result of many external factors that are outside of our control. Factors that may affect our financial results and that could cause the market price of our outstanding securities, including our Class A Common Stock, to fluctuate include those listed in this “Risk Factors” section and others such as:

- any cause of reduction or delay in U.S. government funding;
- fluctuations in revenue earned on existing contracts;
- commencement, completion, or termination of contracts during a particular period;
- a potential decline in our overall profit margins if our other direct costs and subcontract revenue grow at a faster rate than labor-related revenue;
- strategic decisions by us or our competitors, such as changes to business strategy, strategic investments, acquisitions, divestitures, spin offs, and joint ventures;
- a change in our contract mix to less profitable contracts;
- changes in policy or budgetary measures that adversely affect U.S. government contracts in general;
- variable purchasing patterns under U.S. government GSA schedules, blanket purchase agreements, which are agreements that fulfill repetitive needs under GSA schedules, and ID/IQ contracts;
- changes in demand for our services and solutions;
- fluctuations in the degree to which we are able to utilize our professionals;
- seasonality associated with the U.S. government’s fiscal year;
- an inability to utilize existing or future tax benefits for any reason, including a change in law;
- alterations to contract requirements; and
- adverse judgments or settlements in legal disputes.

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A majority of our outstanding indebtedness is secured by substantially all of our consolidated assets. As a result of these security interests, such assets would only be available to satisfy claims of our general creditors or to holders of our equity securities if we were to become insolvent to the extent the value of such assets exceeded the amount of our indebtedness and other obligations. In addition, the existence of these security interests may adversely affect our financial flexibility.

Indebtedness under our senior secured credit agreement is secured by a lien on substantially all of our assets. Accordingly, if an event of default were to occur under our senior secured credit agreement, the senior secured lenders under such facilities would have a prior right to our assets, to the exclusion of our general creditors in the event of our bankruptcy, insolvency, liquidation, or reorganization. In that event, our assets would first be used to repay in full all indebtedness and other obligations secured by them (including all amounts outstanding under our senior secured credit agreement), resulting in all or a portion of our assets being unavailable to satisfy the claims of our unsecured indebtedness. Only after satisfying the claims of our unsecured creditors and our subsidiaries' unsecured creditors would any amount be available for our equity holders. The pledge of these assets and other restrictions may limit our flexibility in raising capital for other purposes. Because substantially all of our assets are pledged under these financing arrangements, our ability to incur additional secured indebtedness or to sell or dispose of assets to raise capital may be impaired, which could have an adverse effect on our financial flexibility. As of March 31, 2012, we had \$965.4 million of indebtedness outstanding under our senior secured credit agreement and had \$272.8 million of capacity available for additional borrowings under the revolving portion of our senior secured credit agreement. In addition, we may, increase the borrowing capacity under our senior secured credit agreement without the consent of any person other than the institutions agreeing to provide all or any portion of such increase, to an amount not to exceed \$150.0 million and, subject to certain closing conditions including pro forma compliance with financial covenants, an additional \$150.0 million.

Fulfilling our obligations incident to being a public company, including with respect to the requirements of and related rules under the Sarbanes Oxley Act of 2002, is expensive and time consuming and any delays or difficulty in satisfying these obligations could have a material adverse effect on our future results of operations and our stock price.

As a public company, the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC, as well as the New York Stock Exchange rules, require us to implement various corporate governance practices and adhere to a variety of reporting requirements and complex accounting rules. Compliance with these public company obligations requires us to devote significant management time and place significant additional demands on our finance and accounting staff and on our financial, accounting, and information systems. We have hired additional accounting and financial staff with appropriate public company reporting experience and technical accounting knowledge. Other expenses associated with being a public company include increased auditing, accounting, and legal fees and expenses, investor relations expenses, increased directors' fees and director and officer liability insurance costs, registrar and transfer agent fees, listing fees, as well as other expenses.

In particular, the Sarbanes-Oxley Act of 2002 requires us to document and test the effectiveness of our internal control over financial reporting in accordance with an established internal control framework, and to report on our conclusions as to the effectiveness of our internal controls. It also requires an independent registered public accounting firm to test our internal control over financial reporting and report on the effectiveness of such controls. In addition, we are required under the Securities Exchange Act of 1934, as amended, or the Exchange Act, to maintain disclosure controls and procedures and internal control over financial reporting. Any failure to maintain effective controls or implement new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we are unable to conclude that we have effective internal control over financial reporting, or if our independent registered public accounting firm is unable to provide us with an unqualified report regarding the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our financial statements. This could result in a decrease in the value of our common stock. Failure to comply with the Sarbanes-Oxley Act of 2002 could potentially subject us to sanctions or investigations by the SEC, the New York Stock Exchange, or other regulatory authorities.

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Provisions in our organizational documents and in the Delaware General Corporation Law may prevent takeover attempts that could be beneficial to our stockholders.

Our amended and restated certificate of incorporation and amended and restated bylaws include a number of provisions that may have the effect of delaying, deterring, preventing, or rendering more difficult a change in control of Booz Allen Holding that our stockholders might consider in their best interests. These provisions include:

- establishment of a classified Board, with staggered terms;
- granting to the Board the sole power to set the number of directors and to fill any vacancy on the Board;
- limitations on the ability of stockholders to remove directors if a “group,” as defined under Section 13(d)(3) of the Exchange Act, ceases to own more than 50% of our voting common stock;
- granting to the Board the ability to designate and issue one or more series of preferred stock without stockholder approval, the terms of which may be determined at the sole discretion of the Board;
- a prohibition on stockholders from calling special meetings of stockholders;
- the establishment of advance notice requirements for stockholder proposals and nominations for election to the Board at stockholder meetings;
- requiring approval of two-thirds of stockholders to amend the bylaws; and
- prohibiting our stockholders from acting by written consent if a “group” ceases to own more than 50% of our voting common stock.

These provisions may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if the provisions are viewed as discouraging takeover attempts in the future. In addition, we have opted out of Section 203 of the Delaware General Corporation Law, which would have otherwise imposed additional requirements regarding mergers and other business combinations, until Carlyle and its affiliates no longer own more than 20% of our Class A Common Stock. After such time, we will be governed by Section 203.

Our amended and restated certificate of incorporation and amended and restated by-laws may also make it difficult for stockholders to replace or remove our management. These provisions may facilitate management entrenchment that may delay, deter, render more difficult, or prevent a change in our control, which may not be in the best interests of our stockholders.

Sales of outstanding shares of our common stock into the market in the future could cause the market price of our common stock to drop significantly.

As of March 31, 2012, Carlyle owned 95,660,000 shares of our Class A Common Stock, or 75% of our outstanding Class A Common Stock (excluding shares of common stock with respect to which Carlyle has received a voting proxy pursuant to irrevocable proxy and tag-along agreements). If Carlyle sells, or the market perceives that Carlyle intends to sell, a substantial portion of its beneficial ownership interest in us in the public market, the market price of our Class A Common Stock could decline significantly. The sales also could make it more difficult for us to sell equity or equity-related securities at a time and price that we deem appropriate.

As of March 31, 2012 128,392,549 shares of our Class A Common Stock were outstanding. In addition to the shares owned by Carlyle, 4,571,289 shares of our Class A Common Stock which are held by directors, executive officers and other affiliates, are restricted securities within the meaning of Rule 144 under the Securities Act eligible for resale in the public market subject to volume, manner of sale and holding period limitations under Rule 144 under the Securities Act. 4,020,145 shares of our Class A Common Stock are issuable upon transfer of our Class B Non-Voting Common Stock and Class C Restricted Common Stock. In addition,

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(1) 9,437,078 shares of our Class A Common Stock are issuable upon the exercise of outstanding stock options granted under our Officers' Rollover Stock Plan relating to our outstanding Class E Special Voting Common Stock and (2) 22,957,282 shares of our Class A Common Stock underlying options that are either subject to the terms of our Equity Incentive Plan or reserved for future issuance under our Equity Incentive Plan are eligible for sale in the public market to the extent permitted by the provisions of various option agreements and, to the extent held by affiliates, the volume and manner of sale restrictions of Rule 144. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the price of our Class A Common Stock could decline substantially.

Item 1B. *Unresolved Staff Comments.*

None.

Item 2. *Properties.*

We do not own any facilities or real estate. Our corporate headquarters are located at 8283 Greensboro Drive, McLean, Virginia 22102. We lease other operating offices and facilities throughout North America, and a limited number of overseas locations. Our principal offices outside of McLean, Virginia include: Annapolis Junction, Maryland; Rockville, Maryland; San Diego, California; Herndon, Virginia and Washington, D.C. We have a number of Sensitive Compartmented Information Facilities, which are enclosed areas within buildings that are used to perform classified work for the U.S. Intelligence Community. Many of our employees are located in facilities provided by the U.S. government. The total square footage of our leased offices and facilities is approximately 3.1 million square feet. We believe our facilities meet our current needs, and that additional facilities will be required and available as we expand in the future.

Item 3. *Legal Proceedings.*

Our performance under U.S. government contracts and compliance with the terms of those contracts and applicable laws and regulations are subject to continuous audit, review, and investigation by the U.S. government which may include such investigative techniques as subpoenas or civil investigative demands. Given the nature of our business, these audits, reviews, and investigations may focus, among other areas, on various aspects of procurement integrity, labor time reporting, sensitive and/or classified information access and control, executive compensation, and post government employment restrictions. We are not always aware of our status in such matters, but we are currently aware of certain pending audits and investigations involving labor time reporting, procurement integrity, and classified information access. On April 13, 2012, we entered into an Administrative Agreement with the U.S. Air Force, which lifted the proposed debarment of our San Antonio office and removed it from the U.S. government's Excluded Parties List System. See "Item 1. Business — Regulation" for additional information. In addition, from time to time, we are also involved in legal proceedings and investigations arising in the ordinary course of business, including those relating to employment matters, relationships with clients and contractors, intellectual property disputes, and other business matters. These legal proceedings seek various remedies, including claims for monetary damages in varying amounts that currently range up to \$40.0 million or have a reasonably estimated outcome within that range or are unspecified as to amount. Although the outcome of any such matter is inherently uncertain and may be materially adverse, based on current information, we do not expect any of the currently ongoing audits, reviews, investigations, or litigation to have a material adverse effect on our financial condition and results of operations. As of March 31, 2012 and 2011, there are no amounts accrued in the consolidated financial statements related to these proceedings.

Six former officers and stockholders who had departed the firm prior to the acquisition have filed a total of nine suits in various jurisdictions, with original filing dates ranging from July 3, 2008 through December 15, 2009 (three of which were amended on July 2, 2010 and then further amended into one consolidated complaint on September 7, 2010), against us and certain of our current and former directors and officers. Each of the suits arises out of the acquisition and alleges that the former stockholders are entitled to certain payments that they would have received if they had held their stock at the time of the acquisition. Some of the suits also allege that

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the acquisition price paid to stockholders was insufficient. The various suits assert claims for breach of contract, tortious interference with contract, breach of fiduciary duty, civil Racketeer Influenced and Corrupt Organizations Act, or RICO, violations, violations of the Employee Retirement Income Security Act, or ERISA, and/or securities and common law fraud. Two of these suits have been dismissed with all appeals exhausted. Five of the remaining suits are pending in the United States District Court for the Southern District of New York, the sixth is pending in New York state court, and the seventh is pending in the United States District Court for the Southern District of California. The aggregate alleged damages sought in these seven remaining suits is approximately \$348.7 million (\$291.5 million of which is sought to be trebled pursuant to RICO), plus punitive damages, costs, and fees. Although the outcome of any of these cases is inherently uncertain and may be materially adverse, based on current information, we do not expect them to have a material adverse effect on our financial condition and results of operations.

Item 4. Mine Safety Disclosures.

None.

Executive Officers of the Registrant

The following table sets forth information about our executive officers as of May 18, 2012:

| Name | Age | Position |
|-----------------------|------------|--|
| Ralph W. Shrader | 67 | Chairman of the Board, President and Chief Executive Officer |
| Samuel R. Strickland | 61 | Executive Vice President, Chief Financial Officer, Chief Administrative Officer and Director |
| Horacio D. Rozanski | 44 | Executive Vice President and Chief Operating Officer |
| Karen M. Dahut | 48 | Senior Vice President |
| Francis J. Henry, Jr. | 60 | Executive Vice President |
| Lloyd Howell, Jr. | 45 | Executive Vice President |
| Ronald T. Kadish | 64 | Senior Vice President |
| Gary D. Labovich | 52 | Senior Vice President |
| Joseph Logue | 46 | Executive Vice President |
| Joseph W. Mahaffee | 54 | Executive Vice President and Chief Information Security Officer |
| John D. Mayer | 66 | Executive Vice President |
| John M. McConnell | 66 | Executive Vice President and Vice Chairman |
| Robert S. Osborne | 57 | Executive Vice President and General Counsel |
| Patrick F. Peck | 54 | Executive Vice President |
| Elizabeth M. Thompson | 57 | Senior Vice President and Chief Personnel Officer |
| Richard J. Wilhelm | 66 | Executive Vice President |

Ralph W. Shrader is our Chairman, Chief Executive Officer and President and has served in these positions since 1999, except for President which dates to the acquisition in 2008. Dr. Shrader has been an employee of our company since 1974. He is the seventh chairman since our company's founding in 1914 and has led our company through a significant period of growth and strategic realignment. Dr. Shrader is active in professional and charitable organizations, and is past Chairman of the Armed Forces Communications and Electronics Association.

He serves on the board of directors of ServiceSource, the largest community rehabilitative program in Virginia, and is past Chairman of the Neediest Kids and a past board member of Abilities Inc.

Samuel R. Strickland is an Executive Vice President of our company and our Chief Financial and Administrative Officer. He has served as our Chief Administrative Officer since 1999 and Chief Financial Officer since 2008. He joined our company in 1995, and became an Executive Vice President in 2004. Mr. Strickland is a board member of our company. Externally, Mr. Strickland has served on the Board of Trustees at the George Mason University Foundation and Inova Health Services.

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Horacio D. Rozanski is an Executive Vice President of our company and our Chief Operating Officer. Mr. Rozanski served as the Chief Strategy and Talent Officer in 2010 and, prior to that, Chief Personnel Officer of our company from 2002 through 2010. Mr. Rozanski joined our company in 1992 and became an Executive Vice President in 2009. He serves on the boards of advisors for the Wolf Trap Foundation for the Performing Arts and the Hidden Brain Drain task force.

Karen M. Dahut is a Senior Vice President and is the lead for the company's Analytics capability. Ms. Dahut joined our company in 2002 and became a Senior Vice President in 2004. Previously, Ms. Dahut led the company's US Navy and Marine Corps business and its Economic and Business Analytics (EBA) capability. She is also a trustee of the Employee Capital Accumulation Plan (ECAP) Board of Trustees. Ms. Dahut is a Board Member of the Northern Virginia Technology Council and serves on the Board of Trustees for Stone Ridge School of the Sacred Heart in Bethesda, Maryland.

Francis J. Henry, Jr. is an Executive Vice President of our company and is the market lead for the Civil business. Mr. Henry joined our company in 1977 and became an Executive Vice President in 2009. Mr. Henry is the chairman of the Employees' Capital Accumulation Plan trustees. Mr. Henry serves on the National Council of the Smithsonian's National Museum of the American Indian.

Lloyd Howell, Jr. is an Executive Vice President of our company and is the client service officer for our financial services clients. Mr. Howell joined our company in 1988, left in 1991, rejoined in 1995 and became an Executive Vice President in 2005. He is chairman of the Ethics & Compliance Committee. Mr. Howell serves on the boards of directors of the United Negro College Fund, Partnership for Public Service and Management Leadership for Tomorrow.

Ronald T. Kadish is a Senior Vice President of our company and is the lead for the Engineering and Operations capability. Previously, he led the Aerospace Market Group within our defense business. Mr. Kadish joined our company in 2005 as an officer after serving 34 years in the US Air Force attaining the rank of Lieutenant General with extensive experience leading large, complex Department of Defense development programs.

Gary D. Labovich is a Senior Vice President of our company and is the lead for our Technology capability. He joined the company in 2004. Mr. Labovich is a member of the Board of Trustees for the National Capital Chapter of the National Multiple Sclerosis Society.

Joseph Logue is an Executive Vice President of our company and is the market lead for the Defense business. Mr. Logue joined our company in 1997 and became an Executive Vice President in 2009. Previously, he led our former commercial Information Technology practice.

Joseph W. Mahaffee is an Executive Vice President of our company and is our Chief Information Security Officer. Mr. Mahaffee joined our company in 1981 and became an Executive Vice President in 2007. He is a member of the Technology Capability Leadership Team and the CIO Council. He is a member of the board of directors of the Independent College Fund of Maryland where he serves as the Chairman of the National Security Scholarship Program.

John D. Mayer is an Executive Vice President of our company and is the lead for the Strategy and Organization capability. Mr. Mayer joined our company in 1997 and became an Executive Vice President in 2009. He is chairman of the board of directors of the Homeland Security and Defense Business Council, a member of the board of the Washington Education and Tennis Foundation, and was a former member of the Corporate Advisory Board for the Darden School of Business at the University of Virginia.

John M. McConnell is Vice Chairman and an Executive Vice President of our company and leads the company's Cyber initiative firmwide. Previously, he was the firm's market lead for the Intelligence business. Mr. McConnell previously served from 2007 through 2009 in the Cabinet-level position of U.S. Director of

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National Intelligence. From 1996 through 2007, Mr. McConnell served as an officer of our company and became an Executive Vice President in 2009. He served in the U.S. Navy for 29 years, achieving the rank of Vice Admiral. While on active duty, Mr. McConnell was Director of the National Security Agency.

Robert S. Osborne is an Executive Vice President of our company and our General Counsel. Mr. Osborne joined our company in 2010 as a Senior Vice President. From 2006 to 2009, Mr. Osborne served as Group Vice President and General Counsel of General Motors Corporation, which filed for Chapter 11 bankruptcy proceedings in 2009. From 2002 to 2006, Mr. Osborne was chair of the corporate department of Jenner & Block LLP, and he returned to practice there as a partner from late 2009 to early 2010. Prior to 2002, Mr. Osborne was a partner of Kirkland & Ellis LLP, where he had practiced law since 1979.

Patrick F. Peck is an Executive Vice President of our company and leads the company's initiative in Enterprise Effectiveness and Efficiency. Previously, he led our Commercial business and Technology capability. Mr. Peck joined our company in 1984 and became an Executive Vice President in 2008. He serves on the board of directors of Junior Achievement's National Capital Area.

Elizabeth M. Thompson a Senior Vice President of our company and serves as our Chief Personnel Officer. Ms. Thompson joined our company in 2008. Ms. Thompson served as Vice President of Human Resources for Fannie Mae from 2000 to 2008.

Richard J. Wilhelm is an Executive Vice President of the company and the Market lead for our Intelligence business. He previously served as the leader of the company's Analytics capability. He joined our company in 1998 and became an Executive Vice President in 2009. He serves on the board of directors of the World Affairs Council of America, is a member of the Markle Foundation Task Force on National Security in the Age of Terrorism, and is on the Board of Advisors of the Maxwell School of Public Citizenship at Syracuse University.

PART II

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

Market Information

Our Class A Common Stock began trading on the New York Stock Exchange on November 17, 2010. There is no established trading market for each of our Class B Non-Voting Common Stock, Class C Restricted Common Stock or Class E Special Voting Common Stock. On May 14, 2012, there were 9,552, 44, 34 and 102 beneficial holders of our Class A Common Stock, Class B Non-Voting Common Stock, Class C Restricted Common Stock and Class E Special Voting Common Stock, respectively. The following table sets forth, for the periods indicated, the high and low sales price per share of our Class A Common Stock as reported by the New York Stock Exchange:

| | <u>High</u> | <u>Low</u> |
|---|-------------|------------|
| Fiscal 2012 | | |
| 1 st Quarter | \$19.93 | \$17.39 |
| 2 nd Quarter | 20.11 | 13.33 |
| 3 rd Quarter | 18.24 | 13.61 |
| 4 th Quarter | 18.57 | 16.71 |
| Fiscal 2011 | | |
| 3 rd Quarter (starting on November 17, 2010) | \$20.73 | \$18.35 |
| 4 th Quarter | 20.29 | 17.60 |

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Dividends

On February 1, 2012, we declared a \$0.09 per share cash dividend on all issued and outstanding shares of Class A Common Stock, Class B Non-Voting Common Stock, and Class C Restricted Common Stock payable to holders of record as of February 13, 2012. We expect to continue to declare or pay similar or special dividends in the foreseeable future. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments” for further information.

Recent Sales of Unregistered Securities

During the first quarter of fiscal 2012, we issued (i) 295,911 shares of our Class A Common Stock to certain officers and other employees in connection with the exercise of options for aggregate consideration of \$1,266,499.08 and (ii) 20,231 shares of our Class A Common Stock to certain directors in lieu of payment of fees for their services as directors. These sales and issuances were effected in reliance on the exemptions for sales of securities not involving a public offering, as set forth in Rule 506 and Rule 701 promulgated under the Securities Act of 1933, as amended.

Use of Proceeds from Registered Securities

None.

Equity Compensation Plans

The following table presents information concerning the securities authorized for issuance pursuant to our equity compensation plans as of March 31, 2012:

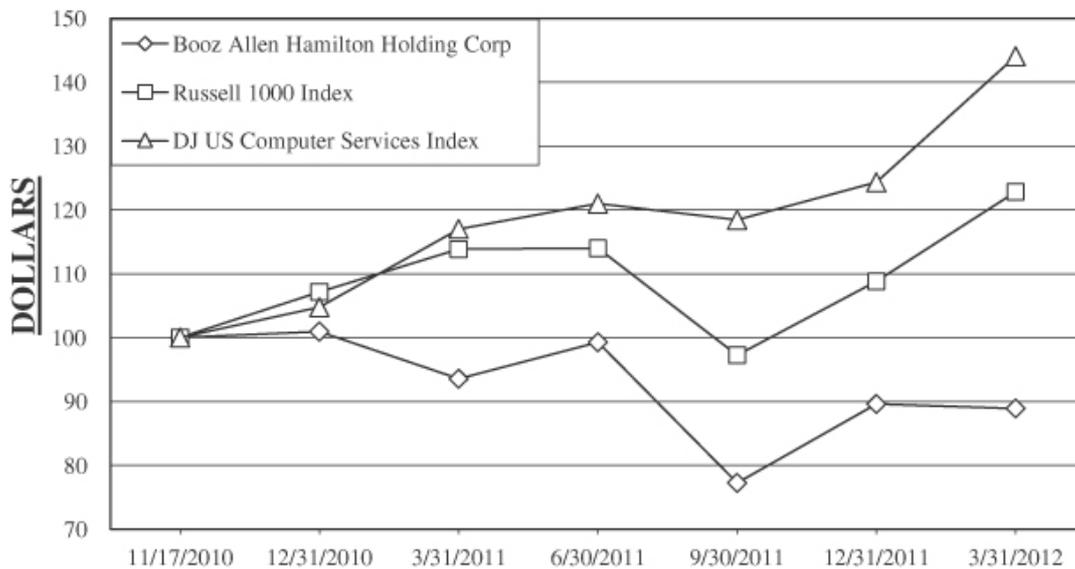
| Plan Category | Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a) | Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b) | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c) |
|---|---|---|---|
| Equity compensation plans approved by securityholders | 20,778,259(1) | \$ 4.92 | 11,616,000 |
| Equity compensation plans not approved by securityholders | — | N/A | — |
| Total | 20,778,259(1) | \$ 4.92 | 11,616,000 |

(1) Upon the exercise of all outstanding options, we will issue approximately 20,777,407 shares of Class A Common Stock and will redeem approximately 852 fractional shares for cash.

Performance

The graph set forth below compares the cumulative shareholder return on our common stock between November 17, 2010 (the date our Class A common stock began trading on the New York Stock Exchange) and March 31, 2012, to the cumulative return of (i) the Russell 1000 Index and (ii) the Dow Jones US Computer Services Index over the same period. This graph assumes an initial investment of \$100 on November 17, 2010 in our common stock, the Russell 1000 Index, and the Dow Jones US Computer Services Index and assumes the reinvestment of dividends, if any. The stock price performance included in this graph is not necessarily indicative of future stock price performance.

COMPARISON OF CUMULATIVE TOTAL RETURNS SINCE IPO



ASSUMES \$100 INVESTED ON NOV. 17, 2010
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDING MARCH 31, 2012

| <u>Company/Market/Peer Group</u> | <u>11/17/2010</u> | <u>12/31/2010</u> | <u>3/31/2011</u> | <u>6/30/2011</u> | <u>9/30/2011</u> | <u>12/31/2011</u> | <u>3/31/2012</u> |
|----------------------------------|-------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|
| Booz Allen Hamilton Holding Corp | \$ 100.00 | \$ 107.94 | \$ 93.56 | \$ 99.27 | \$ 77.25 | \$ 89.61 | \$ 88.91 |
| Russell 1000 Index | \$ 100.00 | \$ 107.16 | \$ 113.85 | \$ 114.00 | \$ 97.26 | \$ 108.80 | \$ 122.85 |
| DJ US Computer Services Index | \$ 100.00 | \$ 104.77 | \$ 117.02 | \$ 121.00 | \$ 118.46 | \$ 124.33 | \$ 144.08 |

* Note: BAH base values reflect the closing price of \$19.25 on the first day of trading and index base values are as of 11/17/2010 end of day.

Item 6. Selected Financial Data.

The selected consolidated statements of operations data for fiscal 2012, fiscal 2011, and fiscal 2010 and the selected consolidated balance sheet data as of March 31, 2012, 2011 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The selected consolidated statement of operations data for the eight months ended March 31, 2009, and the four months ended July 31, 2008 and fiscal 2008 and the selected consolidated balance sheet data as of March 31, 2010, 2009 and 2008 have been derived from audited consolidated financial statements which are not included in this Annual Report. Our historical results are not necessarily indicative of the results that may be expected for any future period. The selected financial data should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this Annual Report.

Booz Allen Hamilton was indirectly acquired by Carlyle on July 31, 2008. Immediately prior to the acquisition, Booz Allen Hamilton spun off its commercial and international business and retained its U.S. government business. The accompanying consolidated financial statements are presented for (1) the “Predecessor,” which are the financial statements of Booz Allen Hamilton and its consolidated subsidiaries for the period preceding the acquisition, and (2) the “Company,” which are the financial statements of Booz Allen Holding and its consolidated subsidiaries for the period following the acquisition. Prior to the acquisition, Booz Allen Hamilton’s U.S. government business is presented as the continuing operations of the Predecessor. The Predecessor’s consolidated financial statements have been presented for the four months ended July 31, 2008 and fiscal 2008. The operating results of the commercial and international business that was spun off by Booz Allen Hamilton effective July 31, 2008 have been presented as discontinued operations in the accompanying consolidated financial statements. The Company’s consolidated financial statements for periods subsequent to the acquisition have been presented for fiscal 2012, fiscal 2011, fiscal 2010, and from August 1, 2008 through March 31, 2009. The Predecessor’s financial statements may not necessarily be indicative of the cost structure or results of operations that would have existed if the U.S. government business operated as a stand-alone, independent business. The acquisition was accounted for as a business combination, which resulted in a new basis of accounting. The Predecessor’s and the Company’s financial statements are not comparable as a result of applying a new basis of accounting.

