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

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**FORM 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2017

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File No. 001-34972

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**Booz Allen Hamilton Holding Corporation**

(Exact name of registrant as specified in its charter)

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**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  
(Former name, former address, and former fiscal year if changed since last report.)

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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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

	<b>Shares Outstanding as of January 31, 2018</b>
Class A Common Stock	145,062,716
Class B Non-Voting Common Stock	—
Class C Restricted Common Stock	—
Class E Special Voting Common Stock	—

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**BOOZ ALLEN HAMILTON HOLDING CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>December 31, 2017</b>	<b>March 31, 2017</b>
	<b>(Unaudited)</b>	
	<b>(Amounts in thousands, except share and per share data)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 289,495	\$ 217,417
Accounts receivable, net of allowance	1,045,300	991,810
Prepaid expenses and other current assets	90,365	85,253
Total current assets	1,425,160	1,294,480
Property and equipment, net of accumulated depreciation	166,498	139,167
Intangible assets, net of accumulated amortization	265,612	271,880
Goodwill	1,580,929	1,571,190
Other long-term assets	101,097	96,388
Total assets	\$ 3,539,296	\$ 3,373,105
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 63,150	\$ 193,150
Accounts payable and other accrued expenses	487,253	504,117
Accrued compensation and benefits	276,151	263,816
Other current liabilities	129,258	140,318
Total current liabilities	955,812	1,101,401
Long-term debt, net of current portion	1,769,165	1,470,174
Other long-term liabilities	250,041	227,939
Total liabilities	2,975,018	2,799,514
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Common stock, Class A — \$0.01 par value — authorized, 600,000,000 shares; issued, 157,519,640 shares at December 31, 2017 and 155,901,485 shares at March 31, 2017; outstanding, 145,053,009 shares at December 31, 2017 and 148,887,708 shares at March 31, 2017	1,575	1,559
Treasury stock, at cost — 12,466,631 shares at December 31, 2017 and 7,013,777 shares at March 31, 2017	(381,003)	(191,900)
Additional paid-in capital	335,698	302,907
Retained earnings	622,580	478,102
Accumulated other comprehensive loss	(14,572)	(17,077)
Total stockholders' equity	564,278	573,591
Total liabilities and stockholders' equity	\$ 3,539,296	\$ 3,373,105

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

**BOOZ ALLEN HAMILTON HOLDING CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2017	2016	2017	2016
	(Amounts in thousands, except per share data)		(Amounts in thousands, except per share data)	
Revenue	\$ 1,499,914	\$ 1,404,638	\$ 4,535,569	\$ 4,222,213
Operating costs and expenses:				
Cost of revenue	712,255	652,236	2,111,702	1,967,258
Billable expenses	443,015	428,685	1,378,235	1,270,941
General and administrative expenses	209,856	201,183	613,399	585,340
Depreciation and amortization	16,701	14,410	48,196	43,588
Total operating costs and expenses	<u>1,381,827</u>	<u>1,296,514</u>	<u>4,151,532</u>	<u>3,867,127</u>
Operating income	118,087	108,124	384,037	355,086
Interest expense	(20,604)	(14,176)	(60,309)	(46,757)
Other income (expense), net	530	(1,333)	1,854	(4,603)
Income before income taxes	98,013	92,615	325,582	303,726
Income tax expense	28,240	37,025	105,356	117,489
Net income	<u>\$ 69,773</u>	<u>\$ 55,590</u>	<u>\$ 220,226</u>	<u>\$ 186,237</u>
Earnings per common share (Note 3):				
Basic	<u>\$ 0.48</u>	<u>\$ 0.37</u>	<u>\$ 1.49</u>	<u>\$ 1.25</u>
Diluted	<u>\$ 0.47</u>	<u>\$ 0.37</u>	<u>\$ 1.47</u>	<u>\$ 1.23</u>
Dividends declared per share	<u>\$ 0.17</u>	<u>\$ 0.15</u>	<u>\$ 0.51</u>	<u>\$ 0.45</u>

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

**BOOZ ALLEN HAMILTON HOLDING CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2017	2016	2017	2016
	(Amounts in thousands)		(Amounts in thousands)	
Net income	\$ 69,773	\$ 55,590	\$ 220,226	\$ 186,237
Other comprehensive income, net of tax:				
Unrealized gain on derivatives designated as cash flow hedges	2,052	—	1,418	—
Change in postretirement plan costs	363	481	1,087	1,395
Total other comprehensive income, net of tax	2,415	481	2,505	1,395
Comprehensive income	\$ 72,188	\$ 56,071	\$ 222,731	\$ 187,632