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Included in the table below are unaudited pro forma results of operations for the twelve months ended March 31, 2009, or “pro forma 2009,” assuming the acquisition had been completed as of April 1, 2008. The unaudited pro forma consolidated results of operations for fiscal 2009 are based on our historical audited consolidated financial statements which are not included in this Annual Report, adjusted to give pro forma effect to the acquisition. The unaudited pro forma consolidated results of operations for fiscal 2009 are presented because management believes it provides a meaningful comparison of operating results enabling twelve months of fiscal 2009, adjusted for the impact of the acquisition, to be compared with fiscal 2010. The unaudited pro forma consolidated financial statements are for informational purposes only and do not purport to represent what our actual results of operations would have been if the acquisition had been completed as of April 1, 2008 or that may be achieved in the future.

| | The Company | | | | | Predecessor | |
|---|----------------------------------|----------------------------------|----------------------------------|--|-----------------------------------|---------------------------------|----------------------------------|
| | Fiscal Year Ended March 31, 2012 | Fiscal Year Ended March 31, 2011 | Fiscal Year Ended March 31, 2010 | Pro Forma Fiscal Year Ended March 31, 2009 (1) | Eight Months Ended March 31, 2009 | Four Months Ended July 31, 2008 | Fiscal Year Ended March 31, 2008 |
| (In thousands, except share and per share data) | | | | | | | |
| Consolidated Statements of Operations: | | | | | | | |
| Revenue | \$ 5,859,218 | \$ 5,591,296 | \$ 5,122,633 | \$ 4,351,218 | \$ 2,941,275 | \$ 1,409,943 | \$3,625,055 |
| Operating costs and expenses: | | | | | | | |
| Cost of revenue | 2,934,378 | 2,836,955 | 2,654,143 | 2,296,335 | 1,566,763 | 722,986 | 2,028,848 |
| Billable expenses | 1,542,822 | 1,473,266 | 1,361,229 | 1,158,320 | 756,933 | 401,387 | 935,459 |
| General and administrative expenses | 903,721 | 881,028 | 811,944 | 723,827 | 505,226 | 726,929 | 474,188 |
| Depreciation and amortization | 75,205 | 80,603 | 95,763 | 106,335 | 79,665 | 11,930 | 33,079 |
| Restructuring charge | 15,660 | — | — | — | — | — | — |
| Total operating costs and expenses | 5,471,786 | 5,271,852 | 4,923,079 | 4,284,817 | 2,908,587 | 1,863,232 | 3,471,574 |
| Operating income (loss) | 387,432 | 319,444 | 199,554 | 66,401 | 32,688 | (453,289) | 153,481 |
| Interest expense | (48,078) | (131,892) | (150,734) | (146,803) | (98,068) | (1,044) | (2,319) |
| Other income, net | 4,520 | (59,488) | 174 | 5,130 | 4,450 | 680 | 511 |
| Income (loss) from continuing operations and before income taxes | 343,874 | 128,064 | 48,994 | (75,272) | (60,930) | (453,653) | 151,673 |
| Income tax expense (benefit) from continuing operations | 103,919 | 43,370 | 23,575 | (25,831) | (22,147) | (56,109) | 62,693 |
| Income (loss) from continuing operations | 239,955 | 84,694 | 25,419 | \$ (49,441) | (38,783) | (397,544) | 88,980 |
| Loss from discontinued operations, net of taxes | — | — | — | — | — | (848,371) | (71,106) |
| Net income (loss) | \$ 239,955 | \$ 84,694 | \$ 25,419 | \$ (49,441) | \$ (38,783) | \$ (1,245,915) | \$ 17,874 |
| Earnings (loss) from continuing operations per common share (2)(3): | | | | | | | |
| Basic | \$ 1.83 | \$ 0.74 | \$ 0.24 | \$ (0.47) | \$ (0.37) | \$ (181.28) | \$ 50.64 |
| Diluted | 1.70 | 0.66 | 0.22 | (0.47) | (0.37) | (181.28) | 43.33 |
| Earnings (loss) per common share (2)(3): | | | | | | | |
| Basic | \$ 1.83 | \$ 0.74 | \$ 0.24 | \$ — | \$ (0.37) | \$ (568.13) | \$ 10.17 |
| Diluted | 1.70 | 0.66 | 0.22 | — | (0.37) | (568.13) | 8.70 |
| Weighted average common shares outstanding (2)(3): | | | | | | | |
| Basic | 130,145,689 | 114,478,947 | 106,477,650 | 105,695,340 | 105,695,340 | 2,193,000 | 1,757,000 |
| Diluted | 140,812,012 | 127,448,700 | 116,228,380 | 105,695,340 | 105,695,340 | 2,193,000 | 2,053,338 |
| Dividends declared per share | \$ 0.09 | \$ — | \$ 5.73(3)(4) | \$ — | \$ — | \$ — | \$ — |

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| (In thousands) | The Company | | | | Predecessor |
|--|-----------------|------------|------------|------------|-----------------|
| | As of March 31, | | | | As of March 31, |
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| Consolidated Balance Sheets: | | | | | |
| Cash and cash equivalents | \$ 484,368 | \$ 192,631 | \$ 307,835 | \$ 420,902 | \$ 7,123 |
| Working capital | 743,217 | 494,308 | 584,248 | 789,308 | 1,113,656 |
| Total assets | 3,314,791 | 3,024,023 | 3,062,223 | 3,182,249 | 1,891,375 |
| Long-term debt, net of current portion | 922,925 | 964,328 | 1,546,782 | 1,220,502 | — |
| Stockholders' equity | 1,185,185 | 907,250 | 509,583 | 1,060,343 | 313,065 |

(1) The table below presents the pro forma adjustments attributable to the acquisition. The pro forma adjustments are described in the accompanying footnotes and are based upon available information and certain assumptions that we believe are reasonable.

| (In thousands) | Pro Forma Fiscal Year Ended March 31, 2009 | Pro Forma Adjustments | Eight Months Ended March 31, 2009 | Four Months Ended July 31, 2008 |
|---|--|--------------------------|--|---------------------------------------|
| Consolidated Statements of Operations: | | | | |
| Revenue | \$ 4,351,218 | — | \$ 2,941,275 | \$ 1,409,943 |
| Operating costs and expenses: | | | | |
| Cost of revenue | 2,296,335 | 6,586(a) | 1,566,763 | 722,986 |
| Billable expenses | 1,158,320 | — | 756,933 | 401,387 |
| General and administrative expenses | 723,827 | (508,328)(b) | 505,226 | 726,929 |
| Depreciation and amortization | 106,335 | 14,740(c) | 79,665 | 11,930 |
| Total operating costs and expenses | 4,284,817 | — | 2,908,587 | 1,863,232 |
| Operating income (loss) | 66,401 | — | 32,688 | (453,289) |
| Interest expense | (146,803) | (47,691)(d) | (98,068) | (1,044) |
| Other income, net | 5,130 | — | 4,450 | 680 |
| Loss from continuing operations before income taxes | (75,272) | — | (60,930) | (453,653) |
| Income tax (benefit) expense from continuing operations | (25,831) | 52,425(e) | (22,147) | (56,109) |
| Loss from continuing operations | \$ (49,441) | — | (38,783) | (397,544) |
| Loss from discontinued operations, net of taxes | — | — | — | (848,371) |
| Net loss | — | — | \$ (38,783) | \$ (1,245,915) |

- (a) Reflects additional stock-based compensation expense associated with options issued in exchange for stock rights under the stock rights plan that existed prior to the closing of the acquisition for \$6.6 million (see Note 17 to our consolidated financial statements for additional information on our stock-based compensation).
- (b) Consists of the following adjustments:
- Increase to rent expense of \$1.8 million due to the elimination of the July 31, 2008 deferred rent liability in accordance with the accounting treatment of leases associated with the business combination;
 - Increase to management fees paid to Carlyle of \$333,000 (see Note 18 to our consolidated financial statements for additional information regarding the management fees);
 - Additional stock-based compensation expense of \$13.4 million associated with options issued in exchange for stock rights under the stock rights plan that existed prior to the closing of the acquisition (see Note 17 to our consolidated financial statements for additional information on our stock-based compensation);
 - Reversal of \$511.7 million for a one-time acceleration of stock rights and the fair value mark-up of redeemable common shares immediately prior to the acquisition; and
 - Reversal of certain related transaction costs of \$12.2 million.
- (c) Reflects \$14.7 million of intangible assets amortization and depreciation of the fair value write-up on fixed assets recorded with the acquisition.
- (d) Consists of the following adjustments:
- Reversal of interest expense of \$1.0 million recorded during the four months ended July 31, 2008 related to the Predecessor's previous debt outstanding prior to the acquisition; and

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- Incurrence of additional interest expense of \$48.7 million associated with our new senior secured loan facilities and mezzanine credit facility established in conjunction with the acquisition.
- (e) Reflects tax effect of the cumulative pro forma adjustments.
- (2) Basic earnings per share for the Company has been computed using the weighted average number of shares of Class A Common Stock, Class B Non-Voting Common Stock, and Class C Restricted Common Stock outstanding during the period. The Company's diluted earnings per share has been computed using the weighted average number of shares of Class A Common Stock, Class B Non-Voting Common Stock, and Class C Restricted Common Stock including the dilutive effect of outstanding common stock options and other stock-based awards. For the purposes of calculating basic and diluted earnings per share, the Company has utilized the two class method, given non-forfeitable dividends declared on unvested Class A Restricted Common Stock, Class A Restricted Common Stock. The weighted average number of Class E Special Voting Common Stock has not been included in the calculation of either basic earnings per share or diluted earnings per share due to the terms of such common stock.
Basic earnings per share for the Predecessor have been computed using the weighted average number of shares of Class A Common Stock outstanding during the period. The Predecessor's diluted earnings per share have been computed using the weighted average number of shares of Class A Common Stock including the dilutive effect of outstanding stock-based awards.
- (3) Amounts for the Company have been adjusted to reflect a 10-for-1 split of our common stock in connection with the initial public offering.
- (4) Reflects the payment of special dividends in the aggregate amount of \$497.5 million and \$114.9 million to holders of record of our Class A Common Stock, Class B Non-Voting Common Stock, and Class C Restricted Common Stock as of December 8, 2009 and July 29, 2009, respectively.

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

The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, and liquidity and capital resources. You should read this discussion in conjunction with "Item 6. Selected Financial Data," and our consolidated financial statements and the related notes contained elsewhere in this Annual Report.

The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources, and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Item 1A. Risk Factors" and "Introductory Note — Cautionary Note Regarding Forward-Looking Statements". Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Our fiscal year ends March 31 and, unless otherwise noted, references to years or fiscal are for fiscal years ended March 31. See "— Results of Operations."

Overview

We are a leading provider of management and technology consulting services to the U.S. government in the defense, intelligence, and civil markets. Additionally, we provide management and technology consulting services to major corporations, institutions, and not for profit organizations. As the needs of our clients have grown more complex, we have developed deep expertise in technology, engineering, and analytics. Leveraging our 98-year consulting heritage and a talent base of approximately 25,000 people, we deploy our deep domain knowledge, functional expertise, and experience to help our clients achieve their objectives. We serve substantially all of the cabinet-level departments of the U.S. government. Our major clients include the Department of Defense, all branches of the U.S. military, the U.S. Intelligence Community, and civil agencies such as the Department of Homeland Security, the Department of Energy, the Department of Health and Human Services, the Department of the Treasury, and the Environmental Protection Agency. We support these clients in addressing complex and pressing challenges such as combating global terrorism, improving cyber capabilities, transforming the healthcare system, improving efficiency and managing change within the government, and protecting the environment.

We have a collaborative culture, supported by our operating model, which helps our professionals identify and respond to emerging trends across the markets we serve and deliver enduring results for our clients.

Financial and Other Highlights

Revenue grew 4.8% from fiscal 2011 to fiscal 2012 while revenue generated by our direct consulting staff labor grew 4.8% over the same period. Direct consulting staff labor represents our consulting staff's labor under contracts for which we act as the prime contractor or subcontractor. Total backlog decreased by 1.1% to \$10.8 billion from fiscal 2011 to fiscal 2012. Substantially all of our revenue and backlog is derived from services and solutions provided to client organizations across the U.S. government, primarily by our consulting staff and, to a lesser extent, our subcontractors. The mix of revenue generated by consulting staff and subcontractors affects our operating margin, substantially all of which is derived from direct consulting staff labor, as the portion of our operating margin derived from fees we earn on services provided by our subcontractors is not significant. The fiscal 2012 revenue growth occurred across all served markets with the highest growth in areas relating to finance and health consulting services for civil government agencies and classified services to the U.S. Intelligence community.

Operating income grew 21.3% to \$387.4 million in fiscal 2012 from \$319.4 million in fiscal 2011, which reflects a 90 basis point increase in operating margin to 6.6% from 5.7% in the comparable periods. The improvement in operating margin was driven by the continued growth in revenue and increased profitability resulting from decreases in incentive and stock-based compensation costs and lower amortization of our intangible assets. The factors contributing to the increased operating margin were partially offset by increases in business development costs including marketing and bid and proposal activity as well as additional administrative costs associated with delays in deploying certain direct consulting staff labor against funded backlog. In addition, in fiscal 2012 the Company recognized approximately \$11.2 million (net of revenue) of charges associated with a restructuring plan to reduce certain personnel and infrastructure costs.

Cash provided by operations increased \$63.7 million to \$360.0 million from \$296.4 million. The increase in cash provided by operations was a result of overall profitability of our contracts, our ability to invoice and collect from clients in a timely manner, and our effective management of vendor payments. Our tax payments increased by approximately \$81.6 million during fiscal 2012 principally due to the utilization of our entire Federal and the majority of our State net operating loss, or NOL, carryforward. In the current year, approximately 3.8 million of stock options were exercised resulting in a cash tax benefit of approximately \$16.5 million. The Company reviewed its Federal and State tax elections as part of its overall cash tax planning strategy and determined to make a significant prepayment of fiscal 2013 income taxes in the amount of \$46.8 million. The Company anticipates utilizing this prepayment as an offset to its fiscal 2013 cash taxes to be paid.

As a result of the refinancing of our credit facilities in February 2011, which resulted in a reduction of our outstanding debt at lower interest rates, we realized a reduction in interest expense from fiscal 2011 to fiscal 2012 of \$83.8 million.

Non-GAAP Measures

We publically disclose certain non-GAAP financial measurements, including Adjusted Operating Income, Adjusted EBITDA, Adjusted Net Income, and Adjusted Diluted Earnings Per Share, or EPS, because management uses these measures for business planning purposes, including to manage our business against internal projected results of operations and measure our performance. We view Adjusted Operating Income, Adjusted EBITDA, Adjusted Net Income, and Adjusted Diluted EPS as measures of our core operating business, which exclude the impact of the items detailed below, as these items are generally not operational in nature. These non-GAAP measures also provide another basis for comparing period to period results by excluding potential differences caused by non-operational and unusual or non-recurring items. We also utilize and discuss Free Cash Flow, because management uses this measure for business planning purposes, measuring the cash generating ability of the operating business, and measuring liquidity generally. We present these supplemental measures because we believe that these measures provide investors with important supplemental information with which to evaluate our performance, long term earnings potential, or liquidity, as applicable, and to enable them to assess our performance on the same basis as management. These supplemental performance

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measurements may vary from and may not be comparable to similarly titled measures by other companies in our industry. Adjusted Operating Income, Adjusted EBITDA, Adjusted Net Income, Adjusted Diluted EPS, and Free Cash Flow are not recognized measurements under accounting principles generally accepted in the United States, or GAAP, and when analyzing our performance or liquidity, as applicable, investors should (i) evaluate each adjustment in our reconciliation of operating and net income to Adjusted Operating Income, Adjusted EBITDA and Adjusted Net Income, and cash flows to Free Cash Flows, and the explanatory footnotes regarding those adjustments, each as defined under GAAP, (ii) use Adjusted Operating Income, Adjusted EBITDA, Adjusted Net Income, and Adjusted Diluted EPS in addition to, and not as an alternative to, operating income, net income or diluted EPS, as a measure of operating results, and (iii) use Free Cash Flows in addition to, and not as an alternative to, net cash generated from operating activities as a measure of liquidity, each as defined under GAAP. We have defined the aforementioned non-GAAP measures as follows:

- “Adjusted Operating Income” represents operating income before (i) certain stock option-based and other equity-based compensation expenses, (ii) adjustments related to the amortization of intangible assets, and (iii) any extraordinary, unusual, or non-recurring items. We prepare Adjusted Operating Income to eliminate the impact of items we do not consider indicative of ongoing operating performance due to their inherent unusual, extraordinary, or non-recurring nature or because they result from an event of a similar nature.
- “Adjusted EBITDA” represents net income before income taxes, net interest and other expense, and depreciation and amortization and before certain other items, including: (i) certain stock option-based and other equity-based compensation expenses, (ii) transaction costs, fees, losses, and expenses, including fees associated with debt prepayments, and (iii) any extraordinary, unusual, or non-recurring items. We prepare Adjusted EBITDA to eliminate the impact of items we do not consider indicative of ongoing operating performance due to their inherent unusual, extraordinary, or non-recurring nature or because they result from an event of a similar nature.
- “Adjusted Net Income” represents net income before: (i) certain stock option-based and other equity-based compensation expenses, (ii) transaction costs, fees, losses, and expenses, including fees associated with debt prepayments, (iii) adjustments related to the amortization of intangible assets, (iv) amortization or write-off of debt issuance costs and write-off of original issue discount, and (v) any extraordinary, unusual, or non-recurring items, in each case net of the tax effect calculated using an assumed effective tax rate. We prepare Adjusted Net Income to eliminate the impact of items, net of tax, we do not consider indicative of ongoing operating performance due to their inherent unusual, extraordinary, or non-recurring nature or because they result from an event of a similar nature.
- “Adjusted Diluted EPS” represents diluted EPS calculated using Adjusted Net Income as opposed to net income.
- “Free Cash Flow” represents the net cash generated from operating activities less the impact of purchases of property and equipment.

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Below is a reconciliation of Adjusted Operating Income, Adjusted EBITDA, Adjusted Net Income, Adjusted Diluted EPS, and Free Cash Flow to the most directly comparable financial measure calculated and presented in accordance with GAAP.

| (Amounts in thousands, except share and per share data) | Fiscal Year Ended March 31, | | |
|---|-----------------------------|---------------------|--------------------|
| | 2012 | 2011 (Unaudited) | 2010 |
| Adjusted Operating Income | | | |
| Operating Income | \$ 387,432 | \$ 319,444 | \$ 199,554 |
| Certain stock-based compensation expense (a) | 14,241 | 39,947 | 68,517 |
| Purchase accounting adjustments (b) | — | — | 1,074 |
| Amortization of intangible assets (c) | 16,364 | 28,641 | 40,597 |
| Net restructuring charge (i) | 11,182 | — | — |
| Transaction expenses (d) | — | 4,448 | 3,415 |
| Adjusted Operating Income | <u>\$ 429,219</u> | <u>\$ 392,480</u> | <u>\$ 313,157</u> |
| EBITDA & Adjusted EBITDA | | | |
| Net income | \$ 239,955 | \$ 84,694 | \$ 25,419 |
| Income tax expense | 103,919 | 43,370 | 23,575 |
| Interest and other, net | 43,558 | 191,380 | 150,560 |
| Depreciation and amortization | 75,205 | 80,603 | 95,763 |
| EBITDA | <u>462,637</u> | <u>400,047</u> | <u>295,317</u> |
| Certain stock-based compensation expense (a) | 14,241 | 39,947 | 68,517 |
| Net restructuring charge (i) | 11,182 | — | — |
| Transaction expenses (d) | — | 4,448 | 3,415 |
| Purchase accounting adjustments (b) | — | — | 1,074 |
| Adjusted EBITDA | <u>\$ 488,060</u> | <u>\$ 444,442</u> | <u>\$ 368,323</u> |
| Adjusted Net Income | | | |
| Net income | \$ 239,955 | \$ 84,694 | \$ 25,419 |
| Certain stock-based compensation expense (a) | 14,241 | 39,947 | 68,517 |
| Net restructuring charge (i) | 11,182 | — | — |
| Transaction expenses (e) | — | 20,948 | 3,415 |
| Purchase accounting adjustments (b) | — | — | 1,074 |
| Amortization of intangible assets (c) | 16,364 | 28,641 | 40,597 |
| Amortization or write-off of debt issuance costs and write-off of original issue discount | 4,783 | 50,102 | 5,700 |
| Net gain on sale of state and local transportation business (f) | (5,681) | — | — |
| Release of income tax reserves (g) | (35,022) | (10,966) | — |
| Adjustments for tax effect (h) | (18,628) | (55,855) | (47,721) |
| Adjusted Net Income | <u>\$ 227,194</u> | <u>\$ 157,511</u> | <u>\$ 97,001</u> |
| Adjusted Diluted Earnings Per Share | | | |
| Weighted-average number of diluted shares outstanding | <u>140,812,012</u> | <u>127,448,700</u> | <u>116,228,380</u> |
| Adjusted Net Income Per Diluted Share | <u>\$ 1.61</u> | <u>\$ 1.24</u> | <u>\$ 0.83</u> |
| Free Cash Flow | | | |
| Net cash provided by operating activities | \$ 360,046 | \$ 296,339 | \$ 270,484 |
| Less: Purchases of property and equipment | (76,925) | (88,784) | (49,271) |
| Free Cash Flow | <u>\$ 283,121</u> | <u>\$ 207,555</u> | <u>\$ 221,213</u> |

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- (a) Reflects stock-based compensation expense for options for Class A Common Stock and restricted shares, in each case, issued in connection with the acquisition of our Company by The Carlyle Group under the Officers' Rollover Stock Plan. Also reflects stock-based compensation expense for Equity Incentive Plan Class A Common Stock options issued in connection with the acquisition under the Equity Incentive Plan.
- (b) Reflects adjustments resulting from the application of purchase accounting in connection with the acquisition not otherwise included in depreciation and amortization.
- (c) Reflects amortization of intangible assets resulting from the acquisition.
- (d) Fiscal 2011 reflects debt refinancing costs incurred in connection with the Refinancing Transaction and certain external administrative and other expenses incurred in connection with the initial public offering. Fiscal 2010 reflects costs related to the modification of our credit facilities, the establishment of the Tranche C term loan facility under our senior secured credit facilities and the related payment of special dividends.
- (e) Fiscal 2011 reflects debt refinancing costs and prepayment fees incurred in connection with the Refinancing Transaction as well as certain external administrative and other expenses incurred in connection with the initial public offering. Fiscal 2010 reflects costs related to the modification of our credit facilities, the establishment of the Tranche C term loan facility under our senior secured credit facilities and the related payment of special dividends.
- (f) Fiscal 2012 reflects the gain on sale of our state and local transportation business, net of the associated tax benefit of \$1.6 million.
- (g) Reflects the release of income tax reserves.
- (h) Reflects tax effect of adjustments at an assumed marginal tax rate of 40%.
- (i) Reflects restructuring charges of approximately \$15.7 million incurred during the three months ended March 31, 2012, net of approximately \$4.5 million of revenue recognized on recoverable expenses, associated with the cost of a restructuring plan to reduce certain personnel and infrastructure costs.

Recent Developments

On May 29, 2012, our Board of Directors authorized and declared a regular quarterly cash dividend in the amount of \$0.09 per share. In addition, the Board of Directors declared a special cash dividend of \$1.50 per share. Both the quarterly and special dividend are payable on June 29, 2012 to shareholders of record on June 11, 2012. The Compensation Committee, as the Administrator of the Officers' Rollover Stock Plan and the Amended and Restated Equity Incentive Plan, made a determination to adjust the outstanding options under each plan by reducing the exercise price of the Rollover Options by the amount of the special dividend and by granting the holders of EIP options a dividend equivalent equal to the special dividend and payable on June 29, 2012 or the vesting of the EIP option, whichever is later. We intend to continue to pay regular quarterly cash dividends; however, the actual declaration of any such future dividends and the establishment of the per share amount, record dates, and payment dates for any such future dividends are subject to the discretion of the Board of Directors taking into account future earnings, cash flows, financial requirements, and other factors.

On May 29, 2012, our Board of Directors also authorized the payment of the accrued interest on the DPO as of July 31, 2012. We expect approximately \$3.4 million will be paid on that date.

Factors and Trends Affecting Our Results of Operations

Our results of operations have been, and we expect them to continue to be, affected by the following factors, which may cause our future results of operations to differ from our historical results of operations discussed under "— Results of Operations."

Business Environment and Key Trends in Our Markets

We believe that the following trends and developments in the U.S. government services industry and our markets may influence our future results of operations:

- budget deficits and the growing U.S. national debt increasing pressure on the U.S. government to reduce federal spending across all federal agencies together with associated uncertainty about the size and timing of those reductions;

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- changes in the relative mix of overall U.S. government spending and areas of spending growth, with lower spending on homeland security, intelligence and defense-related programs as overseas operations end, and continued increased spending on cyber-security, advanced analytics, technology integration and healthcare;
- cost cutting and efficiency initiatives and other efforts to streamline the U.S. defense and intelligence infrastructure, including the initiatives implemented by the Secretary of Defense or reductions in defense budgets resulting from Congressional action or automatic sequestration as required under the Budget Control Act of 2011;
- delays in the completion of the U.S. government's budget process, which has in the past and could in the future delay procurement of the products, services, and solutions we provide;
- existing and proposed fiscal constraints by the U.S. government and uncertainty about the size of future budget reductions may cause clients to invest appropriated funds on a less consistent or rapid basis, or not at all, particularly when considering long-term initiatives, not issue task orders in sufficient volume to reach current contract ceilings, and delay requests for new proposals and contract awards, relying on short-term extensions of current contracts instead;
- the federal focus on refining the definition of "inherently governmental" work will continue to drive pockets of insourcing in various agencies, particularly in the intelligence market;
- cost cutting and efficiency and effectiveness efforts by the U.S. civilian agencies with a focus on increased use of performance measurement, "program integrity" efforts to reduce waste, fraud and abuse in entitlement programs, and renewed focus on improving procurement practices for and interagency use of IT services, including through the use of cloud based options and data center consolidation;
- U.S. government agencies awarding contracts on a technically acceptable/lowest cost basis, which could have a negative impact on our ability to win certain contracts;
- restrictions by the U.S. government on the ability of federal agencies to use lead system integrators, in response to cost, schedule and performance problems with large defense acquisition programs where contractors were performing the lead system integrator role;
- increasingly complex requirements of the Department of Defense and the U.S. Intelligence Community, including cyber-security, managing federal health care cost growth and focus on reforming existing government regulation of various sectors of the economy, such as financial regulation and healthcare;
- increased competition from other government contractors and market entrants seeking to take advantage of the trends identified above; and
- efforts by the U.S. government to address organizational conflicts of interest and related issues and the impact of those efforts on us and our competitors.

Sources of Revenue

Substantially all of our revenue is derived from services provided under contracts and task orders with the U.S. government, primarily by our consulting staff and, to a lesser extent, our subcontractors. Funding for our contracts and task orders is generally linked to trends in budgets and spending across various U.S. government agencies and departments. We provide services under a large portfolio of contracts and contract vehicles to a broad client base, and we believe that our diversified contract and client base lessens potential volatility in our business. We have historically grown and continued through fiscal 2012 to grow, our revenue organically without relying on acquisitions.

Contract Types

We generate revenue under the following three basic types of contracts:

- *Cost-Reimbursable Contracts.* Cost-reimbursable contracts provide for the payment of allowable costs incurred during performance of the contract, up to a ceiling based on the amount that has been funded, plus a fee. We generate revenue under two general types of cost-reimbursable contracts: cost-plus-fixed-fee and cost-plus-award-fee, both of which reimburse allowable costs and provide for a fee. The fee under each type of cost-reimbursable contract is generally payable upon completion of services in accordance with the terms of the contract. Cost-plus-fixed-fee contracts offer no opportunity for payment beyond the fixed fee. Cost-plus-award-fee contracts also provide for an award fee that varies within specified limits based upon the client’s assessment of our performance against a predetermined set of criteria, such as targets for factors like cost, quality, schedule, and performance.
- *Time-and-Materials Contracts.* Under a time-and-materials contract, we are paid a fixed hourly rate for each direct labor hour expended, and we are reimbursed for allowable material costs and allowable out-of-pocket expenses. To the extent our actual direct labor and associated costs vary in relation to the fixed hourly billing rates provided in the contract, we will generate more or less profit, or could incur a loss.
- *Fixed-Price Contracts.* Under a fixed-price contract, we agree to perform the specified work for a pre-determined price. To the extent our actual costs vary from the estimates upon which the price was negotiated, we will generate more or less profit, or could incur a loss. Some fixed-price contracts have a performance-based component, pursuant to which we can earn incentive payments or incur financial penalties based on our performance. Fixed-price level of effort contracts require us to provide a specified level of effort (i.e., labor hours), over a stated period of time, for a fixed price.

The amount of risk and potential reward varies under each type of contract. Under cost-reimbursable contracts, there is limited financial risk, because we are reimbursed for all allowable costs up to a ceiling. However, profit margins on this type of contract tend to be lower than on time-and-materials and fixed-price contracts. Under time-and-materials contracts, we are reimbursed for the hours worked using the predetermined hourly rates for each labor category. In addition, we are typically reimbursed for other contract direct costs and expenses at cost. We assume financial risk on time-and-materials contracts because our labor costs may exceed the negotiated billing rates. Profit margins on well-managed time-and-materials contracts tend to be higher than profit margins on cost-reimbursable contracts as long as we are able to staff those contracts with people who have an appropriate skill set. Under fixed-price contracts, we are required to deliver the objectives under the contract for a pre-determined price. Compared to time-and-materials and cost-reimbursable contracts, fixed-price contracts generally offer higher profit margin opportunities because we receive the full benefit of any cost savings but generally involve greater financial risk because we bear the impact of any cost overruns. In the aggregate, the contract type mix in our revenue for any given period will affect that period’s profitability. Over time we have experienced a relatively stable contract mix.

The table below presents the percentage of total revenue for each type of contract:

| | Fiscal Year Ended March 31, | | |
|-----------------------|--------------------------------|------|------|
| | 2012 | 2011 | 2010 |
| Cost-reimbursable (1) | 54% | 51% | 50% |
| Time-and-materials | 31% | 35% | 38% |
| Fixed-price (2) | 15% | 14% | 12% |

(1) Includes both cost-plus fixed fee and cost-plus-award fee contracts.

(2) Includes fixed price level of effort contracts.

Contract Diversity and Revenue Mix

We provide services to our clients through a large number of single award contracts and contract vehicles and multiple award contract vehicles. In fiscal 2012, the revenue from our top ten single award contracts or contract vehicles based on revenue represented 8% of our revenue. Most of our revenue is generated under ID/IQ contract vehicles, which include multiple award GWACs and GSA schedules and certain single award contracts. GWACs and GSA schedules are available to all U.S. government agencies. Any number of contractors typically compete under multiple award ID/IQ contract vehicles for task orders to provide particular services, and we earn revenue under these contract vehicles only to the extent that we are successful in the bidding process for task orders. In fiscal 2012, 2011, and 2010, our revenue under GWACs and GSA schedules collectively represented 20%, 20%, and 23% of our total revenue, respectively. No single task order under any contract represented more than 1.2% of our revenue in fiscal 2012, fiscal 2011, or fiscal 2010. No single contract accounted for more than 10% of our revenue in fiscal 2012, fiscal 2011, or fiscal 2010.

We generate revenue under our contracts and task orders through our provision of services as both a prime contractor and subcontractor, as well as from the provision of services by subcontractors under contracts and task orders for which we act as the prime contractor. For fiscal 2012, fiscal 2011, and fiscal 2010, 90%, 89%, and 87%, respectively, of our revenue was generated by contracts and task orders for which we served as a prime contractor; 10%, 11%, and 13%, respectively, of our revenue was generated by contracts and task orders for which we served as a subcontractor; and 21%, 23%, and 22%, respectively, of our revenue was generated by services provided by our subcontractors. The mix of these types of revenue affects our operating margin. Substantially all of our operating margin is derived from direct consulting staff labor and the portion of our operating margin derived from fees we earn on services provided by our subcontractors is not significant. We view growth in direct consulting staff labor as the primary measure of earnings growth. Direct consulting staff labor growth is driven by consulting staff headcount growth, after attrition, and total backlog growth.

Our People

Revenue from our contracts is derived from services delivered by consulting staff and, to a lesser extent, from our subcontractors. Our ability to hire, retain, and deploy talent with skills appropriately aligned with client needs is critical to our ability to grow our revenue. We continuously evaluate whether our talent base is properly sized and contains an optimal mix of skills to meet the rapidly evolving needs of our clients and we seek to achieve that result through recruitment and capacity management. As of March 31, 2012 and 2011 we employed approximately 25,000 people and as of March 31, 2010 we employed approximately 23,300 people, of which approximately 22,500, 22,600, and 21,100 respectively were consulting staff. Attrition for consulting staff was 21%, 19%, and 14% in fiscal 2012, fiscal 2011, and fiscal 2010, respectively. For fiscal 2012, approximately 1.8% of the 21% attrition was due to the Company's restructuring that occurred during the fourth quarter of fiscal 2012.

Contract Backlog

We define backlog to include the following three components:

- *Funded Backlog.* Funded backlog represents the revenue value of orders for services under existing contracts for which funding is appropriated or otherwise authorized less revenue previously recognized on these contracts.
- *Unfunded Backlog.* Unfunded backlog represents the revenue value of orders for services under existing contracts for which funding has not been appropriated or otherwise authorized.
- *Priced Options.* Priced contract options represent 100% of the revenue value of all future contract option periods under existing contracts that may be exercised at our clients' option and for which funding has not been appropriated or otherwise authorized.

Backlog does not include any task orders under ID/IQ contracts, including GWACs and GSA schedules, except to the extent that task orders have been awarded to us under those contracts.

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The following table summarizes the value of our contract backlog at the respective dates presented:

| | As of March 31, | | |
|--------------------|-----------------|-----------------|----------------|
| | 2012 | 2011 | 2010 |
| Backlog: | | | |
| Funded | \$ 2,898 | \$ 2,392 | \$2,528 |
| Unfunded (1) | 2,681 | 2,979 | 2,453 |
| Priced options (2) | 5,225 | 5,553 | 4,032 |
| Total backlog | <u>\$10,804</u> | <u>\$10,924</u> | <u>\$9,013</u> |

- (1) Reflects a reduction by management to the revenue value of orders for services under two existing single award ID/IQ contracts based on an established pattern of funding under these contracts by the U.S. government.
- (2) Amounts shown reflect 100% of the undiscounted revenue value of all priced options.

Our backlog includes orders under contracts that in some cases extend for several years. The U.S. Congress generally appropriates funds for our clients on a yearly basis, even though their contracts with us may call for performance that is expected to take a number of years. As a result, contracts typically are only partially funded at any point during their term and all or some of the work to be performed under the contracts may remain unfunded unless and until the U.S. Congress makes subsequent appropriations and the procuring agency allocates funding to the contract.

We view growth in total backlog and consulting staff headcount as the two key measures of our potential business growth. Growing and deploying consulting staff is the primary means by which we are able to recognize profitable revenue growth. To the extent that we are able to hire additional consulting staff and deploy them against funded backlog, we generally recognize increased revenue. Total backlog decreased by 1.1% from March 31, 2011 to March 31, 2012 and grew 21% from March 31, 2010 to March 31, 2011. Additions to funded backlog during fiscal 2012 and 2011 totaled \$6.4 billion and \$7.5 billion, respectively, as a result of the conversion of unfunded backlog to funded backlog, the award of new contracts and task orders under which funding was appropriated, and the exercise and subsequent funding of priced options. We report internally on our backlog on a monthly basis and review backlog upon occurrence of certain events to determine if any adjustments are necessary.

We cannot predict with any certainty the portion of our backlog that we expect to recognize as revenue in any future period and we cannot guarantee that we will recognize any revenue from our backlog. The primary risks that could affect our ability to recognize such revenue on a timely basis or at all are: program schedule changes, contract modifications, and our ability to assimilate and deploy new consulting staff against funded backlog; cost cutting initiatives and other efforts to reduce U.S. government spending, which could reduce or delay funding for orders for services; and delayed funding of our contracts due to delays in the completion of the U.S. government's budgeting process and the use of continuing resolutions by the U.S. government to fund its operations. Funded backlog includes orders under contracts for which the period of performance has expired, and we may not recognize revenue on the funded backlog that includes such orders due to, among other reasons, the tardy submission of invoices by our subcontractors and the expiration of the relevant appropriated funding in accordance with a pre-determined expiration date such as the end of the U.S. government's fiscal year. The revenue value of orders included in funded backlog that has not been recognized as revenue due to period of performance expirations has not exceeded approximately 4.9% of funded backlog as of the end of any of the eight fiscal quarters preceding the fiscal quarter ended March 31, 2012. In our recent experience, none of the following additional risks have had a material negative effect on our ability to realize revenue from our funded backlog: the unilateral right of the U.S. government to cancel multi-year contracts and related orders or to terminate existing contracts for convenience or default; in the case of unfunded backlog, the potential that funding will not be made available; and, in the case of priced options, the risk that our clients will not exercise their options.

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Operating Costs and Expenses

Costs associated with compensation and related expenses for our people are the most significant component of our operating costs and expenses. The principal factors that affect our costs are additional people as we grow our business and are awarded new contracts, task orders, and additional work under our existing contracts, and the hiring of people with specific skill sets and security clearances as required by our additional work. In conjunction with our initial public offering, our Board of Directors adopted a new equity compensation plan. The equity compensation component of the new plan has reduced officer-related compensation expense included in cost of revenue and general and administrative expenses over the near term with such expense reduction to reverse over time.

Our most significant operating costs and expenses are described below.

- *Cost of Revenue.* Cost of revenue includes direct labor, related employee benefits, and overhead. Overhead consists of indirect costs, including indirect labor relating to infrastructure, management and administration, and other expenses.
- *Billable Expenses.* Billable expenses include direct subcontractor expenses, travel expenses, and other expenses incurred to perform on contracts.
- *General and Administrative Expenses.* General and administrative expenses include indirect labor of executive management and corporate administrative functions, marketing and bid and proposal costs, and other discretionary spending.
- *Depreciation and Amortization.* Depreciation and amortization includes the depreciation of computers, leasehold improvements, furniture and other equipment, and the amortization of internally developed software, as well as third-party software that we use internally, and of identifiable long-lived intangible assets over their estimated useful lives.

Seasonality

The U.S. government's fiscal year ends on September 30 of each year. It is not uncommon for U.S. government agencies to award extra tasks or complete other contract actions in the weeks before the end of its fiscal year in order to avoid the loss of unexpended fiscal year funds. In addition, we also have generally experienced higher bid and proposal costs in the months leading up to the U.S. government's fiscal year end as we pursue new contract opportunities being awarded shortly after the U.S. government fiscal year end as new opportunities are expected to have funding appropriated in the U.S. government's subsequent fiscal year. We may continue to experience this seasonality in future periods, and our future periods may be affected by it.

Seasonality is just one of a number of factors, many of which are outside of our control, which may affect our results in any period. See "Item 1A. Risk Factors."

Critical Accounting Estimates and Policies

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. The preparation of these consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenue and expenses during the reporting period. Management evaluates these estimates and assumptions on an ongoing basis. Our estimates and assumptions have been prepared on the basis of the most current reasonably available information. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies, including the critical policies and practices listed below, are more fully described and discussed in the notes to the consolidated financial statements. We consider the following

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accounting policies to be critical to an understanding of our financial condition and results of operations because these policies require the most difficult, subjective or complex judgments on the part of our management in their application, often as a result of the need to make estimates about the effect of matters that are inherently uncertain, and are the most important to our financial condition and operating results.

Revenue Recognition and Cost Estimation

Substantially all of our revenue is derived from contracts to provide professional services to the U.S. government and its agencies. In most cases, we recognize revenue as work is performed. We recognize revenue for cost-plus-fixed-fee contracts with the U.S. government as hours are worked based on reimbursable and allowable costs, recoverable indirect costs and an accrual for the fixed fee component of these contracts. Many of our U.S. government contracts include award fees, which are earned based on the client's evaluation of our performance. We have significant history with the client for the majority of contracts on which we earn award fees. That history and management monitoring of performance form the basis for our ability to estimate such fees over the life of the contract. Based on these estimates, we recognize award fees as work on the contracts is performed. Revisions to these estimates may result in increases or decreases to revenue and income, and are reflected in the financial statements in periods in which they are identified.

Revenue earned under time-and-materials contracts is recognized as hours are worked based on contractually billable rates to the client. Costs on time-and-materials contracts are expensed as incurred.

For fixed-price contracts, we recognize revenue on the percentage-of-completion basis with progress toward completion of a particular contract based on actual costs incurred relative to total estimated costs to be incurred over the life of the contract. Profits on fixed-price contracts result from the difference between the incurred costs and the revenue earned. This method is followed where reasonably dependable estimates of revenue and costs under the contract can be made. Estimates of total contract revenue and costs are regularly reviewed and recorded revenue and costs are subject to revision as the contract progresses. Such revisions may result in increases or decreases to revenue and income, and are reflected in the financial statements in the periods in which they are first identified. If our estimates indicate that a contract loss will occur, a loss provision is recorded in the period in which the loss first becomes probable and reasonably estimable. Estimating costs under our long-term contracts is complex and involves significant judgment. Factors that must be considered in making estimates include labor productivity and availability, the nature and technical complexity of the work to be performed, potential performance delays, warranty obligations, availability and timing of funding from the client, progress toward completion, and recoverability of claims. Adjustments to original estimates are often required as work progresses and additional information becomes known, even though the scope of the work required under the contract may not change. Any adjustment as a result of a change in estimates is made when facts develop, events become known, or an adjustment is otherwise warranted, such as in the case of a contract modification. We have procedures and processes in place to monitor the actual progress of a project against estimates and our estimates are updated if circumstances are warranted.

Goodwill and Intangible Assets Impairment

We test goodwill for impairment at the reporting unit level on an annual basis or if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. As the consolidated entity represents the only component that constitutes a business whereby discrete financial information is available, we concluded that we have one reporting unit, which is the same as our single operating segment. We test the trade name for impairment using the royalty relief method. We perform our annual testing for impairment of goodwill and the trade name as of January 1 of each year.

We performed an annual impairment test of goodwill and the trade name as of January 1, 2012 and 2011. On December 31, 2011, we adopted new Goodwill impairment guidance whereby we performed a qualitative assessment of whether it was more likely than not the fair value of the reporting unit was less than the carrying value of equity. In making this assessment we considered all relevant events and circumstances. These include, but are not limited to, macroeconomic conditions, industry and market considerations, and the reporting unit's

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overall financial performance. Based on our qualitative assessment at January 1, 2012, we believe that it was not likely (i.e., a likelihood of more than 50 percent) that the fair value of our reporting unit was less than the carrying amount. During the fiscal years ended March 31, 2012 and 2011, we did not record any goodwill impairment or any impairment of our trade name. Further, we do not consider any of the goodwill or trade name at risk of impairment.

Share-Based Payments

We use the Black-Scholes option-pricing model to determine the estimated fair value for stock options. Critical inputs into the Black-Scholes option-pricing model include the following: option exercise price; fair value of the stock price; expected life of the option; annualized volatility of the stock; annual rate of quarterly dividends on the stock; and risk-free interest rate.

On February 1, 2012, the Company's Board of Directors authorized and declared a cash dividend in the amount of \$0.09 per share to holders of Booz Allen Holding's Class A Common Stock, Class B Non-Voting Common Stock and Class C Restricted Common Stock. Therefore, an annualized dividend yield of approximately 2% was used in the Black-Scholes option-pricing model for all grants issued after February 1, 2012. Prior to this, the company did not issue recurring dividends and a dividend yield of zero was used in the Black-Scholes option-pricing model. Implied volatility is calculated as of each grant date based on our historical volatility along with an assessment of a peer group for future option grants. Other than the expected life of the option, volatility is the most sensitive input to our option grants. To be consistent with all other implied calculations, the same peer group used to calculate other implied metrics is also used to calculate implied volatility. While we are not aware of any news or disclosures by our peers that may impact their respective volatility, there is a risk that peer group volatility may increase, potentially increasing any prospective future compensation expense that will result from future option grants.

The risk-free interest rate used in the Black-Scholes option-pricing model is determined by referencing the U.S. Treasury yield curve rates with the remaining term equal to the expected life assumed at the date of grant.

Forfeitures are estimated based on our historical analysis of attrition levels. Forfeiture estimates will be updated quarterly for actual forfeitures. We do not expect this assumption to change materially, as attrition levels associated with new option grants have not materially changed.

As our Class A Common Stock was not publicly traded until November 16, 2010, we previously obtained contemporaneous valuations by an independent valuation specialist for our fair value determinations. The valuations were based on several generally accepted valuation techniques: a discounted cash flow analysis, a comparable public company analysis, and for the most recent valuation, a comparative transaction analysis. Estimates used in connection with the discounted cash flow analysis were consistent with the plans and estimates that we use to manage the business although there is inherent uncertainty in these estimates. The valuation analysis resulted in a range of derived values with the final value selected and approved by our Compensation Committee. The completion of the initial public offering has added value to the shares due to, among other things, increased liquidity and marketability; however, the extent (if any) of such additional value cannot be measured with precision or certainty and the shares could suffer a decrease in value. As a public company, we now use the closing price of our Class A Common Stock on the grant date for valuation purposes.

Accounting for Income Taxes

Provisions for federal and state income taxes are calculated from the income reported on our financial statements based on current tax law and also include the cumulative effect of any changes in tax rates from those

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previously used in determining deferred tax assets and liabilities. Such provisions differ from the amounts currently receivable or payable because certain items of income and expense are recognized in different time periods for purposes of preparing financial statements than for income tax purposes.

Significant judgment is required in determining income tax provisions and evaluating tax positions. We establish reserves for uncertain tax positions when, despite the belief that our tax positions are supportable, there remains uncertainty in a tax position taken in our previously filed income tax returns. For tax positions where it is more likely than not that a tax benefit will be sustained, we record the largest amount of tax benefit with a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. To the extent we prevail in matters for which accruals have been established or are required to pay amounts in excess of reserves, our effective tax rate in a given financial statement period may be materially impacted.

The carrying value of our net deferred tax assets assumes that we will be able to generate sufficient future taxable income in certain tax jurisdictions to realize the value of these assets. If we are unable to generate sufficient future taxable income in these jurisdictions, a valuation allowance is recorded when it is more likely than not that the value of the deferred tax assets is not realizable.

Recent Accounting Pronouncements

During the fiscal year ended March 31, 2012, the Company adopted the following accounting pronouncements, none of which had a material impact on the Company's consolidated financial statements:

In June 2011, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update 2011-05, Presentation of Comprehensive Income, which amends the presentation options in Accounting Standards Codification Topic 220, Comprehensive Income. This guidance requires companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The guidance does not change the items which must be reported in other comprehensive income, how such items are measured, or when they must be reclassified to net income. The guidance is effective for interim and annual periods beginning after December 15, 2011, with early adoption permitted. As this guidance impacts presentation only, it will have no effect on the Company's financial condition, results of operations, or cash flows. The Company elected early adoption effective June 30, 2011 using the two-statement approach.

In September 2011, the FASB issued Accounting Standards Update 2011-08, Testing Goodwill for Impairment, which amends Topic 350, Intangibles – Goodwill and Other. This guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The guidance is effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company elected early adoption effective as of our measurement date, January 1, 2012. Based on our qualitative assessment at January 1, 2012, we believe that it was not likely (i.e., a likelihood of more than 50 percent) that the fair value of our reporting unit was less than the carrying amount.

Other recent accounting pronouncements issued by the Financial Accounting Standards Board during fiscal 2012 and through the filing date did not and are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

Segment Reporting

We report operating results and financial data in one operating and reportable segment. We manage our business as a single profit center in order to promote collaboration, provide comprehensive functional service

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offerings across our entire client base, and provide incentives to employees based on the success of the organization as a whole. Although certain information regarding served markets and functional capabilities is discussed for purposes of promoting an understanding of our complex business, we manage our business and allocate resources at the consolidated level of a single operating segment.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, and have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. All intercompany balances and transactions have been eliminated in consolidation.

The Company's fiscal year ends on March 31 and unless otherwise noted, references to fiscal year or fiscal are for fiscal years ended March 31. The accompanying consolidated financial statements present the financial position of the Company as of March 31, 2012 and 2011 and the Company's results of operations for fiscal 2012, fiscal 2011, and fiscal 2010.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Results of Operations

The following table sets forth items from our consolidated statements of operations for the periods indicated.

| | Fiscal Year Ended March 31, | | | Fiscal 2012 Versus Fiscal 2011 | Fiscal 2011 Versus Fiscal 2010 |
|--|-----------------------------|------------------|------------------|--------------------------------------|--------------------------------------|
| | 2012 | 2011 | 2010 | | |
| | (In thousands) | | | | |
| Revenue | \$5,859,218 | \$5,591,296 | \$5,122,633 | 4.8% | 9.1% |
| Operating costs and expenses: | | | | | |
| Cost of revenue | 2,934,378 | 2,836,955 | 2,654,143 | 3.4% | 6.9% |
| Billable expenses | 1,542,822 | 1,473,266 | 1,361,229 | 4.7% | 8.2% |
| General and administrative expenses | 903,721 | 881,028 | 811,944 | 2.6% | 8.5% |
| Depreciation and amortization | 75,205 | 80,603 | 95,763 | (6.7%) | (15.8%) |
| Restructuring charge | 15,660 | — | — | — | — |
| Total operating costs and expenses | 5,471,786 | 5,271,852 | 4,923,079 | 3.8% | 7.1% |
| Operating income | 387,432 | 319,444 | 199,554 | 21.3% | 60.1% |
| Interest expense | (48,078) | (131,892) | (150,734) | (63.5%) | (12.5%) |
| Other, net | 4,520 | (59,488) | 174 | (107.6%) | (34,288.5%) |
| Income from operations and before income taxes | 343,874 | 128,064 | 48,994 | 168.5% | 161.4% |
| Income tax expense | 103,919 | 43,370 | 23,575 | 139.6% | 84.0% |
| Net income | <u>\$ 239,955</u> | <u>\$ 84,694</u> | <u>\$ 25,419</u> | <u>183.3%</u> | <u>233.2%</u> |

Fiscal 2012 Compared to Fiscal 2011

Revenue

Revenue increased to \$5,859.2 million from \$5,591.3 million, or a 4.8% increase. The increase in revenue was primarily driven by improved deployment of direct consulting staff against funded backlog and increased other direct costs. We deployed during fiscal year 2012 approximately 300 net additional consulting staff, before taking into consideration the decrease in consulting staff due to the cost restructuring plan at the end of fiscal year 2012. The increase in net consulting staff during fiscal 2012 was offset by a reduction of personnel as a result of a cost restructuring plan finalized in the fourth quarter of fiscal year 2012 that was intended to reduce

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personnel and infrastructure costs. We implemented this in response to continued budget constraints and uncertainty in our industry and to provide funds to increase our resources dedicated to growth areas across our markets. As part of this cost restructuring plan, we reduced overall headcount by approximately 2%. Additions to funded backlog during fiscal 2012 totaled \$6.4 billion, as a result of the conversion of unfunded backlog to funded backlog, the award of new contracts and task orders under which funding was appropriated, and the exercise and subsequent funding of priced options.

Cost of Revenue

Cost of revenue increased to \$2,934.4 million from \$2,837.0 million, or a 3.4% increase. This increase was primarily due to increases in salaries and salary-related benefits of \$110.3 million and employer retirement plan contributions of \$12.7 million. The increase in salaries and salary-related benefits was driven by an increase in headcount growth prior to the impact of the cost restructuring plan finalized during the fourth quarter of fiscal 2012 and annual base salary increases. The increase in employer retirement plan contributions was due to an increase in the number of employees who completed one year of service and became eligible to participate in our defined contribution plan, the Employees' Capital Accumulation Plan, or ECAP.

The cost of revenue increase was partially offset by decreases of \$25.2 million in incentive compensation and \$5.1 million in stock-based compensation expense. The decrease in incentive compensation was due to an amendment to the Officers' compensation plan effective October 1, 2010, such that a portion of incentive compensation is now paid via grants of restricted stock on July 1 of each year, rather than cash, and will vest over a three year period, and management's determination to reduce incentive compensation accrual rates for fiscal year 2012 in response to higher than expected business development costs and marketing and bid and proposal activity as well as administrative costs associated with delays in deploying certain direct consulting staff labor. The decrease in stock-based compensation expense was primarily due to a decrease in expense recognition compared to the prior fiscal year due to the application of the accounting method for recognizing stock-based compensation, which requires higher expenses initially and declining expenses in subsequent years. Cost of revenue as a percentage of revenue was 50.1% and 50.7% in fiscal 2012 and fiscal 2011, respectively.

Billable Expenses

Billable expenses increased to \$1,542.8 million from \$1,473.3 million, or a 4.7% increase. This increase was primarily due to increased subcontractor-related expenses of \$80.7 million and increased travel and material expenses of \$7.3 million. The increase in direct subcontractor expenses was in support of growth on existing and new contracts and task orders during fiscal 2012. Billable expenses as a percentage of revenue was 26.3% in fiscal 2012 and fiscal 2011, respectively.

General and Administrative Expenses

General and administrative expenses increased to \$903.7 million from \$881.0 million, or a 2.6% increase. This increase was primarily due to increases in salaries and salary-related benefits of \$56.6 million associated with an increase in average headcount and an increase of \$15.8 million in other business-related expenses and professional fees to support the increased scale of our business.

The increase in general and administrative expenses was partially offset by decreases of \$31.3 million in incentive compensation, \$12.5 million in stock-based compensation expenses and \$5.9 million in employer retirement plan contributions. The decrease in incentive compensation was due to lower incentive compensation accrual rates for fiscal year 2012, and an amendment to the Officers' compensation plan that was effective October 1, 2010, such that a portion of incentive compensation is now paid via grants of restricted stock on July 1 of each year, rather than cash, and will vest over a three year period. The decrease in stock-based compensation expense was primarily due to a decrease in expense recognition compared to the same prior year period due to the application of the accounting method for recognizing stock-based compensation, which requires

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higher expenses initially and declining expenses in subsequent years. The decrease in employer retirement plan contributions was due to the associated decrease in incentive compensation. General and administrative expenses as a percentage of revenue were 15.4% and 15.8% for fiscal 2012 and fiscal 2011, respectively.

Depreciation and Amortization

Depreciation and amortization decreased to \$75.2 million from \$80.6 million, or a 6.7% decrease. This decrease was primarily due to a decrease of \$12.3 million in the amortization of our intangible assets, which includes below market rate leases and contract backlog that were recorded in connection with the acquisition and are amortized based on contractual lease terms and projected future cash flows, respectively, thereby reflecting higher amortization expense initially and declining expense in subsequent periods. Intangible asset amortization expense decreased to \$16.4 million in fiscal 2012 compared to \$28.6 million in fiscal 2011. The decrease in amortization expense was partially offset by an increase in depreciation expense associated with capital expenditures purchased during fiscal 2012 attributable to investments in facility expansion and computer equipment.

Interest Expense

Interest expense decreased to \$48.1 million from \$131.9 million, or a 63.5% decrease. This decrease was primarily due to the refinancing of our senior secured loan facilities in February 2011 to lower interest rates during fiscal 2012.

Interest is accrued on our \$970.0 million outstanding debt principal balance as of March 31, 2012 at contractually specified rates ranging from 2.49% to 3.75%, and is generally required to be paid to our syndicate of lenders on a monthly or quarterly basis.

Income Tax Expense

Income tax expense increased to \$103.9 million from \$43.4 million, or a 139.6% increase. The increase was primarily due to an increase in fiscal 2012 pre-tax income as compared to fiscal 2011 partially offset by a lower effective tax rate. The effective tax rate decreased to 30.2% from 33.9% primarily due to the increase in the release of uncertain tax position reserves in fiscal 2012 as compared to fiscal 2011.

Fiscal 2011 Compared to Fiscal 2010

Revenue

Revenue increased to \$5,591.3 million from \$5,122.6 million, or a 9.1% increase. The increase in revenue was primarily driven by the deployment during fiscal 2011 of approximately 1,500 net additional consulting staff against funded backlog. Consulting staff increased during the period due to recruiting efforts, resulting in additions to consulting staff in excess of attrition. Additions to funded backlog during fiscal 2011 totaled \$7.5 billion, as a result of the conversion of unfunded backlog to funded backlog, the award of new contracts and task orders under which funding was appropriated, and the exercise and subsequent funding of priced options.

Cost of Revenue

Cost of revenue increased to \$2,837.0 million from \$2,654.1 million, or a 6.9% increase. This increase was primarily due to increases in salaries and salary-related benefits of \$183.3 million and employer retirement plan contributions of \$13.9 million. The increase in salaries and salary-related benefits was driven by headcount growth of approximately 1,500 net additional consulting staff during fiscal 2011 and annual base salary increases. The increase in employer retirement plan contributions was due to an increase in the number of employees who completed one year of service and became eligible to participate in our defined contribution plan, the ECAP.

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The cost of revenue increase was partially offset by decreases of \$14.5 million in incentive compensation and \$13.5 million in stock-based compensation expense for Rollover and EIP options for Class A Common Stock and restricted shares, in each case issued in connection with the acquisition (stock-based compensation expense related to Rollover options and restricted shares issued in connection with the acquisition and the initial grant of EIP options, collectively referred to as acquisition-related compensation expenses). The decrease in incentive compensation was primarily due to a decrease in the number of senior personnel eligible for incentive compensation engaged in day-to-day client management roles and an amendment to the officers' compensation plan such that a portion of incentive compensation will be paid in stock-based compensation, rather than cash, and will vest over a three year period. The decrease in acquisition-related compensation expense was primarily due to a decrease in expense recognition compared to the prior fiscal year due to the application of the accounting method for recognizing stock-based compensation, which requires higher expenses initially and declining expenses in subsequent years. The decrease in the number of senior personnel eligible for incentive compensation engaged in day-to-day client management roles and the related increase in the number of senior personnel eligible for incentive compensation engaged in internal management, development and strategic planning discussed under general and administrative expenses reflects an internal realignment of such senior personnel to better address the changing needs of our company primarily as a result of general business growth. Cost of revenue as a percentage of revenue was 50.7% and 51.8% in fiscal 2011 and fiscal 2010, respectively.

Billable Expenses

Billable expenses increased to \$1,473.3 million from \$1,361.2 million, or an 8.2% increase. This increase was primarily due to increased subcontractor-related expenses of \$108.6 million and was partially offset by decreases in travel and material expenses of \$13.5 million. The increase in direct subcontractor expenses was primarily attributable to increased use of subcontractors. Billable expenses as a percentage of revenue were 26.3% and 26.6% in fiscal 2011 and fiscal 2010, respectively.

General and Administrative Expenses

General and administrative expenses increased to \$881.0 million from \$811.9 million, or an 8.5% increase. This increase was primarily due to increases in salaries and salary-related benefits of \$68.6 million, incentive compensation of \$6.0 million, employer retirement plan contributions of \$4.4 million, and other expenses associated with increased headcount across our general corporate functions, including finance, accounting, legal, and human resources, to support our transition from a private to a public company and to support the increased scale of our business. The increase in incentive compensation was due to an increased number of senior personnel eligible for incentive compensation engaged in internal management, development, and strategic planning as a result of the internal realignment described above under Cost of Revenue. The increase in incentive compensation is net of the impact of the amendment to the officers' compensation plan such that a portion of incentive compensation will be paid in stock-based compensation, rather than cash, and will vest over a three year period. Incentive compensation paid in cash is recognized ratably over the fiscal year, as compared to stock-based awards, which are recognized over the vesting period.

The increase in general and administrative expenses was partially offset by a decrease of \$22.6 million in acquisition-related compensation expenses. The decrease in acquisition-related compensation expense was primarily due to a decrease in expense recognition compared to the prior fiscal year due to the application of the accounting method for recognizing stock-based compensation, which requires higher expenses initially and declining expenses in subsequent years. General and administrative expenses as a percentage of revenue were 15.8% and 15.9% for fiscal 2011 and fiscal 2010, respectively.

Depreciation and Amortization

Depreciation and amortization decreased to \$80.6 million from \$95.8 million, or a 15.8% decrease. This decrease was primarily due to a decrease of \$12.0 million in the amortization of our intangible assets, which

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includes below market rate leases and contract backlog that were recorded in connection with the acquisition and are amortized based on contractual lease terms and projected future cash flows, respectively, thereby reflecting higher amortization expense initially and declining expense in subsequent periods. Intangible asset amortization expense decreased to \$2.4 million per month in fiscal 2011 compared to \$3.4 million per month in fiscal 2010.

Interest Expense

Interest expense decreased to \$131.9 million from \$150.7 million, or a 12.5% decrease. This decrease was primarily due to an \$11.0 million decrease in contractually obligated interest expense as a result of the repayment of indebtedness outstanding under our mezzanine credit facility and the refinancing of our senior secured loan facilities at lower interest rates during fiscal 2011. The decrease was also due to a \$5.8 million reduction in interest expense on the deferred payment obligation. In December 2009, we repaid \$78.0 million of the original deferred payment obligation plus accrued interest of \$22.4 million. Interest continues to be accrued subsequent to December 2009 on the remaining \$80.0 million of the deferred payment obligation.

Income Tax Expense

The effective tax rate decreased to 33.9% from 48.1% primarily due to the reduction in income tax reserves as a result of an expiring statute of limitations. Based on management's conclusion that the uncertain tax positions related to the statute lapse were effectively settled, \$11.0 million of tax reserves, including accrued interest and penalties, were released, which reduced the effective tax rate for fiscal 2011 by 8.6%.

Liquidity and Capital Resources

We have historically been able to generate sufficient cash to fund our operations, debt payments, capital expenditures, and discretionary funding needs. We had \$484.4 million and \$192.6 million in cash and cash equivalents as of March 31, 2012 and 2011, respectively. However, due to fluctuations in cash flows and the growth in operations, it may be necessary from time-to-time in the future to borrow under our senior secured loan facilities to meet cash demands. We anticipate that cash provided by operating activities, existing cash and cash equivalents, and borrowing capacity under our revolving credit facility will be sufficient to meet our anticipated cash requirements for the next twelve months, which primarily include:

- operating expenses, including salaries;
- working capital requirements to fund the growth of our business;
- capital expenditures which primarily relate to the purchase of computers, business systems, furniture and leasehold improvements to support our operations;
- debt service requirements for borrowings under our senior secured loan facilities; and
- cash taxes to be paid.

Our debt totaled \$965.4 million and \$994.3 million as of March 31, 2012 and 2011, respectively. Our debt bears interest at specified rates and is held by a syndicate of lenders (see Note 11 in our consolidated financial statements).

Our senior secured loan facilities consist of a \$500.0 million Tranche A term facility, or Tranche A Loans, and a \$500.0 million Tranche B term facility, or Tranche B Loans. As of March 31, 2012 we had \$475.0 million and \$495.0 million principal outstanding under the Tranche A term facility and Tranche B term facility, respectively. As of March 31, 2011 we had \$500 million principal outstanding under both the Tranche A term facility and Tranche B term facility, respectively.

From time to time we evaluate alternative uses for excess cash resources including debt prepayments, payment of dividends, share repurchases or funding acquisitions. Any determination to pursue one or more of the

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above alternative uses for excess cash is subject to the discretion of our Board of Directors, and will depend upon various factors, including our results of operations, financial condition, liquidity requirements, restrictions that may be imposed by applicable law, our contracts, and our senior secured credit agreement, as amended, and other factors deemed relevant by our Board of Directors.

On December 12, 2011, our Board of Directors approved a \$30.0 million share repurchase program, to be funded from cash on hand. A special committee of the Board of Directors was appointed to evaluate market conditions and other relevant factors and initiate repurchases under the program from time to time. The share repurchase program may be suspended, modified or discontinued at any time at the Company's discretion without prior notice. As of March 31, 2012, no shares have been repurchased under the program.

On February 1, 2012, our Board of Directors authorized and declared a cash dividend in the amount of \$0.09 per share to holders of Booz Allen Holding's Class A Common Stock, Class B Non-Voting Common Stock and Class C Restricted Common Stock. The dividend was paid in cash on February 29, 2012 to stockholders of record at the close of business on February 13, 2012. On February 1, 2012, our Board of Directors also authorized the payment of the accrued interest on the DPO as of February 29, 2012. Approximately \$19.4 million was paid.

On May 29, 2012, our Board of Directors authorized and declared a regular quarterly cash dividend in the amount of \$0.09 per share. In addition, the Board of Directors declared a special cash dividend of \$1.50 per share. Both the quarterly and special dividend are payable on June 29, 2012 to shareholders of record on June 11, 2012. The Compensation Committee, as the Administrator of the Officers' Rollover Stock Plan and the Amended and Restated Equity Incentive Plan, made a determination to adjust the outstanding options under each plan by reducing the exercise price of the Rollover Options by the amount of the special dividend and by granting the holders of EIP options a dividend equivalent equal to the special dividend and payable on June 29, 2012 or the vesting of the EIP option, whichever is later.

On May 29, 2012, our Board of Directors also authorized the payment of the accrued interest on the DPO as of July 31, 2012. We expect approximately \$3.4 million will be paid on that date.

Cash Flows

Cash received from clients, either from the payment of invoices for work performed or for advances in excess of costs incurred, is our primary source of cash. We generally do not begin work on contracts until funding is appropriated by the client. Billing timetables and payment terms on our contracts vary based on a number of factors, including whether the contract type is cost-reimbursable, time-and-materials, or fixed-price. We generally bill and collect cash more frequently under cost-reimbursable and time-and-materials contracts, as we are authorized to bill as the costs are incurred or work is performed. In contrast, we may be limited to bill certain fixed-price contracts only when specified milestones, including deliveries, are achieved. We experienced a slight shift to fixed-price contracts year over year resulting in no material impact to operating cash flow. In addition, a number of our contracts may provide for performance-based payments, which allow us to bill and collect cash prior to completing the work.

Accounts receivable is the principal component of our working capital and is generally driven by revenue growth with other short-term fluctuations related to the payment practices of our clients. Our accounts receivable reflect amounts billed to our clients as of each balance sheet date. Our clients generally pay our invoices within 30 days of the invoice date. At any month-end, we also include in accounts receivable the revenue that was recognized in the preceding month, which is generally billed early in the following month. Finally, we include in accounts receivable amounts related to revenue accrued in excess of amounts billed, primarily on our fixed-price and cost-plus-award-fee contracts. The total amount of our accounts receivable can vary significantly over time, but is generally sensitive to revenue levels. Total accounts receivable (billed and unbilled combined, net of allowance for doubtful accounts) days sales outstanding, which we calculate by dividing total accounts receivable by revenue per day during the relevant fiscal quarter, was 65 and 68 as of March 31, 2012 and 2011, respectively.

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The table below sets forth our net cash flows for the periods presented:

| | Fiscal Year Ended March 31, | | |
|--|-----------------------------|--------------------|--------------------|
| | 2012 | 2011 | 2010 |
| | | (In thousands) | |
| Net cash provided by operating activities | \$360,046 | \$ 296,339 | \$ 270,484 |
| Net cash used in investing activities | (53,593) | (87,400) | (10,991) |
| Net cash used in financing activities | (14,716) | (324,143) | (372,560) |
| Total increase (decrease) in cash and cash equivalents | <u>\$291,737</u> | <u>\$(115,204)</u> | <u>\$(113,067)</u> |

Net Cash from Operating Activities

Net cash from operations is primarily affected by the profitability to date of our contracts, our ability to invoice and collect from clients in a timely manner, and our ability to manage our vendor payments. Net cash provided by operations was \$360.0 million in fiscal 2012 compared to \$296.3 million in the prior year period, or a 21.5% increase. The increase in net cash provided by operations was primarily due to net income growth and improved collections of accounts receivable, partially offset by increased cash used for accrued compensation and benefits. In addition, our tax payments increased by \$81.6 million in fiscal 2012 due to the utilization of our NOL.

Net Cash from Investing Activities

Net cash used in investing activities was \$53.6 million in fiscal 2012 compared to \$87.4 million in the prior year period. The decrease in net cash used in investing activities was primarily due to cash proceeds received of \$23.3 million from the sale of our state and local transportation business. Capital expenditures also decreased from \$88.8 million in fiscal 2011 to \$76.9 million in fiscal 2012. Capital expenditures in fiscal 2011 were higher due to the additional facility expansion and computer equipment to support the increase in headcount. We expect capital expenditures in future years to be more comparable to historical levels.

Net Cash from Financing Activities

Net cash used in financing activities was \$14.8 million in fiscal 2012 compared to \$324.1 million in the prior year period, or a 95.4% decrease. The decrease in net cash used in financing activities was primarily due to the repayment of debt in fiscal 2011, offset by a decrease in net proceeds from the issuance of common stock due to our initial public offering in fiscal 2011.

Indebtedness

On February 3, 2011, we completed the refinancing of our credit facilities, or “the Refinancing Transaction,” which included amendments of the senior secured credit agreement to amend the term loan facilities and increase our revolving credit facility. The senior secured credit agreement, as amended, provides for \$1.0 billion in term loans (\$500.0 million of Tranche A Loans and \$500.0 million of Tranche B Loans) and a \$275.0 million revolving credit facility. The loans under the senior secured credit agreement, as amended, are secured by substantially all of our assets. In connection with the Refinancing Transaction, we used \$268.9 million of cash on hand to repay the remaining \$222.1 million of indebtedness outstanding under the mezzanine credit facility, \$21.5 million under the then effective senior secured loan facilities, and transaction fees and expenses.

In accordance with the terms of the mezzanine credit facility, we paid a prepayment penalty of \$6.7 million, or 3.00% of the principal repayment amount. In addition, we accelerated the amortization of ratable portions of DIC and OID associated with the senior secured loan facilities in the amount of \$11.4 million and \$6.4 million,

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respectively, and the remaining DIC and OID on the mezzanine credit facility in the amount of \$8.3 million and \$1.8 million, respectively. These amounts are reflected in other, net in fiscal 2011. Furthermore, we expensed third party DIC of \$4.3 million that did not qualify for deferral and were recognized in general and administrative expenses in fiscal 2011.

We maintain a senior secured credit agreement, as amended, with a syndicate of lenders. The senior secured credit agreement, as amended, provides for \$1.0 billion in term loans (\$500.0 million of Tranche A loans and \$500.0 million of Tranche B loans) and a \$275.0 million revolving credit facility.

The senior secured credit agreement, as amended, requires quarterly principal payments of 1.25% of the stated principal amount of Tranche A Loans, with annual incremental increases to 1.875%, 2.50%, 3.125%, and 16.25%, prior to the Tranche A Loans maturity date of February 3, 2016, and 0.25% of the stated principal amount of Tranche B Loans, with the remaining balance payable on the Tranche B Loans maturity date of August 3, 2017. The revolving credit facility matures on July 31, 2014, at which time any outstanding principal balance is due in full.

At our option, the interest rate on borrowings under the senior secured loan facilities may be based on the Eurocurrency rate or the alternate base rate, ABR plus, in each case, an applicable margin, subject to the Eurocurrency rate and ABR being no lower than 1.00% or 2.00% respectively, in the case of Tranche B Loans. Subject to a leveraged based pricing grid, the applicable margins on Tranche A Loans range from 2.00% to 2.75% with respect to Eurocurrency loans, or 1.00% to 1.75% with respect to ABR loans. The applicable margins on Tranche B Loans are 3.00% with respect to Eurocurrency loans, or 4.00% with respect to the ABR loans, stepping down, in each case to 2.75% and 3.75%, respectively, when the total leverage ratio is less than or equal to 1.75 to 1.00. The revolving credit facility margin and commitment fee are subject to the leveraged based pricing grid, as set forth in the senior secured credit agreement, as amended. As of March 31, 2012, we were contingently liable under open standby letters of credit and bank guarantees issued by our banks in favor of third parties that total \$2.2 million. These letters of credit and bank guarantees primarily relate to leases and support of insurance obligations. These instruments reduce our available borrowings under the revolving credit facility. As of March 31, 2012, we had \$272.8 million of capacity available for additional borrowings under the revolving credit facility.

The loans under the senior secured credit agreement, as amended, are secured by substantially all of our assets and none of such assets will be available to satisfy the claims of our general creditors. The senior secured credit agreement contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants are limited to the following: limitations on indebtedness and liens, mergers, consolidations or amalgamations, or liquidations, wind-ups or dissolutions; dispositions of property; restricted payments; investments; transactions with affiliates; sale and lease back transactions; negative pledges; restrictive agreements; and certain other limitations or activities.

In addition, we are required to meet the following financial covenants at each quarter end:

- *Consolidated Total Leverage Ratio* — the ratio of total leverage as of the last day of the quarter (defined as the aggregate principal amount of all funded debt, less cash, cash equivalents and permitted liquid investments of up to \$150.0 million) to the preceding four quarters' "Consolidated EBITDA" (as defined in the senior secured credit agreement, as amended). For the period ended March 31, 2012, this ratio was required to be less than or equal to 3.75 to 1.0 to comply with our senior secured loan facilities. As of March 31, 2012, we were in compliance with our consolidated total leverage ratio with a ratio of 1.60.
- *Consolidated Net Interest Coverage Ratio* — the ratio of the preceding four quarters' "Consolidated EBITDA" (as defined in the senior secured credit agreement, as amended) to net interest expense for the preceding four quarters (defined as cash interest expense, less the sum of cash interest income and one-time financing fees (to the extent included in consolidated interest expense)). For the period ended

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March 31, 2012, this ratio was required to be greater than or equal to 3.25 to 1.0 to comply with our senior secured loan facilities. As of March 31, 2012, we were in compliance with our consolidated net interest coverage ratio with a ratio of 15.85.

Prior to the February 2011 Refinancing Transaction, our then existing senior secured credit agreement provided for \$1,060.0 million in term loans (\$125.0 million Tranche A Loans, \$585.0 million Tranche B Loans, and \$350.0 million Tranche C terms loans), and a \$245.0 million revolving credit facility. Prior to the February 2011 Refinancing Transaction, our then existing mezzanine credit agreement provided for a \$550.0 million term loan.

During fiscal 2012, interest payments of \$14.4 million and \$20.2 million, were made for Tranche A term loans and Tranche B term loans, respectively. During fiscal 2011, interest payments of \$3.9 million, \$37.0 million, \$19.1 million, \$49.9 million, and \$46,000 were made for Tranche A term loans, Tranche B term loans, Tranche C terms loans, the mezzanine term loan, and the revolving credit facility, respectively. In February 2011, we drew down \$50 million on the revolving credit facility, which was fully repaid as of March 31, 2011. As of March 31, 2012, no amounts were drawn on the revolving credit facility.

The total outstanding debt balance is recorded in the accompanying consolidated balance sheets net of unamortized discount of \$4.6 million and \$5.7 million as of March 31, 2012 and 2011, respectively.

Capital Structure and Resources

Our stockholders' equity amounted to \$1,185.2 million as of March 31, 2012, an increase of \$277.9 million compared to stockholders' equity of \$907.3 million as of March 31, 2011 primarily due to common stock issuances, stock option exercises, net income of \$240.0 million in fiscal 2012, and stock-based compensation expense of \$31.3 million.

Off-Balance Sheet Arrangements

As of March 31, 2012, we did not have any off-balance sheet arrangements.

Contractual Obligations

The following table summarizes our contractual obligations that require us to make future cash payments as of March 31, 2012. For contractual obligations, we included payments that we have an unconditional obligation to make.

| | Payments Due by Period | | | | |
|---|------------------------|---------------------|-----------------|-----------------|----------------------|
| | Total | Less Than 1 Year | 1 to 3 Years | 3 to 5 Years | More Than 5 years |
| | | | (In thousands) | | |
| Long-term debt (a) | \$ 970,000 | \$ 42,500 | \$ 122,500 | \$ 335,000 | \$ 470,000 |
| Operating lease obligations | 350,911 | 82,426 | 142,195 | 74,748 | 51,542 |
| Interest on indebtedness | 134,359 | 30,484 | 56,716 | 41,044 | 6,115 |
| Deferred payment obligation (b) | 111,780 | — | — | 111,780 | — |
| Liability to Rollover option holders (c) | 38,389 | 8,939 | 21,960 | 7,490 | — |
| Tax liabilities for uncertain tax positions (d) | 55,282 | 32,889 | 52 | 22,341 | — |
| Other | 22,440 | — | 22,440 | — | — |
| Total contractual obligations | <u>\$ 1,683,161</u> | <u>\$ 197,238</u> | <u>365,863</u> | <u>592,403</u> | <u>527,657</u> |

(a) See Note 11 to our consolidated financial statements for additional information regarding debt and related matters.

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- (b) Includes \$62.5 million deferred payment obligation balance, plus current and future interest accruals.
- (c) Reflects liabilities to holders of stock options issued under our Officers' Rollover Stock Plan related to the reduction in the exercise price of such options as a result of the December 2009 dividend and the July 2009 dividend.
- (d) Includes \$17.5 million of tax liabilities offset by amounts owed under the deferred payment obligation. The remainder is related to other tax liabilities.

In the normal course of business, we enter into agreements with subcontractors and vendors to provide products and services that we consume in our operations or that are delivered to our clients. These products and services are not considered unconditional obligations until the products and services are actually delivered, at which time we record a liability for our obligation.

Capital Expenditures

Since we do not own any of our facilities, our capital expenditure requirements primarily relate to the purchase of computers, business systems, furniture, and leasehold improvements to support our operations. Direct costs billed to clients are not treated as capital expenses. Our capital expenditures for fiscal 2012 and 2011 were \$76.9 million and \$88.8 million, respectively, and the majority of such capital expenditures related to facilities infrastructure, equipment and information technology. Expenditures for facilities infrastructure and equipment are generally incurred to support new and existing programs across our business. We also incur capital expenditures for information technology to support programs and general enterprise information technology infrastructure.

Commitments and Contingencies

We are subject to a number of reviews, investigations, claims, lawsuits and other uncertainties related to our business. For a discussion of these items, refer to Note 19 to our consolidated financial statements.

Item. 7A. Quantitative and Qualitative Disclosures About Market Risk.

Our exposure to market risk for changes in interest rates relates primarily to our outstanding debt and cash equivalents, which consist primarily of funds invested in U.S. government insured money-market accounts and prime money-market funds. As of March 31, 2012 and 2011, we had \$484.4 million and \$192.6 million, respectively, in cash and cash equivalents. The interest expense associated with our term loans and any loans under our revolving credit facility will vary with market rates.

Our exposure to market risk for changes in interest rates related to our outstanding debt will impact our senior secured loan facilities. A hypothetical 1% increase in interest rates would have increased interest expense related to the term facilities under our senior secured loan facilities by approximately \$3.6 million in fiscal 2012 and \$3.5 million in fiscal 2011, and likewise decreased our income and cash flows. A hypothetical increase of LIBOR to 4%, the average historical three-month LIBOR, would have increased interest expense related to all term facilities under our senior secured loan facilities by approximately \$32.7 million in fiscal 2012 and \$33.6 million in fiscal 2011, and likewise decreased our income and cash flows. The year over year variance in interest expense is driven by lower interest rate spreads and floors related to the debt facility refinance in February 2011.

The return on our cash and cash equivalents balance as of March 31, 2012 and 2011 was less than 1%. Therefore, although investment interest rates may continue to decrease in the future, the corresponding impact to our interest income, and likewise to our income and cash flow, would not be material.

We do not use derivative financial instruments in our investment portfolio and have not entered into any hedging transactions.

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Item 8. Financial Statements and Supplementary Data.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Booz Allen Hamilton Holding Corporation

We have audited the accompanying consolidated balance sheets of Booz Allen Hamilton Holding Corporation as of March 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Booz Allen Hamilton Holding Corporation at March 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Booz Allen Hamilton Holding Corporation's internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 30, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean Virginia
May 30, 2012

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONSOLIDATED BALANCE SHEETS

| | March 31, | |
|--|---|---------------------|
| | 2012 | 2011 |
| | (Amounts in thousands, except share and per share data) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 484,368 | \$ 192,631 |
| Accounts receivable, net of allowance | 1,077,315 | 1,111,004 |
| Prepaid expenses | 32,090 | 33,497 |
| Income taxes receivable | 46,794 | — |
| Other current assets | 17,096 | 23,311 |
| Total current assets | 1,657,663 | 1,360,443 |
| Property and equipment, net | 191,079 | 173,430 |
| Deferred income taxes | 7,790 | 41,409 |
| Intangible assets, net | 223,834 | 240,238 |
| Goodwill | 1,188,004 | 1,163,549 |
| Other long-term assets | 46,421 | 44,954 |
| Total assets | <u>\$ 3,314,791</u> | <u>\$ 3,024,023</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 42,500 | \$ 30,000 |
| Accounts payable and other accrued expenses | 443,951 | 406,310 |
| Accrued compensation and benefits | 357,872 | 396,996 |
| Deferred income taxes | 59,493 | 21,231 |
| Other current liabilities | 10,630 | 11,598 |
| Total current liabilities | 914,446 | 866,135 |
| Long-term debt, net of current portion | 922,925 | 964,328 |
| Income tax reserve | 55,282 | 90,474 |
| Other long-term liabilities | 236,953 | 195,836 |
| Total liabilities | 2,129,606 | 2,116,773 |
| Commitments and contingencies (Note 19) | | |
| Stockholders' equity: | | |
| Common stock, Class A — \$0.01 par value — authorized, 600,000,000 shares; issued, 128,726,324 shares at March 31, 2012 and 122,784,835 shares at March 31, 2011; outstanding, 128,392,549 shares at March 31, 2012 and 122,784,835 shares at March 31, 2011 | 1,287 | 1,227 |
| Non-voting common stock, Class B — \$0.01 par value — authorized, 16,000,000 shares; issued and outstanding, 2,487,125 shares at March 31, 2012 and 3,053,130 shares at March 31, 2011 | 25 | 31 |
| Restricted common stock, Class C — \$0.01 par value — authorized, 5,000,000 shares; issued and outstanding, 1,533,020 shares at March 31, 2012 and 2,028,270 shares at March 31, 2011 | 15 | 20 |
| Special voting common stock, Class E — \$0.003 par value — authorized, 25,000,000 shares; issued and outstanding, 10,140,067 shares at March 31, 2012 and 12,348,860 shares at March 31, 2011 | 30 | 37 |
| Treasury stock, at cost — 333,775 shares at March 31, 2012 and 0 shares at March 31, 2011 | (5,377) | — |
| Additional paid-in capital | 898,541 | 840,058 |
| Retained earnings | 299,379 | 71,330 |
| Accumulated other comprehensive loss | (8,715) | (5,453) |
| Total stockholders' equity | 1,185,185 | 907,250 |
| Total liabilities and stockholders' equity | <u>\$ 3,314,791</u> | <u>\$ 3,024,023</u> |

The accompanying notes are an integral part of these Consolidated Financial Statements.

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

| | Fiscal Year Ended March 31, | | |
|-------------------------------------|---|------------------|------------------|
| | 2012 | 2011 | 2010 |
| | (Amounts in thousands, except per share data) | | |
| Revenue | \$ 5,859,218 | \$ 5,591,296 | \$ 5,122,633 |
| Operating costs and expenses: | | | |
| Cost of revenue | 2,934,378 | 2,836,955 | 2,654,143 |
| Billable expenses | 1,542,822 | 1,473,266 | 1,361,229 |
| General and administrative expenses | 903,721 | 881,028 | 811,944 |
| Depreciation and amortization | 75,205 | 80,603 | 95,763 |
| Restructuring charge | 15,660 | — | — |
| Total operating costs and expenses | <u>5,471,786</u> | <u>5,271,852</u> | <u>4,923,079</u> |
| Operating income | 387,432 | 319,444 | 199,554 |
| Interest expense | (48,078) | (131,892) | (150,734) |
| Other, net | 4,520 | (59,488) | 174 |
| Income before income taxes | 343,874 | 128,064 | 48,994 |
| Income tax expense | 103,919 | 43,370 | 23,575 |
| Net income | <u>\$ 239,955</u> | <u>\$ 84,694</u> | <u>\$ 25,419</u> |
| Earnings per common share (Note 3): | | | |
| Basic | <u>\$ 1.83</u> | <u>\$ 0.74</u> | <u>\$ 0.24</u> |
| Diluted | <u>\$ 1.70</u> | <u>\$ 0.66</u> | <u>\$ 0.22</u> |
| Dividends declared per share | <u>\$ 0.09</u> | <u>\$ —</u> | <u>\$ 5.73</u> |

The accompanying notes are an integral part of these Consolidated Financial Statements.

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Fiscal Year Ended March 31, | | |
|---|-----------------------------|------------------|------------------|
| | 2012 | 2011 | 2010 |
| | (Amounts in thousands) | | |
| Net income | \$ 239,955 | \$ 84,694 | \$ 25,419 |
| Actuarial loss related to employee benefits, net of taxes (Note 14) | (3,262) | (1,635) | (4,516) |
| Comprehensive income | <u>\$ 236,693</u> | <u>\$ 83,059</u> | <u>\$ 20,903</u> |

The accompanying notes are an integral part of these Consolidated Financial Statements.

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Fiscal Year Ended March 31, | | |
|---|-----------------------------|-------------------|-------------------|
| | 2012 | 2011 | 2010 |
| (Amounts in thousands) | | | |
| Cash flows from operating activities | | | |
| Net income | \$ 239,955 | \$ 84,694 | \$ 25,419 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Gain on sale of state and local transportation business | (4,082) | — | — |
| Transaction costs on sale of state and local transportation business | (5,432) | — | — |
| Depreciation and amortization | 75,205 | 80,603 | 95,763 |
| Amortization of debt issuance costs | 4,783 | 6,925 | 5,700 |
| Amortization of original issuance discount on debt | 1,097 | 2,640 | 2,505 |
| Non-cash expense of debt repayments | — | 43,177 | — |
| Excess tax benefits from the exercise of stock options | (16,461) | (15,974) | (1,915) |
| Stock-based compensation expense | 31,263 | 48,678 | 71,897 |
| Loss on disposition of property and equipment | 376 | 41 | — |
| Deferred income taxes | 74,785 | 42,763 | 19,837 |
| Changes in assets and liabilities: | | | |
| Accounts receivable, net | 25,275 | (92,693) | (92,386) |
| Income taxes receivable / payable | (31,832) | 2,907 | (14,429) |
| Prepaid expenses | 1,407 | (951) | 150 |
| Other current assets | 6,215 | (12,941) | 15,672 |
| Other long-term assets | (6,250) | (6,833) | (3,742) |
| Accrued compensation and benefits | (35,287) | 9,804 | 33,760 |
| Accounts payable and accrued expenses | 40,822 | 52,214 | 110,265 |
| Accrued interest | (11,801) | 8,451 | (10,633) |
| Income tax reserve | (35,192) | (10,163) | 2,483 |
| Other current liabilities | (2,373) | 612 | (8,190) |
| Postretirement obligations | 6,966 | 5,898 | 6,139 |
| Other long-term liabilities | 607 | 46,487 | 12,189 |
| Net cash provided by operating activities | <u>360,046</u> | <u>296,339</u> | <u>270,484</u> |
| Cash flows from investing activities | | | |
| Purchases of property and equipment | (76,925) | (88,784) | (49,271) |
| Escrow payments | — | 1,384 | 38,280 |
| Proceeds from sale of state and local transportation business | 23,332 | — | — |
| Net cash used in investing activities | <u>(53,593)</u> | <u>(87,400)</u> | <u>(10,991)</u> |
| Cash flows from financing activities | | | |
| Net proceeds from issuance of common stock | 8,757 | 251,135 | — |
| Cash dividends paid | (11,906) | — | (612,401) |
| Repayment of debt | (30,000) | (1,637,850) | (16,100) |
| Net proceeds from debt | — | 1,041,808 | 330,692 |
| Payment of deferred payment obligation | — | — | (78,000) |
| Excess tax benefits from the exercise of stock options | 16,461 | 15,974 | 1,915 |
| Stock option exercises | 7,349 | 4,790 | 1,334 |
| Repurchases of common stock | (5,377) | — | — |
| Net cash used in financing activities | <u>(14,716)</u> | <u>(324,143)</u> | <u>(372,560)</u> |
| Net increase (decrease) in cash and cash equivalents | 291,737 | (115,204) | (113,067) |
| Cash and cash equivalents—beginning of period | 192,631 | 307,835 | 420,902 |
| Cash and cash equivalents—end of period | <u>\$ 484,368</u> | <u>\$ 192,631</u> | <u>\$ 307,835</u> |
| Supplemental disclosures of cash flow information | | | |
| Cash paid during the period for: | | | |
| Interest | <u>\$ 53,993</u> | <u>\$ 109,895</u> | <u>\$ 126,744</u> |
| Income taxes | <u>\$ 89,314</u> | <u>\$ 7,715</u> | <u>\$ 5,474</u> |

The accompanying notes are an integral part of these Consolidated Financial Statements.

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| (Amounts in thousands, except share data) | Class A Common Stock | | Class B Non-Voting Common Stock | | Class C Restricted Common Stock | | Class E Special Voting Common Stock | | Treasury Stock | | Additional Paid-In Capital | (Accumulated Deficit) Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|----------------------|----------|---------------------------------|--------|---------------------------------|--------|-------------------------------------|--------|----------------|------------|----------------------------|---|---|----------------------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | | | | |
| Balance at March 31, 2009 | 101,316,870 | 1,013 | 2,350,200 | 24 | 2,028,270 | 20 | 14,802,880 | 44 | — | — | 1,097,327 | (38,783) | 698 | 1,060,343 |
| Issuance of common stock | 19,070 | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Stock options exercised | 1,586,960 | 16 | — | — | — | — | (1,457,000) | (4) | — | — | 1,322 | — | — | 1,334 |
| Recognition of liability related to future stock option exercises (Note 17) | — | — | — | — | — | — | — | — | — | — | (34,408) | — | — | (34,408) |
| Net income | — | — | — | — | — | — | — | — | — | — | — | 25,419 | — | 25,419 |
| Actuarial loss related to employee benefits, net of taxes | — | — | — | — | — | — | — | — | — | — | — | — | (4,516) | (4,516) |
| Comprehensive income | — | — | — | — | — | — | — | — | — | — | — | — | — | 20,903 |
| Stock-based compensation expense | — | — | — | — | — | — | — | — | — | — | 71,897 | — | — | 71,897 |
| Dividends paid (Notes 1 and 17) | — | — | — | — | — | — | — | — | — | — | (612,401) | — | — | (612,401) |
| Excess tax benefits from the exercise of stock options | — | — | — | — | — | — | — | — | — | — | 1,915 | — | — | 1,915 |
| Balance at March 31, 2010 | 102,922,900 | 1,029 | 2,350,200 | 24 | 2,028,270 | 20 | 13,345,880 | 40 | — | — | 525,652 | (13,364) | (3,818) | 509,583 |
| Issuance of common stock | 16,189,830 | 161 | — | — | — | — | 702,930 | 2 | — | — | 250,972 | — | — | 251,135 |
| Stock options exercised | 4,375,035 | 44 | — | — | — | — | (1,699,950) | (5) | — | — | 11,727 | — | — | 11,766 |
| Excess tax benefits from the exercise of stock options | — | — | — | — | — | — | — | — | — | — | 15,974 | — | — | 15,974 |
| Share exchange | (702,930) | (7) | 702,930 | 7 | — | — | — | — | — | — | — | — | — | — |
| Recognition of liability related to future stock option exercises (Note 17) | — | — | — | — | — | — | — | — | — | — | (12,945) | — | — | (12,945) |
| Net income | — | — | — | — | — | — | — | — | — | — | — | 84,694 | — | 84,694 |
| Actuarial loss related to employee benefits, net of taxes | — | — | — | — | — | — | — | — | — | — | — | — | (1,635) | (1,635) |
| Comprehensive income | — | — | — | — | — | — | — | — | — | — | — | — | — | 83,059 |
| Stock-based compensation expense | — | — | — | — | — | — | — | — | — | — | 48,678 | — | — | 48,678 |
| Balance at March 31, 2011 | 122,784,835 | 1,227 | 3,053,130 | 31 | 2,028,270 | 20 | 12,348,860 | 37 | — | — | 840,058 | 71,330 | (5,453) | 907,250 |
| Issuance of common stock | 1,080,245 | 11 | — | — | — | — | — | — | — | — | 8,749 | — | — | 8,760 |
| Stock options exercised | 3,799,989 | 38 | — | — | — | — | (2,208,793) | (7) | — | — | 7,315 | — | — | 7,346 |
| Excess tax benefits from the exercise of stock options | — | — | — | — | — | — | — | — | — | — | 16,461 | — | — | 16,461 |
| Share exchange | 1,061,255 | 11 | (566,005) | (6) | (495,250) | (5) | — | — | — | — | — | — | — | — |
| Repurchase of common stock | — | — | — | — | — | — | — | — | (333,775) | (5,377) | — | — | — | (5,377) |
| Recognition of liability related to future stock option exercises (Note 17) | — | — | — | — | — | — | — | — | — | — | (5,305) | — | — | (5,305) |
| Net income | — | — | — | — | — | — | — | — | — | — | — | 239,955 | — | 239,955 |
| Actuarial loss related to employee benefits, net of taxes | — | — | — | — | — | — | — | — | — | — | — | — | (3,262) | (3,262) |
| Comprehensive income | — | — | — | — | — | — | — | — | — | — | — | — | — | 236,693 |
| Dividends paid (Note 16) | — | — | — | — | — | — | — | — | — | — | — | (11,906) | — | (11,906) |
| Stock-based compensation expense | — | — | — | — | — | — | — | — | — | — | 31,263 | — | — | 31,263 |
| Balance at March 31, 2012 | 128,726,324 | \$ 1,287 | 2,487,125 | \$ 25 | 1,533,020 | \$ 15 | 10,140,067 | \$ 30 | (333,775) | \$ (5,377) | \$ 898,541 | \$ 299,379 | \$ (8,715) | \$ 1,185,185 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

BOOZ ALLEN HAMILTON HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share and per share data or unless otherwise noted)
March 31, 2012

1. OVERVIEW

Our Business

Booz Allen Hamilton Holding Corporation, including its wholly owned subsidiaries, or Holding or the Company, is an affiliate of The Carlyle Group, or Carlyle, and was incorporated in Delaware in May 2008. The Company provides management and technology consulting services primarily to the U.S. government and its agencies in the defense, intelligence, and civil markets. The Company offers clients functional knowledge spanning strategy and organization, analytics, technology, and operations, which it combines with specialized expertise in clients' mission and domain areas to help solve critical problems. The Company reports operating results and financial data in one operating segment. The Company is headquartered in McLean, Virginia, with approximately 25,000 employees as of March 31, 2012.

Refinancing Transaction

On February 3, 2011, the Company completed a refinancing transaction, or Refinancing Transaction, which included amendments of the Senior Secured Credit Agreement, or Senior Secured Agreement, by the Second Amended and Restated Credit Agreement, or Senior Secured Agreement, as amended, to allow for new term loan facilities with \$1.0 billion of principal and a \$30.0 million increase to the Company's revolving credit facility. In connection with the Refinancing Transaction, the Company used \$268.9 million of cash on hand to repay the remaining \$222.1 million of indebtedness outstanding under the mezzanine credit facility, \$21.5 million on the existing senior secured loan facilities, or Senior Credit Facilities, and related prepayment penalties of \$6.7 million. Refer to Notes 11 and 12 for further discussion of the Refinancing Transaction.

Initial Public Offering

Effective November 20, 2010, the Company consummated its initial public offering whereby the Company sold 14,000,000 shares of Class A Common Stock for \$17.00 per share. Effective December 20, 2010, the Company settled the underwriters' over-allotment option and sold an additional 2,100,000 shares of Class A Common Stock for \$17.00 per share. The net proceeds of the initial public offering and over-allotment of \$250.2 million, after deducting underwriting discounts and other fees, were used to repay outstanding debt of \$242.9 million under the Company's mezzanine credit facility and related prepayment penalties of \$7.3 million. All expenses associated with the initial public offering have been netted against the proceeds within stockholders' equity.

Recapitalization Transaction and Repricing

On December 11, 2009, the Company consummated a recapitalization transaction, or Recapitalization Transaction, which included amendments of the Senior Secured Agreement to include a new term loan, or Tranche C Loans, with \$350.0 million of principal, and the mezzanine credit agreement, or Mezzanine Credit Agreement, primarily to allow for the recapitalization and payment of a special dividend. This special dividend was declared by the Company's Board of Directors on December 7, 2009, to be paid to holders of record as of December 8, 2009. Net proceeds from Tranche C Loans of \$341.3 million less transaction costs of \$13.2 million, along with cash on hand of \$321.9 million, were used to fund a partial payment of the Company's deferred payment obligation, or DPO, in the amount of \$100.4 million, and a dividend payment of \$4.642 per share, or \$497.5 million, which was paid on all issued and outstanding shares of Holding's Class A Common Stock, Class B Non-Voting Common Stock, and Class C Restricted Common Stock. As required by the Officers'

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Rollover Stock Plan, or Rollover Plan, and the Equity Incentive Plan, or EIP, the exercise price per share of each outstanding option was reduced. Because the reduction in per share value exceeded the exercise price for certain of the options granted under the Rollover Plan, the exercise price for those options was reduced to the \$0.01 par value of the shares issuable on exercise, and the holders became entitled to receive a cash payment equal to the excess of the reduction in per share value over the reduction in exercise price to the par value. The difference between the one cent exercise price and the reduced value for shares not yet exercised of \$54.4 million will be accrued by the Company as the options vest and will be paid in cash upon exercise of the options. As of March 31, 2012 and 2011, the Company reported \$27.7 million and \$31.4 million in other long-term liabilities, respectively, and \$8.9 million and \$9.0 million in accrued compensation and benefits, respectively, in the accompanying consolidated balance sheets for the portion of stock-based compensation recognized, which is reflective of the options vested with an exercise price of one cent. Transaction fees incurred in connection with the Recapitalization Transaction were approximately \$22.4 million, of which approximately \$15.8 million were deferred financing costs and are amortized over the lives of the loans. Refer to Note 10 for further discussion of the DPO, Note 11 for further discussion of the amended credit agreements, Note 12 for further discussion of the accounting for deferred financing costs, and Note 17 for further discussion of the December 2009 dividend and associated future cash payments as related to stock options.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, and have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. All intercompany balances and transactions have been eliminated in consolidation.

The Company's fiscal year ends on March 31 and unless otherwise noted, references to fiscal year or fiscal are for fiscal years ended March 31. The accompanying consolidated financial statements present the financial position of the Company as of March 31, 2012 and 2011 and the Company's results of operations for fiscal 2012, fiscal 2011, and fiscal 2010.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Areas of the financial statements where estimates may have the most significant effect include allowance for doubtful accounts, contractual and regulatory reserves, lives of tangible and intangible assets, impairment of long-lived assets, accrued liabilities, revenue recognition, bonus and other incentive compensation, stock-based compensation, realization of deferred tax assets, provisions for income taxes, and postretirement obligations. Actual results experienced by the Company may differ materially from management's estimates.

Revenue Recognition

Substantially all of the Company's revenue is derived from services and solutions provided to the U.S. government and its agencies, primarily by the Company's consulting staff and, to a lesser extent, subcontractors. The Company generates its revenue from the following types of contractual arrangements: cost-reimbursable-plus-fee contracts, time-and-materials contracts, and fixed-price contracts.

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Revenue on cost-reimbursable plus fee contracts is recognized as services are performed, generally based on the allowable costs incurred during the period plus any recognizable earned fee. The Company considers fixed fees under cost-reimbursable-plus-fee contracts to be earned in proportion to the allowable costs incurred in performance of the contract. For cost-reimbursable-plus-fee contracts that include performance-based fee incentives, which are principally award fee arrangements, the Company recognizes income when such fees are probable and estimable. Estimates of the total fee to be earned are made based on contract provisions, prior experience with similar contracts or clients, and management's monitoring of the performance on such contracts. Contract costs, including indirect expenses, are subject to audit by the Defense Contract Audit Agency, or DCAA, and, accordingly, are subject to possible cost disallowances.

Revenue for time-and-materials contracts is recognized as services are performed, generally on the basis of contract allowable labor hours worked multiplied by the contract-defined billing rates, plus allowable direct costs and indirect cost burdens associated with materials used and other direct expenses incurred in connection with the performance of the contract.

Revenue on fixed-price contracts is recognized using percentage-of-completion based on actual costs incurred relative to total estimated costs for the contract. These estimated costs are updated during the term of the contract, and may result in revision by the Company of recognized revenue and estimated costs in the period in which they are identified. Profits on fixed-price contracts result from the difference between incurred costs and revenue earned.

Contract accounting requires significant judgment relative to assessing risks, estimating contract revenue and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of the Company's contracts, developing total revenue and cost at completion requires the use of estimates. Contract costs include direct labor and billable expenses, an allocation of allowable indirect costs, and warranty obligations. Billable expenses is comprised of subcontracting costs and other "out of pocket" costs that often include, but are not limited to, travel-related costs and telecommunications charges. The Company recognizes revenue and billable expenses from these transactions on a gross basis. Assumptions regarding the length of time to complete the contract also include expected increases in wages and prices for materials. Estimates of total contract revenue and costs are monitored during the term of the contract and are subject to revision as the contract progresses. Anticipated losses on contracts are recognized in the period they are deemed probable and can be reasonably estimated.

The Company's contracts may include the delivery of a combination of one or more of the Company's service offerings. In these situations, the Company determines whether such arrangements with multiple elements should be treated as separate units of accounting based on how the elements are bid or negotiated, whether the customer can accept separate elements of the arrangement, and the relationship between the pricing on the elements individually and combined.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and highly liquid investments having an original maturity of three months or less. The Company's investments consist primarily of institutional money market funds. The Company maintains its cash and cash equivalents in bank accounts that, at times, exceed the federally insured limits. The Company has not experienced any losses in such accounts.

Valuation of Accounts Receivable

The Company maintains allowances for doubtful accounts against certain billed receivables based upon the latest information regarding whether invoices are ultimately collectible. Assessing the collectability of customer receivables requires management judgment. The Company determines its allowance for doubtful accounts by specifically analyzing individual accounts receivable, historical bad debts, customer credit-worthiness, current

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economic conditions, and accounts receivable aging trends. Valuation reserves are periodically re-evaluated and adjusted as more information about the ultimate collectability of accounts receivable becomes available. Upon determination that a receivable is uncollectible, the receivable balance and any associated reserve are written off.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents and accounts receivable. The Company's cash equivalents are generally invested in U.S. government insured money market funds and Treasury bills, which minimizes the credit risk. The Company believes that credit risk, with respect to accounts receivable, is limited as the receivables are primarily with the U.S. government.

Property and Equipment

Property and equipment are recorded at cost, and the balances are presented net of depreciation. The cost of software purchased or internally developed is capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Furniture and equipment is depreciated over five to ten years, computer equipment is depreciated over four years, and software purchased or developed for internal use is depreciated over one to three years. Leasehold improvements are amortized over the shorter of the useful life of the asset or the lease term. Maintenance and repairs are charged to expense as incurred. Rent expense is recorded on a straight-line basis over the life of the respective lease. The difference between the cash payment and rent expense is recorded as deferred rent in other long-term liabilities in the consolidated balance sheets. The Company receives incentives for tenant improvements on certain of its leases. The cash expended on such improvements is recorded as property and equipment and amortized over the life of the associated asset, or lease term, whichever is shorter. Incentives for tenant improvements are recorded as deferred rent in other long-term liabilities in the consolidated balance sheets, and are amortized on a straight line basis over the lease term.

Goodwill

Goodwill is the amount by which the cost of acquired net assets in a business acquisition exceeds the fair value of net identifiable assets on the date of purchase. The Company assesses goodwill for impairment on at least an annual basis on January 1, and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Company operates as a single operating segment and as a single reporting unit for the purpose of evaluating goodwill. During the fiscal years ended March 31, 2012 2011 and 2010, the Company did not record any goodwill impairment. Further, the Company does not consider any of the goodwill at risk of impairment.

Intangible Assets

Intangible assets consist of trade name, contract backlog, and favorable lease terms. The trade name is not amortized, but is tested annually for impairment. Contract backlog is amortized over the expected backlog life based on projected future cash flows of approximately five to nine years. Favorable lease terms are amortized over the remaining contractual terms of approximately five years.

Long-Lived Assets

The Company reviews its long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. If the total of the expected undiscounted future net cash flows is less than the carrying amount of the asset, a loss is recognized for any excess of the carrying amount over the fair value of the asset. There were no impairment charges for fiscal 2012 or 2011.

Income Taxes

The Company provides for income taxes as a “C” corporation on income earned from operations. The Company is subject to federal, state, and foreign taxation in various jurisdictions.

Deferred tax assets and liabilities are recorded to recognize the expected future tax benefits or costs of events that have been, or will be, reported in different years for financial statement purposes than for tax purposes. Deferred tax assets and liabilities are computed based on the difference between the financial statement carrying amount and tax basis of assets and liabilities using enacted tax rates and laws for the years in which these items are expected to reverse. If management determines that some portion or all of a deferred tax asset is not “more likely than not” to be realized, a valuation allowance is recorded as a component of the income tax provision to reduce the deferred tax asset to an appropriate level in that period. In determining the need for a valuation allowance, management considers all positive and negative evidence, including historical earnings, projected future taxable income, future reversals of existing taxable temporary differences, taxable income in prior carryback periods, and prudent, feasible tax-planning strategies.

The Company periodically assesses its tax positions for all periods open to examination by tax authorities based on the latest available information. Where it is not more likely than not that the Company’s tax position will be sustained, the Company records its best estimate of the resulting tax liability and interest in the consolidated financial statements. These uncertain tax positions are recorded as a component of income tax expense. As uncertain tax positions in periods open to examination are closed out, or as the assessment of the position is changed, the resulting change is reflected in the recorded liability and income tax expense. Penalties and interest recognized related to the reserves for uncertain tax positions are recorded as a component of income tax expense.

Comprehensive Income

Comprehensive income is the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. Comprehensive income is presented in the consolidated statements of comprehensive income. Accumulated other comprehensive losses as of March 31, 2012 and 2011 consisted of unrealized losses on the Company’s defined and postretirement benefit plans.

Share-Based Payments

Share-based payments to employees are recognized in the consolidated statements of operations based on their grant date fair values with the expense recognized over the vesting period. Share-based payments to employees are subject to graded vesting schedules and are recognized in the consolidated statements of operations based on their grant date fair values with the expense recognized on an accelerated basis. The Company uses the Black-Scholes option-pricing model to determine the fair value of its awards at the time of the grant.

Defined Benefit Plan and Other Postretirement Benefits

The Company recognizes the underfunded status of pension and other postretirement benefit plans on the consolidated balance sheets. Gains and losses, prior service costs and credits, and any remaining transition amounts that have not yet been recognized through net periodic benefit cost are recognized in accumulated other comprehensive income, net of tax effects, and will continue to be amortized as a component of net periodic cost. The measurement date, the date at which the benefit obligations and plan assets are measured, is the Company’s fiscal year end.

Self-Funded Medical Plans

The Company maintains self-funded medical insurance. Self-funded plans include a health maintenance organization, preferred provider organization, point of service, qualified point of service, and traditional choice.

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Further, self-funded plans also include prescription drug and dental benefits. The Company records an incurred but unpaid claim liability in the accrued compensation and benefits line of the consolidated balance sheets for self-funded plans based on an actuarial valuation. Data that drives this estimate is primarily based on claims and enrollment data provided by a third party valuation firm for medical and pharmacy related costs.

Deferred Compensation Plan

The Company accounts for its deferred compensation plan in accordance with the terms of the underlying plan agreement. To the extent the terms of the contract attribute all or a portion of the expected future benefit to an individual year of the employee's service, the cost of the benefits are recognized in that year. Therefore, the Company estimates the cost of future benefits that are expected to be paid and expenses the present value of those costs in the year as services are provided.

Fair Value Measurements

The fair value of the Company's cash and cash equivalents, trade accounts receivable and accounts payable, approximates its carrying value at March 31, 2012 and 2011 because of the short-term nature of these amounts. The fair value of the Company's debt instruments approximates its carrying value at March 31, 2012 and 2011. The fair value of debt is determined based on interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements.

Recent Accounting Pronouncements

During the fiscal year ended March 31, 2012, the Company adopted the following accounting pronouncements, none of which had a material impact on the Company's consolidated financial statements:

In June 2011, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update 2011-05, Presentation of Comprehensive Income, which amends the presentation options in Accounting Standards Codification Topic 220, Comprehensive Income. This guidance requires companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The guidance does not change the items which must be reported in other comprehensive income, how such items are measured, or when they must be reclassified to net income. The guidance is effective for interim and annual periods beginning after December 15, 2011, with early adoption permitted. As this guidance impacts presentation only, it has had no effect on the Company's financial condition, results of operations, or cash flows. The Company elected early adoption effective June 30, 2011 using the two-statement approach.

In September 2011, the FASB issued Accounting Standards Update 2011-08, Testing Goodwill for Impairment, which amends Topic 350, Intangibles – Goodwill and Other. This guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The guidance is effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company elected early adoption effective as of our measurement date, January 1, 2012. Based on our qualitative assessment at January 1, 2012, we believe that it was not more likely than not that the fair value of our reporting unit was less than the carrying amount. Accordingly, the Company concluded a two-step impairment test is not necessary.

Other recent accounting pronouncements issued by the FASB during fiscal 2012 and through the filing date did not and are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

3. EARNINGS PER SHARE

The Company computes basic and diluted earnings per share amounts based on net income for the periods presented. The Company uses the weighted average number of common shares outstanding during the period to calculate basic earnings per share, or EPS. Diluted EPS is computed similar to basic EPS, except the weighted average number of shares outstanding is increased to include the dilutive effect of outstanding common stock options and other stock-based awards.

The Company currently has outstanding shares of Class A Common Stock, Class B Non-Voting Common Stock, Class C Restricted Common Stock, and Class E Special Voting Common Stock. Class E Special Voting Common Stock shares are not included in the calculation of EPS as these shares represent voting rights only and are not entitled to participate in dividends or other distributions. Unvested Class A Restricted Common Stock and unvested Class C Restricted Common Stock holders are entitled to participate in dividends or other distributions. These unvested shares participated in the payment of the Company's dividend declared and paid in the fourth quarter of fiscal 2012, and as such, EPS is calculated using the two-class method, whereby earnings are reduced by the dividends declared and paid to the restricted shareholders.

A reconciliation of the income used to compute basic and diluted EPS for the periods presented are as follows:

| | Fiscal Year Ended March 31, | | |
|---|-----------------------------|-------------|-------------|
| | 2012 | 2011 | 2010 |
| Earnings for basic computations | \$ 238,761 | \$ 84,694 | \$ 25,419 |
| Weighted-average Class A Common Stock outstanding | 125,894,644 | 109,511,290 | 102,099,180 |
| Weighted-average Class B Non-Voting Common Stock outstanding | 2,791,917 | 2,939,387 | 2,350,200 |
| Weighted-average Class C Restricted Common Stock outstanding | 1,459,128 | 2,028,270 | 2,028,270 |
| Total weighted-average common shares outstanding for basic computations | 130,145,689 | 114,478,947 | 106,477,650 |
| Earnings for diluted computations | \$ 238,761 | \$ 84,694 | \$ 25,419 |
| Dilutive stock options and restricted stock | 10,666,323 | 12,969,753 | 9,750,730 |
| Average number of common shares outstanding for diluted computations | 140,812,012 | 127,448,700 | 116,228,380 |
| Earnings per common share | | | |
| Basic | \$ 1.83 | \$ 0.74 | \$ 0.24 |
| Diluted | \$ 1.70 | \$ 0.66 | \$ 0.22 |

4. RESTRUCTURING CHARGE

In the fourth quarter of fiscal 2012, the Company finalized a cost restructuring plan to reduce certain personnel and infrastructure costs. This plan was implemented in response to continued budget constraints and uncertainty in the industry and to provide funds to increase resources dedicated to growth areas across the Company's markets. As part of this cost restructuring plan, the Company reduced overall headcount by

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approximately 2%, with a higher percentage of reductions in the senior ranks. The Company incurred an associated restructuring charge of \$15.7 million pretax in the three months ended March 31, 2012 relating to the one-time termination benefits. The entire amount of this charge will result in future cash expenditures.

The following table details the activity and balance of the restructuring liability for the year ended March 31, 2012:

| | <u>Restructuring Charge</u> |
|------------------------------------|-----------------------------|
| Balance as of April 1, 2011 | — |
| Restructuring costs | \$ 15,660 |
| Cash payments | <u>(4,518)</u> |
| Balance as of March 31, 2012 | <u>\$ 11,142</u> |
| Amounts contained in balance sheet | |
| Accrued compensation and benefits | \$ 11,142 |
| Total | <u>\$ 11,142</u> |

The accrued amounts related to the restructuring charge will be paid through fiscal 2013.

The Company evaluated whether some portion of the restructuring charge incurred above is recoverable under our cost-reimbursable contracts, which resulted in additional revenue of \$4.5 million recognized in the fourth quarter of fiscal 2012.

5. GOODWILL AND INTANGIBLE ASSETS

Goodwill

As of March 31, 2012 and 2011, goodwill was \$1,188.0 million and \$1,163.5 million, respectively. The increase in the carrying amount of goodwill is primarily attributable to the increase in the deferred payment obligation as a result of the release of approximately \$35.0 million of reserves for uncertain tax positions, offset by a \$10.7 million reduction to goodwill related to the sale of the Company's state and local transportation business.

On December 31, 2011, the Company adopted new Goodwill impairment guidance whereby the Company performed a qualitative assessment of whether the fair value of the reporting unit was less than the carrying value of equity. In making this assessment the Company considered all relevant events and circumstances. These include, but are not limited to macroeconomic conditions, industry, and market considerations and the reporting unit's overall financial performance. Based on the qualitative assessment at January 1, 2012, the Company believes that it was not likely (i.e., a likelihood of more than 50 percent) that the fair value of the reporting unit was less than the carrying amount. During the fiscal years ended March 31, 2012, 2011 and 2010, the Company did not record any goodwill impairment. Further, the Company does not consider any of the goodwill at risk of impairment.

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Intangible Assets

Intangible assets consisted of the following:

| | As of March 31, 2012 | | | As of March 31, 2011 | | |
|--|----------------------|--------------------------|--------------------|----------------------|--------------------------|--------------------|
| | Gross Carrying Value | Accumulated Amortization | Net Carrying Value | Gross Carrying Value | Accumulated Amortization | Net Carrying Value |
| Amortizable intangible assets | | | | | | |
| Contract backlog | \$ 160,615 | \$ 127,265 | \$ 33,350 | \$ 160,800 | \$ 111,330 | \$ 49,470 |
| Favorable leases | 2,800 | 2,516 | 284 | 2,800 | 2,232 | 568 |
| Total | \$ 163,415 | \$ 129,781 | \$ 33,634 | \$ 163,600 | \$ 113,562 | \$ 50,038 |
| Unamortizable intangible assets | | | | | | |
| Trade name | \$ 190,200 | \$ — | \$ 190,200 | \$ 190,200 | \$ — | \$ 190,200 |
| Total | \$ 353,615 | \$ 129,781 | \$ 223,834 | \$ 353,800 | \$ 113,562 | \$ 240,238 |

The Company performed an annual impairment test of the trade name as of January 1, 2012 and 2011, noting no impairment.

Amortization expense for fiscal 2012, fiscal 2011, and fiscal 2010, was \$16.4 million, \$28.6 million, and \$40.6 million, respectively. There were no intangible assets prior to the Merger Transaction. The following table summarizes the estimated annual amortization expense for future periods indicated below:

| <u>For the Fiscal Year Ending March 31,</u> | |
|---|-----------------|
| 2013 | \$12,509 |
| 2014 | 8,450 |
| 2015 | 4,225 |
| 2016 | 4,225 |
| 2017 | 4,225 |
| Thereafter | — |
| | <u>\$33,634</u> |

6. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

| | March 31, | |
|---|--------------------|--------------------|
| | 2012 | 2011 |
| Current | | |
| Accounts receivable—billed | \$ 436,314 | \$ 466,688 |
| Accounts receivable—unbilled | 641,800 | 645,664 |
| Allowance for doubtful accounts | (799) | (1,348) |
| Accounts receivable, net | <u>1,077,315</u> | <u>1,111,004</u> |
| Long-term | | |
| Unbilled receivables related to retainage and holdbacks | 24,163 | 17,075 |
| Total accounts receivable, net | <u>\$1,101,478</u> | <u>\$1,128,079</u> |

The Company recognized a provision for doubtful accounts (including certain unbilled reserves) of \$2.7 million, \$230,000, and \$1.4 million for fiscal 2012, fiscal 2011, and fiscal 2010, respectively. Long-term unbilled receivables related to retainage, holdbacks, and long-term rate settlements to be billed at contract closeout are included in non-current assets as accounts receivable in the accompanying consolidated balance sheets.

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7. PROPERTY AND EQUIPMENT, NET

The components of property and equipment, net were as follows:

| | March 31, | |
|---|-------------------|-------------------|
| | 2012 | 2011 |
| Furniture and equipment | \$ 131,461 | \$ 111,513 |
| Computer equipment | 49,602 | 58,163 |
| Software | 33,248 | 28,583 |
| Leasehold improvements | 144,528 | 113,266 |
| Total | 358,839 | 311,525 |
| Less: Accumulated depreciation and amortization | (167,760) | (138,095) |
| Property and equipment, net | <u>\$ 191,079</u> | <u>\$ 173,430</u> |

Property and equipment, net, includes \$13.2 million and \$14.7 million of internally developed software, net of depreciation as of March 31, 2012 and 2011, respectively. Depreciation and amortization expense relating to property and equipment for fiscal 2012, fiscal 2011, and fiscal 2010 was \$58.8 million, \$52.0 million, and \$55.2 million, respectively. During fiscal 2012, the Company reduced the gross cost and accumulated depreciation and amortization by \$35.7 million for zero net book value assets deemed no longer in service.

8. ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

Accounts payable and other accrued expenses consisted of the following:

| | March 31, | |
|---|-------------------|-------------------|
| | 2012 | 2011 |
| Vendor payables | \$ 288,377 | \$ 279,801 |
| Accrued expenses | 154,640 | 123,863 |
| Other | 934 | 2,646 |
| Total accounts payable and other accrued expenses | <u>\$ 443,951</u> | <u>\$ 406,310</u> |

Accrued expenses consisted primarily of the Company's reserve related to potential cost disallowance in conjunction with government audits. Refer to Note 19 for further discussion of this reserve.

9. ACCRUED COMPENSATION AND BENEFITS

Accrued compensation and benefits consisted of the following:

| | March 31, | |
|---|-------------------|-------------------|
| | 2012 | 2011 |
| Bonus | \$ 83,464 | \$ 136,503 |
| Retirement | 86,723 | 93,826 |
| Vacation | 143,154 | 133,643 |
| Other | 44,531 | 33,024 |
| Total accrued compensation and benefits | <u>\$ 357,872</u> | <u>\$ 396,996</u> |

10. DEFERRED PAYMENT OBLIGATION

In connection with the Merger Transaction, on July 31, 2008 the Company established a DPO of \$158.0 million, payable by 8.5 years after the Closing Date, less any settled claims. Pursuant to the Merger Agreement, \$78.0 million of the \$158.0 million DPO was required to be paid in full to the selling shareholders. On December 11, 2009, in connection with the Recapitalization Transaction, \$100.4 million was paid to the selling shareholders, of which \$78.0 million was the repayment of that portion of the DPO, with approximately \$22.4 million representing accrued interest.

The remaining \$80.0 million is available to indemnify the Company for certain pre-acquisition tax contingencies, related interest and penalties, and other matters pursuant to the Merger Agreement. Any amounts remaining after the settlement of claims will be paid out to the selling shareholders. As of March 31, 2012 and 2011, the Company has recorded \$55.3 million and \$90.5 million, respectively, for pre-acquisition uncertain tax positions, of which approximately \$17.5 million and \$52.7 million, respectively, may be indemnified under the remaining available DPO. During fiscal 2012, the Company favorably settled \$35.0 million of its pre-acquisition uncertain tax positions, thereby reducing the estimated amount to be indemnified under the remaining available DPO and increasing the DPO amount to be paid to the selling shareholders. Accordingly, the \$63.1 million and \$38.2 million DPO balance recorded as of March 31, 2012 and 2011, respectively, within other long-term liabilities in the accompanying consolidated balance sheets, represents the residual balance estimated to be paid to the selling shareholders based on consideration of contingent tax claims, accrued interest and other matters. Interest is accrued at a rate of 5% per six-month period on the unpaid DPO balance, net of any settled claims or payments, which was \$80.0 million as of March 31, 2012 and 2011.

A reconciliation of the principal balance of the DPO to the amount recorded in the consolidated balance sheets for the periods presented are as follows:

| | March 31, | |
|---|------------------|------------------|
| | 2012 | 2011 |
| Deferred payment obligation | \$ 80,000 | \$ 80,000 |
| Indemnified pre-acquisition uncertain tax positions | (17,543) | (52,743) |
| Accrued interest | 681 | 10,904 |
| Amount recorded in the consolidated balance sheets | <u>\$ 63,138</u> | <u>\$ 38,161</u> |

On February 29, 2012, the Company paid \$19.4 million of accrued interest to the selling shareholders.

11. DEBT

Debt consisted of the following:

| | March 31, | | | |
|--|----------------------|----------------------------|----------------------|----------------------------|
| | 2012 | | 2011 | |
| | <u>Interest Rate</u> | <u>Outstanding Balance</u> | <u>Interest Rate</u> | <u>Outstanding Balance</u> |
| Senior secured credit agreement | | | | |
| Tranche A Loans | 2.49% | \$ 472,870 | 2.81% | \$ 497,185 |
| Tranche B Loans | 3.75% | 492,555 | 4.00% | 497,143 |
| Total | | 965,425 | | 994,328 |
| Current portion of long-term debt | | (42,500) | | (30,000) |
| Long-term debt, net of current portion | | <u>\$ 922,925</u> | | <u>\$ 964,328</u> |

The Company maintains a Senior Secured Agreement, as amended, with a syndicate of lenders. In connection with the Refinancing Transaction, the Senior Secured Agreement was amended and restated effective

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February 3, 2011 to amend the term loan facilities and increase the Company's revolving credit facility. The Senior Secured Agreement, as amended, provides for \$1.0 billion in term loans (\$500.0 million of Tranche A Loans and \$500.0 million of Tranche B Loans) and a \$275.0 million revolving credit facility. The loans under the Senior Secured Agreement, as amended, are secured by substantially all of the Company's assets.

The Senior Secured Agreement, as amended, requires quarterly principal payments of 1.25% of the stated principal amount of the Tranche A Loans, with annual incremental increases to 1.875%, 2.50%, 3.125%, and 16.25%, prior to the Tranche A Loans maturity date of February 3, 2016, and 0.25% of the stated principal amount of the Tranche B Loans, with the remaining balance payable on the Tranche B Loans maturity date of August 3, 2017. Both these stated principal repayment schedules are reflected in the table below. The revolving credit facility matures on July 31, 2014, at which time any outstanding principal balance is due in full.

The following table summarizes required future debt principal repayments:

| | Payments Due By March 31, | | | | | | |
|-----------------|---------------------------|------------------|------------------|------------------|-------------------|-----------------|-------------------|
| | Total | 2013 | 2014 | 2015 | 2016 | 2017 | Thereafter |
| Tranche A Loans | 475,000 | 37,500 | 50,000 | 62,500 | 325,000 | — | — |
| Tranche B Loans | 495,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 470,000 |
| Total | <u>\$ 970,000</u> | <u>\$ 42,500</u> | <u>\$ 55,000</u> | <u>\$ 67,500</u> | <u>\$ 330,000</u> | <u>\$ 5,000</u> | <u>\$ 470,000</u> |

At the Company's option, the interest rate on borrowings under the Senior Credit Facilities may be based on the Eurocurrency rate or the alternate base rate, or ABR, plus, in each case, an applicable margin, subject to the Eurocurrency rate and ABR being no lower than 1.00% or 2.00%, respectively, in the case of Tranche B Loans. Subject to a leveraged based pricing grid, the applicable margins on Tranche A Loans range from 2.00% to 2.75% with respect to Eurocurrency loans, or 1.00% to 1.75% with respect to ABR loans. The applicable margins on Tranche B Loans will be 3.00% with respect to Eurocurrency loans, or 4.00% with respect to ABR loans, stepping down, in each case to 2.75% and 3.75%, respectively, when the total leverage ratio is less than or equal to 1.75 to 1.00. The revolving credit facility margin and commitment fee are subject to the leveraged based pricing grid, set forth in the Senior Secured Agreement.

On March 6, 2012, for the Tranche A Loans, the Company entered into a 1-month LIBOR to lock in the all-in rate at 2.49%, which consists of the 2.25% margin plus 0.24%. On February 3, 2012, for the Tranche B Loans, the Company entered into a 6-month LIBOR to lock in the all-in rate of 4.00%, which consists of the 1.00% floor plus the 3.00% margin. The Tranche B margin was reduced to 2.75% upon the submission of our December 31, 2011 financial statements to our lenders on February 13, 2012. The Company's leverage ratio qualified for a lower margin effective on the date of lender packet submission to our lenders. As a result, the all-in rate was reduced to 3.75% effective February 13, 2012. Depending on market conditions, Tranche A Loans and Tranche B Loans will reprice under the most appropriate LIBOR term. Currently, the Tranche B Loans do not have a variable rate as the floor has not been exceeded.

During fiscal 2012, interest payments of \$14.4 million and \$20.2 million were made for Tranche A Loans and Tranche B Loans, respectively. During fiscal 2011, interest payments of \$3.9 million, \$37.0 million, \$19.1 million, \$49.9 million, and \$46,000 were made for Tranche A Loans, Tranche B Loans, Tranche C Loans, the Mezzanine Term Loan, and the revolving credit facility, respectively. As of March 31, 2012 and 2011, no amounts were outstanding on the revolving credit facility.

In addition to the Refinancing Transaction, the Company made optional repayments on the Senior Credit Facilities and the mezzanine credit facility during fiscal 2011. In accordance with the terms of the Mezzanine Credit Agreement, the Company also paid prepayment penalties of 3.00% of the respective principal repayment amounts. In addition, the Company wrote-off ratable portions of debt issuance costs, or DIC, and original issue discount, or OID, associated with each repayment on the Senior Credit Facilities and the mezzanine credit

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facility. These amounts were reflected in other, net in the accompanying consolidated statements of operations. The refinancing transaction and optional repayments on the Senior Credit Facilities and the mezzanine credit facility, and the associated prepayment penalties and write-off of DIC and OID during fiscal 2011 were as follows:

| Date | Term Facility | Principal Payment | Prepayment Penalties | Write-off of DIC | Write-off of OID | Total Expense |
|--------------------|----------------------------|--------------------|----------------------|------------------|------------------|------------------|
| February 3, 2011 | Tranches A, B, and C Loans | \$1,021,463 | \$ — | \$ 11,374 | \$ 6,432 | \$ 17,806 |
| | Mezzanine | 222,076 | 6,662 | 8,287 | 1,768 | 16,717 |
| December 21, 2010* | Mezzanine | 32,494 | 975 | 1,229 | 262 | 2,466 |
| November 26, 2010* | Mezzanine | 210,430 | 6,313 | 8,022 | 1,712 | 16,047 |
| August 2, 2010 | Mezzanine | 85,000 | 2,550 | 3,359 | 732 | 6,641 |
| | | <u>\$1,571,463</u> | <u>\$ 16,500</u> | <u>\$ 32,271</u> | <u>\$ 10,906</u> | <u>\$ 59,677</u> |

* The December 21, 2010 and November 26, 2010 repayments and prepayment penalties were paid with net proceeds from the sale of shares of the Company's Class A Common Stock.

The total outstanding debt balance is recorded in the accompanying consolidated balance sheets, net of unamortized discount of \$4.6 million and \$5.7 million as of March 31, 2012 and 2011, respectively.

The Senior Secured Agreement, as amended, requires the maintenance of certain financial and non-financial covenants. As of March 31, 2012, the Company was in compliance with all of its covenants.

12. DEFERRED FINANCING COSTS

A reconciliation of the beginning and ending amount of DIC for the periods presented are as follows:

| | March 31, | |
|---|-----------------|------------------|
| | 2012 | 2011 |
| Beginning of year | \$20,973 | \$ 52,042 |
| Amortization | (4,783) | (6,990) |
| Write-off related to optional debt repayments | — | (32,271) |
| Additional DIC related to February 2011 Refinancing Transaction | — | 8,192 |
| End of year | <u>\$16,190</u> | <u>\$ 20,973</u> |

Costs incurred in connection with the February 2011 Refinancing Transaction were \$12.5 million, of which \$8.2 million was recorded as other long-term assets and will be amortized and reflected in interest expense in the consolidated statements of operations over the lives of the loans. Amortization of these costs will be accelerated to the extent that any prepayment is made on the Senior Credit Facilities. The remaining amount of \$4.3 million, which was not deferred, was recorded as general and administrative expenses in the consolidated statements of operations.

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Absent any prepayment accelerations of DIC or the effect of changes in interest rates, the following table summarizes the estimated annual amortization expense of DIC using the effective interest rate method, as a component of interest expense, for the future periods indicated below:

| | DIC Amortization Expense | | | | | | Thereafter |
|-----------------|--------------------------|----------------|----------------|----------------|----------------|--------------|---------------|
| | Total | 2013 | 2014 | 2015 | 2016 | 2017 | |
| Tranche A Loans | 8,022 | 2,504 | 2,327 | 2,077 | 1,114 | — | — |
| Tranche B Loans | 5,003 | 879 | 903 | 929 | 960 | 987 | 345 |
| Revolver | 3,165 | 1,356 | 1,356 | 453 | — | — | — |
| Total | <u>\$16,190</u> | <u>\$4,739</u> | <u>\$4,586</u> | <u>\$3,459</u> | <u>\$2,074</u> | <u>\$987</u> | <u>\$ 345</u> |

13. INCOME TAXES

The components of income tax expense were as follows:

| | Fiscal Year Ended March 31, | | |
|-----------------|-----------------------------|-----------------|-----------------|
| | 2012 | 2011 | 2010 |
| Current | | | |
| U.S. Federal | \$ 11,893 | \$ (4,880) | \$ 2,664 |
| State and local | 17,241 | 5,487 | 1,074 |
| Total current | <u>29,134</u> | <u>607</u> | <u>3,738</u> |
| Deferred | | | |
| U.S. Federal | 71,683 | 40,290 | 18,004 |
| State and local | 3,102 | 2,473 | 1,833 |
| Total deferred | <u>74,785</u> | <u>42,763</u> | <u>19,837</u> |
| Total | <u>\$103,919</u> | <u>\$43,370</u> | <u>\$23,575</u> |

A reconciliation between income tax computed at the U.S. federal statutory income tax rate to income tax expense from operations are as follows:

| | Fiscal Year Ended March 31, | | |
|--|-----------------------------|------------------|-----------------|
| | 2012 | 2011 | 2010 |
| Income tax expense computed at U.S. statutory rate (35%) | \$120,356 | \$ 44,822 | \$17,148 |
| Increases (reductions) resulting from: | | | |
| Changes in uncertain tax positions | (32,528) | (10,142) | — |
| State income taxes, net of the federal tax benefit | 13,431 | 6,039 | 2,913 |
| Meals and entertainment | 2,177 | 2,684 | 2,552 |
| Release of Valuation Allowance | (5,211) | — | — |
| Gain on sale of state and local transportation business | 3,772 | — | — |
| Other | 1,922 | (33) | 962 |
| Income tax expense from operations | <u>\$103,919</u> | <u>\$ 43,370</u> | <u>\$23,575</u> |

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Significant components of the Company's net deferred income tax (liability) asset were as follows:

| | March 31, | |
|---|-------------|-----------|
| | 2012 | 2011 |
| Deferred income tax assets: | | |
| Accrued expenses | \$ 61,651 | \$ 53,675 |
| Stock-based compensation | 57,286 | 56,114 |
| Pension and postretirement insurance | 26,799 | 22,785 |
| Property and equipment | 5,305 | 31,982 |
| Net operating loss carryforwards | 1,407 | 57,124 |
| Capital loss carryforward | 36,335 | 42,379 |
| AMT | — | 8,353 |
| Deferred rent and tenant allowance | 19,529 | 18,101 |
| Other | 9,985 | 12,440 |
| Total gross deferred income taxes | 218,297 | 302,953 |
| Less: Valuation allowance | (36,335) | (42,379) |
| Total net deferred income tax assets | 181,962 | 260,574 |
| Deferred income tax liabilities: | | |
| Unbilled receivables | 138,510 | 138,667 |
| Intangible assets | 87,923 | 94,789 |
| Debt issuance costs | 4,881 | 6,926 |
| Other | 2,351 | — |
| Total deferred tax liabilities | 233,665 | 240,382 |
| Net deferred income tax (liability) asset | \$ (51,703) | \$ 20,192 |

Deferred tax balances reflect the impact of temporary differences between the carrying amount of assets and liabilities and their tax basis and are stated at the tax rates expected to be in effect when taxes are actually paid or recovered. A valuation allowance is provided against deferred tax assets when it is more likely than not that some or all of the deferred tax asset will not be realized. In determining if the Company's deferred tax assets are realizable, management considers all positive and negative evidence, including the history of generating book earnings, future reversals of existing taxable temporary differences, projected future taxable income, as well as any tax planning strategies. The Company recognized a valuation allowance of \$36.3 million and \$42.4 million as of March 31, 2012 and 2011, respectively, against the deferred tax asset associated with the capital loss carryforward, of equal amounts for the respective periods. The capital loss carryforward is scheduled to expire on March 31, 2013, at which time the associated valuation allowance is expected to be released. For all other deferred tax assets, the Company believes it is more likely than not that the results of future operations will generate sufficient taxable income to realize these deferred tax assets.

At March 31, 2011, the Company had approximately \$148.8 million of net operating loss, or NOL, carryforwards. As of March 31, 2012, the Company has fully utilized its NOL carryforward as it relates to the U.S. Federal tax benefit. A remaining \$2.2 million of State NOL carryforward remains as of March 31, 2012, which consists of the California NOL carryforward that the Company anticipates utilizing by March 31, 2013. The Company believes that it is more likely than not that the company will generate sufficient taxable income to fully realize the tax benefit of our State NOL carryforwards when the statute expires in 2028.

Uncertain Tax Positions

The Company maintains reserves for uncertain tax positions related to tax benefits recognized in prior years. These reserves involve considerable judgment and estimation and are evaluated by management based on the best information available including changes in tax regulations and other information. As of March 31, 2012 and

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2011, the Company has recorded \$55.3 million and \$90.5 million, respectively, of reserves for uncertain tax positions, of which approximately \$17.5 million and \$52.7 million, respectively, may be indemnified under the remaining available DPO.

Included in the balance of reserves for uncertain tax positions at March 31, 2012 and 2011 are potential tax benefits of \$55.0 million and \$77.3 million, respectively, that, if recognized, would impact the effective tax rate. A reconciliation of the beginning and ending amount of potential tax benefits for the periods presented are as follows:

| | March 31, | |
|--|------------------|-----------------|
| | 2012 | 2011 |
| Beginning of year | \$ 77,304 | \$85,982 |
| Federal benefit from change in reserve | 1,036 | — |
| Settlements with taxing authorities | (14,399) | (129) |
| Lapse of statute of limitations | (9,046) | (8,549) |
| End of year | <u>\$ 54,895</u> | <u>\$77,304</u> |

For the fiscal year ended March 31, 2012, the Company's reserves for uncertain tax positions decreased primarily as a result of a \$24.0 million release of reserves for uncertain tax positions and related interest and penalties, due to the settlement of the Company's Internal Revenue Service, or IRS, audit for fiscal years 2004, 2005, and 2006, and an \$11.0 million release of federal income tax reserves and related interest and penalties due to a lapse in the statute of limitations for the tax year ended March 31, 2008.

The Company recognized accrued interest and penalties related to the reserves for uncertain tax positions in the income tax provision. Included in the total reserve for uncertain tax positions are accrued penalties and interest of approximately \$387,000 and \$13.2 million at March 31, 2012 and 2011, respectively.

The Company settled its IRS audit for fiscal years 2004, 2005, and 2006 during the second quarter of fiscal 2012. The IRS adjusted the Company's research credit claims for the audit years. The adjustments did not result in a material change to the Company's financial position. Due to the federal audit settlement, the Company released approximately \$24.0 million of reserves for uncertain tax positions. The Company is also subject to taxes imposed by various taxing authorities including state and foreign jurisdictions. Tax years 2009 forward that remain open and subject to examination related to state and foreign jurisdictions are not considered to be material or will be indemnified under the merger agreement. Additionally, due to statute of limitations expirations and potential audit settlements, it is reasonably possible that \$32.9 million of the reserves recorded on previously recognized tax benefits may be effectively settled by March 31, 2013.

14. EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

The Company sponsors the Employees' Capital Accumulation Plan, or ECAP, which is a qualified defined contribution plan that covers eligible U.S. and international employees. ECAP provides for distributions, subject to certain vesting provisions, to participants by reason of retirement, death, disability, or termination of employment. Total expense under ECAP for fiscal 2012, fiscal 2011, and fiscal 2010 was \$235.4 million, \$228.6 million, and \$210.3 million, respectively, and the Company-paid contributions were \$242.5 million, \$223.7 million, and \$196.3 million, respectively.

Defined Benefit Plan and Other Postretirement Benefit Plans

The Company maintains and administers a defined benefit retirement plan and a postretirement medical plan for current, retired, and resigned officers.

The Company established a non-qualified defined benefit plan for all Officers in May 1995, or Retired Officers' Bonus Plan, which pays a lump-sum amount of \$10,000 per year of service as an Officer, provided the Officer meets retirement vesting requirements. The Company also provides a fixed annual allowance after retirement to cover financial counseling and other expenses. The Retired Officers' Bonus Plan is not salary related, but rather is based primarily on years of service.

In addition, the Company provides postretirement healthcare benefits to former Officers under a medical indemnity insurance plan, with premiums paid by the Company. This plan is referred to as the Officer Medical Plan.

The Company recognizes a liability for the defined benefit plans' underfunded status, measures the defined benefit plans' obligations that determine its funded status as of the end of the fiscal year, and recognizes as a component of accumulated other comprehensive income the changes in the defined benefit plans' funded status that are not recognized as components of net periodic benefit cost.

The components of net postretirement medical expense for the Officer Medical Plan were as follows:

| | Fiscal Year Ended March 31, | | |
|--------------------------------------|-----------------------------|----------------|----------------|
| | 2012 | 2011 | 2010 |
| Service cost | \$3,912 | \$3,363 | \$2,682 |
| Interest cost | 2,987 | 2,569 | 2,269 |
| Total postretirement medical expense | <u>\$6,899</u> | <u>\$5,932</u> | <u>\$4,951</u> |

The weighted-average discount rate used to determine the year-end benefit obligations were as follows:

| | Fiscal Year Ended March 31, | | |
|------------------------------|-----------------------------|-------|-------|
| | 2012 | 2011 | 2010 |
| Officer Medical Plan | 5.00% | 5.75% | 5.75% |
| Retired Officers' Bonus Plan | 5.00% | 5.75% | 5.75% |

Assumed healthcare cost trend rates for the Officer Medical Plan at March 31, 2012 and 2011 were as follows:

| <u>Pre-65 initial rate</u> | 2012 | 2011 |
|---|------|------|
| Healthcare cost trend rate assumed for next year | 8.0% | 7.5% |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 5.0% | 5.0% |
| Year that the rate reaches the ultimate trend rate | 2019 | 2018 |

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates calculated as of March 31, 2012 would have the following effects:

| | 1% Increase | 1% Decrease |
|--|-------------|-------------|
| Effect on total of service and interest cost | 1,182,883 | (961,289) |
| Effect on postretirement benefit obligation | 10,087,560 | (8,192,956) |

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Total pension expense, consisting of service and interest, associated with the Retired Officers' Bonus Plan was \$868,000, \$864,000, and \$800,000 for fiscal 2012, fiscal 2011, and fiscal 2010, respectively. Benefits paid associated with the Retired Officers' Bonus Plan were \$1.2 million, \$647,000, and \$300,000 for fiscal 2012, fiscal 2011, and fiscal 2010, respectively. The end-of-period benefit obligation of \$4.6 million and \$5.2 million as of March 31, 2012 and 2011, respectively, is included in postretirement obligations within other long-term liabilities in the accompanying consolidated balance sheets.

Accumulated other comprehensive loss as of March 31, 2012, includes unrecognized net actuarial loss of \$5.5 million, net of taxes of \$2.2 million, that have not yet been recognized in net periodic pension cost for the Retired Officers' Bonus Plan and the Officer Medical Plan. Accumulated other comprehensive loss as of March 31, 2011, includes unrecognized net actuarial loss of \$2.7 million, net of taxes of \$1.1 million, that have not yet been recognized in net periodic pension cost for the Retired Officers' Bonus Plan and the Officer Medical Plan.

The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic cost in fiscal 2013 are \$1.5 million of net loss, \$0 of net prior service cost (credit), and \$0 of net transition (asset) obligation.

The changes in the benefit obligation, plan assets, and funded status of the Officer Medical Plan were as follows:

| | Fiscal Year Ended March 31, | | |
|--|-----------------------------|-----------------|-----------------|
| | 2012 | 2011 | 2010 |
| Benefit obligation, beginning of the year | \$52,753 | \$45,455 | \$35,577 |
| Service cost | 3,912 | 3,363 | 2,682 |
| Interest cost | 2,987 | 2,569 | 2,270 |
| Actuarial loss | 5,666 | 3,053 | 6,673 |
| Benefits paid | (1,733) | (1,687) | (1,747) |
| Benefit obligation, end of the year | <u>\$63,585</u> | <u>\$52,753</u> | <u>\$45,455</u> |
| Changes in plan assets | | | |
| Fair value of plan assets, beginning of the year | \$ — | \$ — | \$ — |
| Employer contributions | 1,733 | 1,687 | 1,747 |
| Benefits paid | (1,733) | (1,687) | (1,747) |
| Fair value of plan assets, end of the year | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |

As of March 31, 2012 and 2011, the unfunded status of the Officer Medical Plan was \$63.9 million and \$52.8 million, respectively.

The postretirement benefit liability for the Officer Medical Plan is included in other long-term liabilities in the accompanying consolidated balance sheets.

Funded Status for Defined Benefit Plans

Generally, annual contributions are made at such times and in amounts as required by law and may, from time to time, exceed minimum funding requirements. The Retired Officers' Bonus Plan is an unfunded plan and contributions are made as benefits are paid, for all periods presented. As of March 31, 2012 and 2011, there were no plan assets for the Retired Officers' Bonus Plan and therefore, the accumulated liability of \$4.6 million and \$5.2 million, respectively, is unfunded. The liability will be distributed in a lump-sum payment as each Officer retires.

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The expected future medical benefit payments and contributions are as follows:

| <u>For the Fiscal Year Ending March 31,</u> | <u>Officer Medical Plan Benefits</u> |
|---|--|
| 2013 | \$ 1,947 |
| 2014 | 2,160 |
| 2015 | 2,467 |
| 2016 | 2,757 |
| 2017 | 3,098 |
| 2018-2022 | 23,422 |

15. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the following:

| | <u>March 31,</u> | |
|-----------------------------------|-------------------|-------------------|
| | <u>2012</u> | <u>2011</u> |
| Deferred rent | \$ 49,716 | \$ 45,878 |
| Deferred compensation | 22,440 | 22,408 |
| Stock-based compensation | 27,721 | 31,392 |
| Deferred payment obligation | 63,138 | 38,161 |
| Postretirement obligation | 68,225 | 57,997 |
| Other | 5,713 | — |
| Total other long-term liabilities | <u>\$ 236,953</u> | <u>\$ 195,836</u> |

In fiscal 2012 and 2011, the Company recorded a stock-based compensation liability of \$36.7 million and \$40.4 million, respectively, including \$8.9 million and \$9.0 million, respectively, expected to be paid within one year, related to the reduction in stock option exercise price associated with the December 2009 dividend. Options vested and not yet exercised that would have had an exercise price below zero as a result of the dividend were reduced to one cent, with the remaining reduction to be paid in cash upon exercise of the options. Refer to Note 17 for further discussion of the December 2009 dividend.

The Company maintains a deferred compensation plan, or EPP, established in January 2009, for the benefit of certain employees. The EPP allows eligible participants to defer all or a portion of their annual performance bonus, reduced by amounts withheld for the payment of taxes or other deductions required by law. The Company makes no contributions to the EPP, but maintains participant accounts for deferred amounts and interest earned. The amounts deferred into the EPP will earn interest at a rate of return indexed to the results of the Company's growth as defined by the EPP. In each subsequent year, interest will be compounded on the total deferred balance. Employees must leave the money in the EPP until 2014. The deferred balance generally will be paid within 180 days of the final determination of the interest to be accrued for 2014, upon retirement, or termination. As of March 31, 2012 and 2011, the Company's liability associated with the EPP was \$22.4 million.

16. STOCKHOLDERS' EQUITY

Stock Split

On September 21, 2010, the Company's Board of Directors approved an amended and restated certificate of incorporation that was filed on November 8, 2010, thereby effecting a ten-for-one stock split of all the outstanding shares of Class A Common Stock, Class B Non-Voting Common Stock, Class C Restricted Common Stock, and Class E Special Voting Common Stock. Par value for Class A Common Stock, Class B Non-Voting Common Stock, and Class C Restricted Common Stock remained at \$0.01 par value per share. Par value for Class E Special Voting Stock was split ten-for-one to become \$0.003 per share. All issued and outstanding common stock and stock options and per share amounts of the Company contained in the financial statements have been retroactively adjusted to reflect this stock split for all periods presented.

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The amended and restated certificate of incorporation also eliminated the Class D Merger Rolling Common Stock and the Class F Non-Voting Restricted Common Stock.

Common Stock

Holders of Class A Common Stock, Class C Restricted Common Stock, and Class E Special Voting Common Stock are entitled to one vote for each share as a holder. The holders of the Voting Common Stock shall vote together as a single class. The holders of Class B Non-Voting Common Stock have no voting rights.

When shares of Class B Non-Voting Common Stock or Class C Restricted Common Stock are sold on the open market, they become Class A Common Stock shares. During fiscal 2012, 566,005 and 495,250 shares of Class B Non-Voting Common Stock and Class C Restricted Common stock, respectively, were sold and converted to Class A Common Stock shares.

Class C Restricted Common Stock is restricted in that a holder's shares vest as set forth in the Rollover Plan. Refer to Note 17 for further discussion of the Rollover Plan.

Class E Special Voting Common Stock represents the voting rights that accompany the new options program. The new options program has a fixed vesting and exercise schedule to comply with IRS section 409(a). Upon exercise, the option will convert to Class A Common Stock, and the corresponding Class E Special Voting Common Stock will be repurchased by the Company and retired. Refer to Note 17 for further discussion of the new options program.

Each share of common stock, except for Class E Special Voting Common Stock, is entitled to participate equally, when and if declared by the Board of Directors from time to time, such dividends and other distributions in cash, stock, or property from the Company's assets or funds become legally available for such purposes subject to any dividend preferences that may be attributable to preferred stock that may be authorized. The Company's ability to pay dividends to shareholders is limited as a practical matter by restrictions in the credit agreements governing the Senior Credit Facilities.

The authorized and unissued Class A Common Stock shares are available for future issuance upon share option exercises, without additional stockholder approval.

Employee Stock Purchase Program

In connection with the Company's initial public offering in November 2010, the Company established a tax qualified Employee Stock Purchase Plan, or ESPP, which is designed to enable eligible employees to periodically purchase shares of the Company's Class A Common Stock up to an aggregate of 10,000,000 shares at a five percent discount from the fair market value of the Company's common stock. The ESPP provides for quarterly offering periods, the first of which commenced on April 1, 2011. For the year ended March 31, 2012, 543,903 Class A Common Stock shares were purchased by employees under the ESPP.

Share Repurchase Program

On December 12, 2011, the Board of Directors approved a \$30.0 million share repurchase program, to be funded from cash on hand. A special committee of the Board of Directors was appointed to evaluate market conditions and other relevant factors and initiate repurchases under the program from time to time. The share repurchase program may be suspended, modified or discontinued at any time at the Company's discretion without prior notice. As of March 31, 2012 no shares have been repurchased under the program.

Dividend

On February 1, 2012, the Company's Board of Directors authorized and declared a cash dividend in the amount of \$0.09 per share. On February 29, 2012, the Company paid dividends to stockholders of record at the close of business on February 13, 2012 in the amount of \$11.9 million.

17. STOCK-BASED COMPENSATION

The following table summarizes stock-based compensation expense recognized in the consolidated statements of operations:

| | Fiscal Year Ended March 31, | | |
|-------------------------------------|-----------------------------|------------------|------------------|
| | 2012 | 2011 | 2010 |
| Cost of revenue | \$ 8,862 | \$ 14,073 | \$ 23,652 |
| General and administrative expenses | 22,073 | 34,605 | 48,245 |
| Total | \$30,935 | \$ 48,678 | \$ 71,897 |

As of March 31, 2012 and 2011, there was \$26.6 million and \$40.6 million, respectively, of total unrecognized compensation cost related to unvested stock compensation agreements. The unrecognized compensation cost as of March 31, 2012 is expected to be fully amortized over the next 5.25 years. Absent the effect of accelerating stock compensation cost for any departures of employees who may continue to vest in their equity awards, the following tables summarizes the estimated annual compensation cost for the future periods indicated below (excludes any future awards):

| | Total Unrecognized Compensation Cost | | | | | | |
|---------------------------------|--------------------------------------|------------------|-----------------|-----------------|---------------|---------------|--------------|
| | Total | 2013 | 2014 | 2015 | 2016 | 2017 | Thereafter |
| Officers' Rollover Stock Plan | 3,919 | 3,282 | 637 | — | — | — | — |
| Equity Incentive Plan | 18,441 | 10,037 | 4,982 | 2,343 | 895 | 174 | 10 |
| Class A Restricted Common Stock | 4,255 | 2,836 | 1,201 | 218 | — | — | — |
| Total | \$ 26,615 | \$ 16,155 | \$ 6,820 | \$ 2,561 | \$ 895 | \$ 174 | \$ 10 |

Officers' Rollover Stock Plan

The Rollover Plan was adopted as a mechanism to enable the exchange by the Officers of the Company's U.S. government consulting business who were required to exchange (and those commercial officers who elected to exchange subject to an aggregate limit) a portion of their previous equity interests in the Predecessor for equity interests in the Company. Among the equity interests that were eligible for exchange were common stock and stock rights, both vested and unvested.

The stock rights that were unvested, but would have vested in 2008, were exchanged for 2,028,270 shares of new Class C Restricted Common Stock, or Class C Restricted Stock, issued by the Company at an estimated fair value of \$10.00 at August 1, 2008. The aggregate grant date fair value of the Class C Restricted Stock issued for \$20.3 million is being recorded as expense over the vesting period. Total compensation expense recorded in conjunction with this Class C Restricted Stock for fiscal 2012, fiscal 2011, and fiscal 2010 was \$1.1 million, \$3.9 million, and \$7.1 million, respectively. As of March 31, 2012 and 2011, unrecognized compensation cost related to the non-vested Class C Restricted Stock was \$371,000 and \$1.4 million, respectively, and is expected to be recognized over 1.25 and 2.25 years, respectively. For the fiscal years ended March 31, 2012 and 2011, 1,755,870 and 988,980 cumulative shares of Class C Restricted Stock vested, respectively. At March 31, 2012 and 2011, 3,971,730 shares of Class C Restricted Stock were authorized but unissued under the Plan. Notwithstanding the foregoing, Class C Restricted Stock was intended to be issued only in connection with the exchange process described above.

In addition to the conversion of the stock rights that would have vested in 2008 to Class C Restricted Stock, new options, or New Options, were issued in exchange for old stock rights held by the Predecessor's U.S. government consulting partners that were issued under the stock rights plan that existed for the Predecessor's Officers prior to the closing of the Merger Transaction. The New Options were granted based on the retirement eligibility of the Officer. For the purposes of the New Options, there are two categories of Officers — retirement eligible and non-retirement eligible. New Options granted to retirement eligible Officers vest in equal annual installments on June 30, 2009, 2010, and 2011.

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The following table summarizes the exercise schedule for Officers who were deemed retirement eligible. Exercise schedules are based on original vesting dates applicable to the stock rights surrendered:

| | Percentage of New Options to be Exercised As of June 30, | | | | | |
|--|---|------|------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Retirement Eligible | | | | | | |
| Original vesting date of June 30, 2009 | 60% | 20% | 20% | — | — | — |
| Original vesting date of June 30, 2010 | — | 50% | 20% | 20% | 10% | — |
| Original vesting date of June 30, 2011 | — | — | 20% | 20% | 30% | 30% |

Those individuals who were considered retirement eligible also were given the opportunity to make a one-time election to be treated as non-retirement eligible. The determination of retirement eligibility was made as of a fixed period of time and cannot be changed at a future date.

New Options granted to Officers who were categorized as non-retirement eligible vested 50% on June 30, 2011, and will vest 25% on June 30, 2012 and 2013.

The following table summarizes the exercise schedule for Officers who were deemed non-retirement eligible. Exercise schedules are based on original vesting dates applicable to the stock rights surrendered:

| | Percentage of New Options to be Exercised As of June 30, | | | | |
|--|---|------|------|------|------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Non-Retirement Eligible | | | | | |
| Original vesting date of June 30, 2011 | 20% | 20% | 20% | 20% | 20% |
| Original vesting date of June 30, 2012 | — | 25% | 25% | 25% | 25% |
| Original vesting date of June 30, 2013 | — | — | 33% | 33% | 34% |

If a holder's employment with the Company were to terminate without cause, by reason of disability, or Company approved termination, these shares will continue to vest as if the holder continued to be employed as a retirement eligible or non-retirement eligible employee, as the case may be. In the event that a holder's employment is terminated due to death, any unvested New Options shall immediately vest in full. In the event of a holder's termination of employment due to death, disability, or a Company approved termination, the Company may, in its sole discretion, convert all or a portion of unexercised New Options into the right to receive upon vesting and exercise, in lieu of Company common stock, a cash payment pursuant to a prescribed formula. The aggregate grant date fair value of the New Options issued of \$127.1 million is being recorded as compensation expense over the vesting period. Total compensation expense recorded in conjunction with the New Options for the fiscal 2012, fiscal 2011, and fiscal 2010, was \$11.2 million, \$27.3 million, and \$42.2 million, respectively. The total fair value of New Options vested during fiscal 2012 and 2011 was \$10.4 million and \$10.4 million, respectively. As of March 31, 2012 and 2011, unrecognized compensation cost related to the non-vested New Options was \$3.5 million and \$14.7 million, respectively, which is expected to be recognized over 1.25 and 2.25 years, respectively.

As permitted under the terms of the Rollover Plan, the Compensation Committee, as Administrator of the Rollover Plan, authorized on June 3, 2011 the payment of withholding taxes not to exceed the minimum statutory withholding amount arising in connection with the exercise of Rollover Options through the surrender of shares of Class A common stock, issuable upon the exercise of such Rollover Options. The Company extended this offer to the holders of the Rollover Options to provide for an additional alternative to either paying the minimum required withholding tax arising in connection with the exercise of the Rollover Options from each holder's existing personal funds or from the proceeds of the open market sale of a portion of the shares issuable upon the exercise of the Rollover Options. The surrender program was limited to the Rollover Options that were required

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to be exercised between June 30, 2011 and September 15, 2011 and, for those holders who elected to participate, the trade date was August 12, 2011 for the exercise of the Rollover Options. As a result of this transaction, the Company repurchased 333,775 shares at \$16.11 and recorded them as treasury shares at a cost of \$5.4 million.

Equity Incentive Plan

The EIP was created in connection with the Merger Transaction for employees and directors of Holding. The Company created a pool of options, or EIP Options, to draw upon for future grants that would be governed by the EIP. All options under the EIP are exercisable, upon vesting, for shares of common stock of Holding. The grants of options under the EIP were as follows:

| <u>Date of Grant</u> | <u>Number of Options Granted</u> | <u>Estimated Fair Value of Common Stock at Time of Grant</u> |
|----------------------|--------------------------------------|--|
| May 7, 2009 | 1,420,000 | \$ 11.81 |
| January 27, 2010 | 470,000 | 11.49 |
| February 15, 2010 | 140,000 | 11.49 |
| April 28, 2010 | 1,700,000 | 12.80 |
| August 17, 2010 | 50,000 | 16.85 |
| November 16, 2010 | 260,000 | 17.00 |
| March 1, 2011 | 430,000 | 18.50 |
| April 1, 2011 | 1,280,000 | 18.29 |
| July 1, 2011 | 60,000 | 19.08 |
| August 10, 2011 | 140,000 | 16.07 |
| November 8, 2011 | 190,000 | 16.30 |
| February 23, 2012 | 345,000 | 18.34 |

Stock options are granted at the discretion of the Board of Directors or its Compensation Committee and expire ten years from the date of the grant. Options generally vest over a five-year period based upon required service and performance conditions. Starting on February 1, 2012, the Board of Directors or its Compensation Committee updated vesting conditions for stock options, whereby stock options only vest upon a required service condition. The Company calculates the pool of additional paid-in capital associated with excess tax benefits using the “simplified method.”

The aggregate grant date fair value of the EIP Options issued during fiscal 2012, fiscal 2011, and fiscal 2010, was \$18.5 million, \$15.3 million, and \$10.6 million, respectively, and is being recorded as expense over the vesting period. Total compensation expense recorded in conjunction with options outstanding under the EIP for fiscal 2012, fiscal 2011, and fiscal 2010, was \$12.7 million, \$17.4 million, and \$22.4 million, respectively. The total fair value of EIP Options vested during fiscal 2012 and 2011 was \$10.7 million and \$12.7 million, respectively. As of March 31, 2012 and 2011, unrecognized compensation cost related to the non-vested EIP Options was \$18.4 million and \$24.5 million, respectively, and is expected to be recognized over 5.25 and 5.25 years, respectively. As of March 31, 2012 and 2011, there were 11,616,000 and 12,865,310 options, respectively, available for future grant under the EIP.

Adoption of Annual Incentive Plan

On October 1, 2010, the Board of Directors adopted a new compensation plan in connection with the initial public offering to more appropriately align the Company’s compensation programs with those of similarly situated companies. The amount of the annual incentive payment will be determined based on performance targets established by the Board of Directors and a portion of the bonus may be paid in the form of equity (including stock and other awards under the EIP). If the Board of Directors elects to make payments in equity, the value of the overall award will be increased by 20%, related to the portion paid in equity. Equity awards will vest based on the passage of time, subject to the officer’s continued employment by the Company. The portion to

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be paid in the form of equity will be recognized in the accompanying consolidated statements of operations based on grant date fair value over the vesting period of three years. The portion to be paid in cash is accrued ratably during the fiscal year in which the employees provide service and paid out during the first quarter of the subsequent fiscal year.

Grants of Class A Restricted Common Stock

On April 1, 2011, the Compensation Committee of the Board of Directors granted 20,231 shares of Class A Restricted Stock to certain Board members for their continued service to the Company. These shares vest in equal installments on September 30, 2011 and March 31, 2012, and were issued with an aggregate grant date fair value of \$370,000. On November 9, 2011, the Compensation Committee of the Board of Directors granted 1,242 shares of Class A Restricted Stock to a new Board member for his service to the Company. These shares shall vest on March 31, 2012, and were issued with an aggregate fair value of \$20,000. Total compensation expense recorded in conjunction with these grants for the fiscal year ended March 31, 2012 was \$390,000.

On July 1, 2011, the Compensation Committee of the Board of Directors granted 514,869 shares of Class A Restricted Stock in conjunction with the new Annual Incentive Plan adopted on October 1, 2010. The amount of the annual incentive payment was determined based on performance targets established by the Compensation Committee and a portion of the bonus was paid in the form of Class A Restricted Stock. Equity awards will vest based on the passage of time, subject to the officer's continued employment by the Company. The portion to be paid in the form of equity will be recognized in the accompanying consolidated statements of operations based on grant date fair value over the vesting period of three years and the aggregate value was estimated at \$9.8 million based on the stock price of \$19.08 on the grant date. Total compensation expense recorded in conjunction with this grant for the fiscal year ended March 31, 2012 was \$5.6 million. Future compensation cost related to this award not yet recognized in consolidated statements of operations was \$4.3 million and is expected to be recognized over the next 2.25 years.

Methodology

The Company uses the Black-Scholes option-pricing model to determine the estimated fair value for stock-based awards. The fair value of the Company stock on the date of the New Option grant was determined based on the fair value of the Merger Transaction involving Booz Allen Hamilton, Inc. and the Company that occurred on July 31, 2008. For all grants of options through the initial public offering, the fair value of the Company's stock was determined by an independent valuation specialist. For all grants of options subsequent to the initial public offering, the fair value of the Company's stock was based on the Company's closing price on the New York Stock Exchange.

On February 1, 2012, the Company's Board of Directors authorized and declared a cash dividend in the amount of \$0.09 per share. Therefore, an annualized dividend yield of approximately 2% was used in the Black-Scholes option-pricing model for all grants issued after February 1, 2012. Prior to this, the Company did not issue dividends and a dividend yield of zero was used in the Black-Scholes option-pricing model. Implied volatility is calculated as of each grant date based on our historical volatility along with an assessment of a peer group for future option grants. Other than the expected life of the option, volatility is the most sensitive input to our option grants. To be consistent with all other implied calculations, the same peer group used to calculate other implied metrics is also used to calculate implied volatility.

The risk-free interest rate is determined by reference to the U.S. Treasury yield curve rates with the remaining term equal to the expected life assumed at the date of grant. The average expected life was estimated based on internal qualitative and quantitative factors. Forfeitures were estimated based on the Company's historical analysis of Officer attrition levels and actual forfeiture rates by grant date.

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The weighted average assumptions used in the Black-Scholes option-pricing model for stock option awards were as follows:

| | Through Fiscal Year Ended March 31, | | |
|--|-------------------------------------|-------|-------|
| | 2012 | 2011 | 2010 |
| Dividend yield | 0.28% | 0.00% | 0.00% |
| Expected volatility | 36.8% | 39.8% | 40.7% |
| Risk-free interest rate | 2.35% | 3.07% | 2.90% |
| Expected life (in years) | 7.00 | 7.00 | 7.04 |
| Weighted-average grant date fair value | 7.56 | 6.23 | 5.51 |

Dividends

On December 7, 2009, the Company's Board of Directors approved a dividend of \$4.642 per share paid to holders of record as of December 8, 2009 of Class A Common Stock, Class B Non-Voting Common Stock, and Class C Restricted Common Stock. This dividend totaled \$497.5 million. As required by the Rollover Plan and the EIP, and in accordance with applicable tax laws and regulatory guidance, the exercise price per share of each outstanding New Option and EIP Option was reduced in an amount equal to the value of the dividend. The Company evaluated the reduction of the exercise price associated with the dividend issuance. Both the Rollover and EIP plans contained mandatory antidilution provisions requiring modification of the options in the event of an equity restructuring, such as the dividends declared in July and December 2009. In addition, the structure of the modifications, as a reduction in the exercise price of options, did not result in an increase to the fair value of the awards. As a result of these factors, the Company did not record incremental compensation expense associated with the modifications of the options as a result of the July and December 2009 dividends. Options vested and not yet exercised that would have had an exercise price below zero as a result of the dividend were reduced to one cent. The difference between the one cent exercise price and the reduced value for shares not yet exercised of approximately \$54.4 million will be accrued by the Company as the options vest and will be paid in cash upon exercise of the options, subject to the continued vesting of the options. As of March 31, 2012 and 2011, the Company reported \$27.7 million and \$31.4 million, respectively, in other long-term liabilities and \$8.9 million and \$9.0 million, respectively, in accrued compensation and benefits in the consolidated balance sheets based on the proportion of the potential payment of \$54.4 million which is represented by vested options for which stock-based compensation expense has been recorded. The Company paid \$9.0 million to option holders in fiscal 2012 to settle the New Options exercised during the fiscal year, which is included in stock option exercises in cash flows from financing activities in the consolidated statements of cash flows.

On July 27, 2009, the Company's Board of Directors approved a dividend of \$1.087 per share paid to holders of record as of July 29, 2009 of the Company's Class A Common Stock, Class B Non-Voting Common Stock, and Class C Restricted Common Stock. This dividend totaled \$114.9 million. In accordance with the Officers' Rollover Stock Plan, the exercise price per share of each outstanding option, including New Options and EIP options, was reduced in compliance with applicable tax laws and regulatory guidance. Additionally, the Company evaluated the reduction of the exercise price associated with the dividend issuance. As a result, the Company did not record any additional incremental compensation expense associated with the dividend and corresponding decrease in the exercise and fair value of all outstanding options.

On February 1, 2012, the Company's Board of Directors authorized and declared a cash dividend in the amount of \$0.09 per share. The dividend was paid in cash on February 29, 2012 to stockholders of record at the close of business on February 13, 2012.

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The following table summarizes stock option activity for the periods presented:

| | <u>Number of Options</u> | <u>Weighted Average Exercise Price</u> |
|---|------------------------------|--|
| <i>Officers' Rollover Stock Plan New Options</i> | | |
| Retirement Eligible: | | |
| Options outstanding at March 31, 2011 | 4,128,410 | \$ 0.01* |
| Granted | — | — |
| Forfeited | — | — |
| Expired | — | — |
| Exercised | 1,457,082 | 0.01* |
| Options outstanding at March 31, 2012 | <u>2,671,328</u> | \$ 0.01* |
| Non-Retirement Eligible: | | |
| Options outstanding at March 31, 2011 | 7,517,500 | \$ 0.01* |
| Granted | — | — |
| Forfeited | — | — |
| Expired | — | — |
| Exercised | 751,750 | 0.01* |
| Options outstanding at March 31, 2012 | <u>6,765,750</u> | \$ 0.01* |
| <i>Equity Incentive Plan Options</i> | | |
| Options outstanding at March 31, 2011 | 11,775,725 | \$ 6.39 |
| Granted | 2,445,000 | 18.07 |
| Forfeited | 1,284,072 | 7.74 |
| Expired | 3,980 | 11.50 |
| Exercised | 1,591,391 | 4.62 |
| Options outstanding at March 31, 2012 | <u>11,341,282</u> | \$ 9.00 |

* Reflects adjustments for \$4.642 dividend issued December 11, 2009 and \$1.087 dividend issued July 27, 2009.

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The following table summarizes unvested stock options for the periods presented:

| | Number of Options | Weighted Average Fair Value | Aggregate Intrinsic Value on Grant Date |
|--|----------------------|-----------------------------------|--|
| Officers' Rollover Stock Plan New Options | | | |
| Retirement Eligible: | | | |
| Unvested at March 31, 2011 | 2,428,480 | \$ 21.46 | \$ 52,115 |
| Granted | — | — | — |
| Vested | 2,428,480 | 4.27* | 10,369* |
| Forfeited | — | — | — |
| Unvested at March 31, 2012 | <u>—</u> | <u>—</u> | <u>—</u> |
| Non-Retirement Eligible: | | | |
| Unvested at March 31, 2011 | 7,517,500 | \$ 10.00 | \$ 62,553 |
| Granted | — | — | — |
| Vested | 3,758,750 | 4.27* | 16,050* |
| Forfeited | — | — | — |
| Unvested at March 31, 2012 | <u>3,758,750</u> | <u>\$ 12.37</u> | <u>\$ 46,504</u> |
| Equity Incentive Plan Options | | | |
| Unvested at March 31, 2011 | 9,569,730 | \$ 6.76 | \$ — |
| Granted | 2,445,000 | 18.07 | — |
| Vested | 2,913,805 | 6.44 | — |
| Forfeited | 1,284,072 | 7.74 | — |
| Unvested at March 31, 2012 | <u>7,816,853</u> | <u>\$ 10.26</u> | <u>—</u> |

* Reflects adjustment for \$4.642 dividend issued December 11, 2009, and \$1.087 dividend issued July 27, 2009.

The following table summarizes stock options outstanding at March 31, 2012:

| <u>Range of exercise prices</u> | <u>Stock Options Outstanding</u> | <u>Weighted Average Exercise Price</u> | <u>Weighted Average Remaining Contractual Life (In years)</u> | <u>Stock Options Exercisable</u> | <u>Weighted Average Exercise Price</u> | <u>Weighted Average Remaining Contractual Life (In years)</u> |
|--------------------------------------|--|--|---|--|--|---|
| Officers' Rollover Stock Plan | | | | | | |
| \$0.01 | 9,437,078 | \$ 0.01* | 1.07 | 5,678,319 | \$ 0.01 | 0.56 |
| Equity Incentive Plan | | | | | | |
| \$4.27 - \$20.00 | 11,341,282 | \$ 9.00 | 7.49 | 3,533,659 | \$ 6.21 | 6.98 |

* Reflects adjustment for \$4.642 dividend issued December 11, 2009, and \$1.087 dividend issued July 27, 2009.

The grant date aggregate intrinsic value for New Options outstanding and New Options exercisable at March 31, 2012 was \$40.3 million and \$2.4 million, respectively.

18. RELATED-PARTY TRANSACTIONS

Pursuant to an Agreement and Plan of Merger, dated as of May 15, 2008, and subsequently amended, The Carlyle Group indirectly acquired all of the issued and outstanding stock of the Company. From time to time, and in the ordinary course of business: (1) other Carlyle portfolio companies engage the Company as a subcontractor or service provider, and (2) the Company engages other Carlyle portfolio companies as subcontractors or service providers. Revenue and cost associated with these related parties for fiscal 2012 were \$1.5 million and \$1.4 million, respectively. Revenue and cost associated with these related parties for fiscal 2011 were \$6.3 million and \$5.3 million, respectively. Revenue and cost associated with these related party transactions for fiscal 2010 were \$15.1 million and \$13.5 million, respectively.

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On July 31, 2008, the Company entered into a management agreement, or Management Agreement, with TC Group V US, L.L.C., or TC Group, a company affiliated with Carlyle. In accordance with the Management Agreement, TC Group provides the Company with advisory, consulting and other services and the Company pays TC Group an aggregate annual fee of \$1.0 million plus expenses. In addition, the Company made a one-time payment to TC Group of \$20.0 million for investment banking, financial advisory and other services provided to the Company in connection with the Acquisition. For fiscal 2012, fiscal 2011, and fiscal 2010, the Company incurred \$1.0 million per year in advisory fees.

Effective July 31, 2008, the Company entered into a transition services agreement, or TSA, and a collaboration agreement, or CA, with Booz & Company Inc., or Booz & Co. The TSA required the Company and Booz & Co. to provide to each other certain support services for up to 15 months following July 31, 2008. Revenue and expenses were recognized as incurred.

The CA requires the Company and Booz & Co. to provide to each other the services of personnel that were either staffed on existing contracts as of July 31, 2008, or contemplated to be staffed in proposals submitted prior to but accepted after such date. The CA will remain in effect until the termination or expiration of the applicable contracts. Revenue and expenses are recognized as incurred.

Included in the accompanying consolidated balance sheets and statements of operations are support services between the Company and Booz & Co. under terms of the TSA and CA, as well as occupancy charges based on license agreements, as summarized below:

| | |
|---|---------|
| As of March 31, 2012: | |
| Accounts receivable | \$ 149 |
| Accounts payable | \$ 65 |
| As of March 31, 2011: | |
| Accounts receivable | \$ 187 |
| Accounts payable | \$ 91 |
| For the fiscal year ended March 31, 2012: | |
| Revenue | \$ — |
| Expenses | \$ — |
| For the fiscal year ended March 31, 2011: | |
| Revenue | \$1,438 |
| Expenses | \$1,936 |
| For the fiscal year ended March 31, 2010: | |
| Revenue | \$3,712 |
| Expenses | \$2,889 |

An additional \$4.6 million is owed to Booz & Co as of March 31, 2012 for payment of foreign tax credits as a result of the Germany and France audit closings.

19. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space under noncancelable operating leases that expire at various dates through 2022. The terms for the facility leases generally provide for rental payments on a graduated scale, which are recognized on a straight-line basis over the terms of the leases, including reasonably assured renewal periods, from the time the Company controls the leased property. Lease incentives are recorded as a deferred credit and recognized as a reduction to rent expense on a straight-line basis over the lease term. Rent expense was

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approximately \$113.9 million, net of \$5.7 million of sublease income, \$118.4 million, net of \$5.8 million of sublease income, and \$109.5 million, net of \$7.1 million of sublease income, for fiscal 2012, fiscal 2011, and fiscal 2010, respectively.

Future minimum operating lease payments for noncancelable operating leases and future minimum noncancelable sublease rentals are summarized as follows:

| <u>For the Fiscal Year Ending March 31,</u> | <u>Operating Lease Payments</u> | <u>Operating Sublease Income</u> |
|---|---|--|
| 2013 | \$ 82,426 | \$ 708 |
| 2014 | 76,895 | 536 |
| 2015 | 65,300 | 43 |
| 2016 | 49,654 | 44 |
| 2017 | 25,094 | 19 |
| Thereafter | 51,542 | — |
| | <u>\$350,911</u> | <u>\$ 1,350</u> |

Rent expense is included in occupancy costs, a component of general and administrative expenses, as shown on the consolidated statements of operations, and includes rent, sublease income from third parties, real estate taxes, utilities, parking, security, repairs and maintenance, and storage costs.

As a result of the Merger Transaction, the Company assigned a total of nine leases to Booz & Co. The facilities are located in New York, New York; Troy, Michigan; Florham Park, New Jersey; Parsippany, New Jersey; Houston, Texas; Chicago, Illinois; Cleveland, Ohio; Dallas, Texas; and London, England. Except for the Houston, Cleveland, and Dallas leases, which expired, the Company remains liable under the terms of the original leases should Booz & Co. default on its obligations. There were no events of default under these leases as of March 31, 2012 and March 31, 2011. The maximum potential amount of undiscounted future payments is \$35.9 million at March 31, 2012, and the leases expire at different dates between February 2013 and March 2017.

Government Contracting Matters

For fiscal 2012, fiscal 2011, and fiscal 2010, approximately 98%, 97%, and 98%, respectively, of the Company's revenue was generated from contracts with U.S. government agencies or other U.S. government contractors. Contracts with the U.S. government are subject to extensive legal and regulatory requirements and, from time to time and in the ordinary course of business, agencies of the U.S. government investigate whether the Company's operations are conducted in accordance with these requirements and the terms of the relevant contracts by using investigative techniques as subpoenas or civil investigative demands. U.S. government investigations of the Company, whether related to the Company's U.S. government contracts or conducted for other reasons, could result in administrative, civil, or criminal liabilities, including repayments, fines, or penalties being imposed upon the Company, or could lead to suspension or debarment from future U.S. government contracting. Management believes it has adequately reserved for any losses that may be experienced from any investigation of which it is aware. The Defense Contract Management Agency Administrative Contracting Officer has negotiated annual final indirect cost rates through fiscal year 2006. Audits of subsequent years may result in cost reductions and/or penalties. Management believes it has adequately reserved for any losses that may be experienced from any such reductions and/or penalties. As of March 31, 2012 and 2011, the Company has recorded a liability of approximately \$127.2 million and \$100.2 million, respectively, for its current best estimate of net amounts to be refunded to customers for potential adjustments from such audits or reviews of contract costs incurred subsequent to fiscal year 2006.

Litigation

The Company is involved in legal proceedings and investigations arising in the ordinary course of business, including those relating to employment matters, relationships with clients and contractors, intellectual property disputes, and other business matters. These legal proceedings seek various remedies, including claims for monetary damages in varying amounts that currently range up to \$40 million or have a reasonably estimated outcome within that range or are unspecified as to amount. Although the outcome of any such matter is inherently uncertain and may be materially adverse, based on current information, management does not expect any of the currently ongoing audits, reviews, investigations, or litigation to have a material adverse effect on the financial condition and results of operations. As of March 31, 2012 and 2011, there are no amounts accrued in the consolidated financial statements related to these proceedings.

Six former officers and stockholders of the Predecessor who had departed the firm prior to the Acquisition have filed a total of nine suits, with original filing dates ranging from July 3, 2008 through December 15, 2009 (three of which were amended on July 2, 2010 and then further amended into one consolidated complaint on September 7, 2010) against the Company and certain of the Company’s current and former directors and officers. Each of the suits arises out of the Acquisition and alleges that the former stockholders are entitled to certain payments that they would have received if they had held their stock at the time of the Acquisition. Some of the suits also allege that the acquisition price paid to stockholders was insufficient. The various suits assert claims for breach of contract, tortious interference with contract, breach of fiduciary duty, civil Racketeer Influenced and Corrupt Organizations Act, or RICO, violations, violations of the Employee Retirement Income Security Act, and/or securities and common law fraud. Two of these suits have been dismissed with all appeals exhausted. Five of the remaining suits are pending in the United States District Court for the Southern District of New York, the sixth is pending in New York state court and the seventh is pending in the United States District Court for the Southern District of California. As of March 31, 2012 and 2011, the aggregate alleged damages sought in the seven remaining suits was approximately \$348.7 million (\$291.5 million of which is sought to be trebled pursuant to RICO), plus punitive damages, costs, and fees. Although the outcome of any of these cases is inherently uncertain and may be materially adverse, based on current information, we do not expect them to have a material adverse effect on our financial condition and results of operations.

20. BUSINESS SEGMENT INFORMATION

The Company reports operating results and financial data in one operating and reportable segment. The Company manages its business as a single profit center in order to promote collaboration, provide comprehensive functional service offerings across its entire client base, and provide incentives to employees based on the success of the organization as a whole. Although certain information regarding served markets and functional capabilities is discussed for purposes of promoting an understanding of the Company’s complex business, the Company manages its business and allocates resources at the consolidated level of a single operating segment.

21. UNAUDITED QUARTERLY FINANCIAL DATA

| | 2012 Quarters | | | |
|----------------------------|---------------|--------------|--------------|--------------|
| | First | Second | Third | Fourth |
| Revenue | \$ 1,446,836 | \$ 1,429,044 | \$ 1,442,718 | \$ 1,540,620 |
| Operating income | 98,122 | 93,665 | 98,188 | 97,457 |
| Income before income taxes | 85,386 | 85,522 | 86,391 | 86,575 |
| Net income | 51,136 | 75,332 | 62,860 | 50,627 |
| Earnings per common share: | | | | |
| Basic (1) | \$ 0.40 | \$ 0.58 | \$ 0.48 | \$ 0.38 |
| Diluted (1) | \$ 0.37 | \$ 0.53 | \$ 0.44 | \$ 0.36 |

Out of period adjustments - During the fourth quarter, the Company recorded an adjustment to revenue associated with the recovery of allowable state income tax expense that in the aggregate increased revenue and

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operating income by approximately \$10.1 million (\$6.1 million net of taxes), which should have been allocated to the prior quarters of fiscal 2012 in which the expense was incurred. This operating income figure does not take into account a partially offsetting effect related to incentive compensation expense. The amount of the adjustment allocable to each prior quarter is not material to any of those prior quarters' financial statements, and the aggregate adjustment is not material to the fourth quarter, therefore the Company recorded the correction of this error in the fourth quarter of fiscal 2012.

| | 2011 Quarters | | | |
|----------------------------|---------------|--------------|--------------|--------------|
| | First | Second | Third | Fourth |
| Revenue | \$ 1,341,929 | \$ 1,367,214 | \$ 1,389,176 | \$ 1,492,977 |
| Operating income | 88,745 | 71,909 | 75,131 | 83,659 |
| Income before income taxes | 48,085 | 26,276 | 21,943 | 31,760 |
| Net income | 28,169 | 14,817 | 23,638 | 18,070 |
| Earnings per common share: | | | | |
| Basic (1) | \$ 0.26 | \$ 0.14 | \$ 0.20 | \$ 0.14 |
| Diluted (1) | \$ 0.23 | \$ 0.12 | \$ 0.18 | \$ 0.13 |

(1) Earnings per share are computed independently for each of the quarters presented and therefore may not sum to the total for the fiscal year.

22. SUPPLEMENTAL FINANCIAL INFORMATION

The following schedule summarizes valuation and qualifying accounts for the periods presented:

| | Fiscal Year Ended March 31, | | |
|---------------------------------|-----------------------------|-----------------|-----------------|
| | 2012 | 2011 | 2010 |
| Allowance for doubtful accounts | | | |
| Beginning balance | \$ 1,348 | \$ 2,127 | \$ 1,648 |
| Provision for doubtful accounts | 1,502 | 230 | 1,371 |
| Charges against allowance | (2,051) | (1,009) | (892) |
| Ending balance | <u>\$ 799</u> | <u>\$ 1,348</u> | <u>\$ 2,127</u> |
| Tax valuation allowance | | | |
| Beginning balance | \$42,379 | \$42,379 | \$10,056 |
| Purchase accounting adjustments | — | — | 32,323 |
| Sale of capital assets | (6,044) | — | — |
| Ending balance | <u>\$36,335</u> | <u>\$42,379</u> | <u>\$42,379</u> |

23. SUBSEQUENT EVENTS

On May 29, 2012, the Company's Board of Directors authorized and declared a regular quarterly cash dividend in the amount of \$0.09 per share. In addition, the Board declared a special cash dividend of \$1.50 per share. Both the quarterly and special dividend are payable on June 29, 2012 to shareholders of record on June 11, 2012. The Compensation Committee, as the Administrator of the Officers' Rollover Stock Plan and the Amended and Restated Equity Incentive Plan, made a determination to adjust the outstanding options under each plan by reducing the exercise price of the Rollover Options by the amount of the special dividend and by granting the holders of EIP options a dividend equivalent equal to the special dividend and payable on June 29, 2012 or the vesting of the EIP option, whichever is later.

On May 29, 2012, the Company's Board of Directors also authorized the payment of the accrued interest on the DPO as of July 31, 2012. We expect approximately \$3.4 million will be paid on that date.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

The Company's management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of the end of the period covered by this Annual Report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures were effective as of March 31, 2012.

Management's Annual Report on Internal Control over Financial Reporting and Attestation Report of the Registered Public Accounting Firm

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of March 31, 2012. This assessment was based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework*. Based on this assessment, management has concluded that, as of March 31, 2012, our internal control over financial reporting was effective.

Our independent registered public accounting firm has issued a report on the effectiveness of our internal control over financial reporting, which is below.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, that occurred in the fourth fiscal quarter of the period covered by this Annual Report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Ernst & Young, LLP, Independent Registered Public Accounting Firm, on Internal Control over Financial Reporting

The Board of Directors and Shareholders of
Booz Allen Hamilton Holding Corporation

We have audited Booz Allen Hamilton Holding Corporation's internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Booz Allen Hamilton Holding Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Booz Allen Hamilton Holding Corporation maintained, in all material respects, effective internal control over financial reporting as of March 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Booz Allen Hamilton Holding Corporation as of March 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2012 of Booz Allen Hamilton Holding Corporation and our report dated May 30, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean Virginia
May 30, 2012

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information related to our directors is set forth under the caption “Election of Directors” of our Proxy Statement for our Annual Meeting of Stockholders scheduled for August 2, 2012. Such information is incorporated herein by reference.

Information relating to our Executive Officers is included in Part I of this Annual Report under the caption “Executive Officers of the Registrant.”

Information relating to compliance with Section 16(a) of the Exchange Act is set forth under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” of our 2012 Proxy Statement. Such information is incorporated herein by reference.

Information related to our code of ethics is set forth under the caption “Corporate Governance and General Information Concerning the Board of Directors and its Committees” of our 2012 Proxy Statement. Such information is incorporated herein by reference.

Information relating to the Audit Committee and Board of Directors determinations concerning whether a member of the Audit Committee is a “financial expert” as that term is defined under Item 407(d)(5) of Regulation S-K is set forth under the caption “Corporate Governance and General Information Concerning the Board of Directors and its Committees” of our 2012 Proxy Statement. Such information is incorporated herein by reference.

Item 11. Executive Compensation.

Information relating to this item is set forth under the captions “Executive Compensation,” “Director Compensation,” “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report on Executive Compensation” of our 2012 Proxy Statement. Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information relating to this item is set forth in this Annual Report under the caption “Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities — Equity Compensation Plan Information” and under the caption “Security Ownership of Certain Beneficial Owners and Management” of our 2012 Proxy Statement. Such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information relating to this item is set forth under the captions “Certain Relationships and Related Party Transactions” and “Corporate Governance and General Information Concerning the Board of Directors and its Committees” of our 2012 Proxy Statement. Such information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

Information relating to this item is set forth under the caption “Independent Registered Public Accounting Firm Fees” of our 2012 Proxy Statement. Such information is incorporated herein by reference.

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this Annual Report:

- (1) Our financial statements filed herewith are set forth in Item 8 of this Annual Report.

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(2) Financial statement schedules have been omitted because either they are not applicable or the required information is included in the financial statements or the notes thereto.

(3) The attached list of exhibits in the “Exhibit Index” immediately following the signature pages to this Annual Report is filed as part of this Annual Report and is incorporated herein by reference.

Exhibit Index

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|---|
| 2.1 | Agreement and Plan of Merger, dated as of May 15, 2008, by and among Booz Allen Hamilton Inc., Booz Allen Hamilton Holding Corporation (formerly known as Explorer Holding Corporation), Booz Allen Hamilton Investor Corporation (formerly known as Explorer Investor Corporation), Explorer Merger Sub Corporation and Booz & Company Inc. (Incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-1 (File No. 333-167645)) |
| 2.2 | Spin Off Agreement, dated as of May 15, 2008, by and among Booz Allen Hamilton Inc., Booz & Company Holdings, LLC, Booz & Company Inc., Booz & Company Intermediate I Inc. and Booz & Company Intermediate II Inc. (Incorporated by reference to Exhibit 2.2 to the Company's Registration Statement on Form S-1 (File No. 333-167645)) |
| 2.3 | Amendment to the Agreement and Plan of Merger and the Spin Off Agreement, dated as of July 30, 2008, by and among Booz Allen Hamilton Inc., Booz Allen Hamilton Investor Corporation (formerly known as Explorer Investor Corporation), Explorer Merger Sub Corporation, Booz & Company Holdings, LLC, Booz & Company Inc., Booz & Company Intermediate I Inc. and Booz & Company Intermediate II Inc. (Incorporated by reference to Exhibit 2.3 to the Company's Registration Statement on Form S-1 (File No. 333-167645)) |
| 3.1 | Second Amended and Restated Certificate of Incorporation of Booz Allen Hamilton Holding Corporation (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report for the period ended December 31, 2010 on Form 10-Q (File No. 001-34972)) |
| 3.2 | Second Amended and Restated Bylaws of Booz Allen Hamilton Holding Corporation (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report for the period ended December 31, 2010 on Form 10-Q (File No. 001-34972)) |
| 4.1 | Guarantee and Collateral Agreement, among Booz Allen Hamilton Investor Corporation (formerly known as Explorer Investor Corporation), Explorer Merger Sub Corporation as the Initial Borrower, Booz Allen Hamilton Inc., as the Surviving Borrower, and the Subsidiary Guarantors party thereto, in favor of Credit Suisse, as Collateral Agent, dated as of July 31, 2008 (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 333-167645)) |
| 4.2 | Guarantee Agreement, among Booz Allen Hamilton Investor Corporation (formerly known as Explorer Investor Corporation), Explorer Merger Sub Corporation as the Initial Borrower, Booz Allen Hamilton Inc., as the Surviving Borrower, and the Subsidiary Guarantors party thereto, and Credit Suisse, as Administrative Agent, dated as of July 31, 2008 (Incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1 (File No. 333-167645)) |
| 4.3 | Amended and Restated Stockholders Agreement (Incorporated by reference to Exhibit 4.3 to the Company's Quarterly Report for the period ended December 31, 2010 on Form 10-Q (File No. 001-34972)) |
| 4.4 | Irrevocable Proxy and Tag-Along Agreement (Incorporated by reference to Exhibit 4.4 to the Company's Quarterly Report for the period ended December 31, 2010 on Form 10-Q (File No. 001-34972)) |
| 4.5 | Form of Stock Certificate (Incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-1 (File No. 333-167645)) |

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- 10.1 Credit Agreement, among Booz Allen Hamilton Investor Corporation (formerly known as Explorer Investor Corporation), Explorer Merger Sub Corporation, as the Initial Borrower, Booz Allen Hamilton Inc., as the Surviving Borrower, the several lenders from time to time parties thereto, Credit Suisse AG, Cayman Islands Branch (formerly known as Credit Suisse), as Administrative Agent and Collateral Agent, Credit Suisse AG, Cayman Islands Branch (formerly known as Credit Suisse), as Issuing Lender, Banc of America Securities LLC and Credit Suisse Securities (USA) LLC, as Joint Lead Arrangers, and Banc of America Securities LLC, Credit Suisse Securities (USA) LLC, Barclays Capital, Goldman Sachs Credit Partners L.P., and Morgan Stanley Senior Funding, Inc., as Joint Bookrunners and Sumitomo Mitsui Banking Corporation, as Co-Manager, dated as of July 31, 2008 (Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-167645))
- 10.2 First Amendment to Credit Agreement, dated as of December 8, 2009 (Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (File No. 333-167645))
- 10.3 Loan Agreement, Waiver and Amendment No. 2 to the Credit Agreement, dated as of February 3, 2011 (Incorporated by reference to Exhibit 10.1 to the Company's Periodic Report on Form 8-K (File No. 001-34972))
- 10.4 Second Amended and Restated Credit Agreement, as effected by the Loan Agreement, Waiver and Amendment No. 2 to the Credit Agreement, dated as of February 3, 2011 (Incorporated by reference to Exhibit 10.2 to the Company's Periodic Report on Form 8-K (File No. 001-34972))
- 10.5 Management Agreement, among Booz Allen Hamilton Holding Corporation (formerly known as Explorer Holding Corporation), Booz Allen Hamilton Inc., and TC Group V US, LLC, dated as of July 31, 2008 (Incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 (File No. 333-167645))
- 10.6 Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation (Incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-167645))*
- 10.7 Booz Allen Hamilton Holding Corporation Officers' Rollover Stock Plan (Incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 (File No. 333-167645))*
- 10.8 Form of Booz Allen Hamilton Holding Corporation Rollover Stock Option Agreement (Incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 (File No. 333-167645))*
- 10.9 Form of Stock Option Agreement under the Equity Incentive Plan of Booz Allen Hamilton Holding Corporation (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-167645))*
- 10.10 Form of Stock Option Agreement under the Equity Incentive Plan of Booz Allen Hamilton Holding Corporation (Incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 333-167645))*
- 10.11 Form of Subscription Agreement (Incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1 (File No. 333-167645))*
- 10.12 Form of Restricted Stock Agreement for Directors under the Equity Incentive Plan of Booz Allen Hamilton Holding Corporation (Incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1 (File No. 333-167645))*
- 10.13 Form of Restricted Stock Agreement for Employees under the Equity Incentive Plan of Booz Allen Hamilton Holding Corporation (Incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-1 (File No. 333-167645))*

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| | |
|-------|---|
| 10.14 | Booz Allen Hamilton Holding Corporation Annual Incentive Plan (Incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-1 (File No. 333-167645))* |
| 10.15 | Booz Allen Hamilton Holding Corporation Officers' Retirement Plan (Incorporated by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-1 (File No. 333-167645))* |
| 10.16 | Officer's Comprehensive Medical and Dental Plans (Incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1 (File No. 333-167645))* |
| 10.17 | Retired Officer's Comprehensive Medical and Dental Plans (Incorporated by reference to Exhibit 10.18 to the Company's Registration Statement on Form S-1 (File No. 333-167645))* |
| 10.18 | Excess ECAP Payment Program (Incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-1 (File No. 333-167645))* |
| 10.19 | Group Variable Universal Life Insurance (Incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-1 (File No. 333-167645))* |
| 10.20 | Group Personal Excess Liability Insurance (Incorporated by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-1 (File No. 333-167645))* |
| 10.21 | Annual Performance Program (Incorporated by reference to Exhibit 10.22 to the Company's Registration Statement on Form S-1 (File No. 333-167645))* |
| 10.22 | Form of Booz Allen Hamilton Holding Corporation Director and Officer Indemnification Agreement (Incorporated by reference to Exhibit 10.23 to the Company's Registration Statement on Form S-1 (File No. 333-167645))* |
| 10.23 | Form of Stock Option Agreement under the Equity Incentive Plan of Booz Allen Hamilton Holding Corporation (Incorporated by reference to Exhibit 10.23 to the Company's Annual Report for the year ended March 31, 2011 on Form 10-K (File No. 001-34972))* |
| 10.24 | Officer Transition Policy (Incorporated by reference to Exhibit 10.24 to the Company's Annual Report for the year ended March 31, 2011 on Form 10-K (File No. 001-34972))* |
| 10.25 | Form of Stock Option Agreement under the Equity Incentive Plan of Booz Allen Hamilton Holding Corporation (Incorporated by reference to Exhibit 10.25 to the Company's Quarterly Report for the period ended December 31, 2011 on Form 10-Q (File No. 001-34972))* |
| 10.26 | Administrative Agreement, dated as of April 13, 2012, between Booz Allen Hamilton Inc. and the United States Department of the Air Force (Incorporated by reference to Exhibit 10.1 to the Company's Periodic Report on Form 8-K filed on April 13, 2012 (File No. 001-34972)) |
| 23 | Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm** |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer** |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer** |
| 32.1 | Certification of the Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)** |
| 32.2 | Certification of the Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)** |
| 101 | The following materials from Booz Allen Hamilton Holding Corporation's Annual Report on Form 10-K for the fiscal year ended March 31, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of March 31, 2012 and 2011; (ii) Consolidated Statements of Operations for fiscal years ended March 31, 2012, 2011 and 2010; (iii) Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2012, 2011 and 2010; (iv) Consolidated Statements of Stockholders' Equity for the fiscal years ended March 31, 2012, 2011 and 2010; and (v) Notes to Condensed Consolidated Financial Statements.*** |

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* Management contract or compensatory arrangement.

** Filed electronically herewith.

*** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-171288) pertaining to the;

- Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation,
- Booz Allen Hamilton Holding Corporation Officers' Rollover Stock Plan, and
- Booz Allen Hamilton Holding Corporation Employee Stock Purchase Plan

of our reports dated May 30, 2012, with respect to the consolidated financial statements of Booz Allen Hamilton Holding Corporation and the effectiveness of internal control over financial reporting of Booz Allen Hamilton Holding Corporation, included in this Annual Report (Form 10-K) of Booz Allen Hamilton Holding Corporation for the year ended March 31, 2012.

/s/ Ernst & Young LLP

McLean, Virginia
May 30, 2012

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Ralph W. Shrader, certify that:

1. I have reviewed this Annual Report on Form 10-K of Booz Allen Hamilton Holding Corporation.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation.
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information.
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 30, 2012

By: /s/ Ralph W. Shrader

Ralph W. Shrader
Chairman of the Board
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14(A) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Samuel R. Strickland, certify that:

1. I have reviewed this Annual Report on Form 10-K of Booz Allen Hamilton Holding Corporation.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation.
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information.
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 30, 2012

By: /s/ Samuel R. Strickland

Samuel R. Strickland
Executive Vice President
Chief Financial Officer, Chief Administrative Officer and Director
(Principal Financial and Accounting Officer)

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the report on Form 10-K of Booz Allen Hamilton Holding Corporation (the "Company") for the fiscal year ended March 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chairman of the Board and President and Chief Executive Officer of the Company certifies, to the best of his knowledge and belief pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 30, 2012

By: /s/ Ralph W. Shrader

Ralph W. Shrader
Chairman of the Board
President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Booz Allen Hamilton Holding Corporation and will be retained by Booz Allen Hamilton Holding Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the report on Form 10-K of Booz Allen Hamilton Holding Corporation (the "Company") for the fiscal year ended March 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Executive Vice President and Chief Financial Officer, Chief Administrative Officer and Director of the Company certifies, to the best of his knowledge and belief pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 30, 2012

By: /s/ Samuel R. Strickland

Samuel R. Strickland
Executive Vice President
Chief Financial Officer, Chief Administrative Officer and Director
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Booz Allen Hamilton Holding Corporation and will be retained by Booz Allen Hamilton Holding Corporation and furnished to the Securities and Exchange Commission or its staff upon request.