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

**BOOZ ALLEN HAMILTON HOLDING CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Nine Months Ended December 31,	
	2017	2016
(Amounts in thousands)		
<b>Cash flows from operating activities</b>		
Net income	\$ 220,226	\$ 186,237
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	48,196	43,588
Stock-based compensation expense	16,797	16,034
Excess tax benefits from stock-based compensation	(10,250)	(15,560)
Amortization of debt issuance costs and loss on extinguishment	4,003	13,459
Losses on dispositions	—	120
Changes in assets and liabilities:		
Accounts receivable	(50,713)	(10,204)
Prepaid expenses and other current assets	7,310	28,972
Other long-term assets	(3,435)	(2,945)
Accrued compensation and benefits	12,016	17,961
Accounts payable and other accrued expenses	(18,886)	(28,238)
Accrued interest	4,130	715
Other current liabilities	(5,663)	18,082
Other long-term liabilities	23,189	14,821
Net cash provided by operating activities	246,920	283,042
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(63,067)	(30,554)
Payments for business acquisitions, net of cash acquired	(19,113)	(851)
Insurance proceeds received for damage to equipment	810	650
Net cash used in investing activities	(81,370)	(30,755)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common stock	6,322	4,570
Stock option exercises	9,925	12,478
Excess tax benefits from stock-based compensation	—	15,560
Repurchases of common stock	(199,010)	(6,855)
Cash dividends paid	(75,748)	(67,311)
Dividend equivalents paid to option holders	(890)	(2,157)
Repayment of debt	(262,363)	(676,750)
Proceeds from debt issuance	428,292	630,273
Net cash used in financing activities	(93,472)	(90,192)
Net increase in cash and cash equivalents	72,078	162,095
Cash and cash equivalents—beginning of period	217,417	187,529
Cash and cash equivalents—end of period	\$ 289,495	\$ 349,624
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the period for:		
Interest	\$ 48,044	\$ 37,288
Income taxes	\$ 114,782	\$ 66,536

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

**BOOZ ALLEN HAMILTON HOLDING CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in tables in thousands, except share and per share data or unless otherwise noted)**

**1. BUSINESS OVERVIEW**

***Organization***

Booz Allen Hamilton Holding Corporation, including its wholly owned subsidiaries, or Holding, the Company or we, us, and our, was incorporated in Delaware in May 2008. The Company provides management and technology consulting, engineering, analytics, digital solutions, mission operations, and cyber expertise to U.S. and international governments, major corporations, and not-for-profit organizations. The Company reports operating results and financial data in one reportable segment. The Company is headquartered in McLean, Virginia, with approximately 24,700 employees as of December 31, 2017.

**2. BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission, or SEC, and should be read in conjunction with the information contained in the Company's Annual Report on Form 10-K for the year ended March 31, 2017. The interim period unaudited condensed consolidated financial statements are presented as described below. Certain information and disclosures normally required for annual financial statements have been condensed or omitted pursuant to GAAP and SEC rules and regulations. In the opinion of management, all adjustments considered necessary for fair presentation of the results of the interim period presented have been included. 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 results of operations for the nine months ended December 31, 2017 are not necessarily indicative of results to be expected for the full fiscal year.

The condensed consolidated financial statements and notes of the Company include its subsidiaries, and the joint ventures and partnerships over which the Company has a controlling financial interest. The Company uses the equity method to account for investments in entities that it does not control if it is otherwise able to exert significant influence over the entities' operating and financial policies.

The preparation of financial statements in conformity with 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 contractual and regulatory reserves, valuation and lives of tangible and intangible assets, contingent consideration related to business acquisitions, impairment of long-lived assets, accrued liabilities, revenue recognition and costs to complete fixed-price contracts, bonus and other incentive compensation, stock-based compensation, reserves for tax benefits and valuation allowances on deferred tax assets, provisions for income taxes, postretirement obligations, certain deferred costs, collectability of receivables, and loss accruals for litigation. Actual results experienced by the Company may differ materially from management's estimates.

***Recent Accounting Pronouncements***

On December 22, 2017, the Staff of the SEC issued Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*, or SAB 118, which addresses situations where the accounting under Financial Accounting Standards Board, or the FASB, Accounting Standards Codification No. 740, *Income Taxes*, or ASC 740 is incomplete for certain income tax effects of Public Law No. 115-97, commonly referred to as the Tax Cuts and Jobs Act, or the 2017 Tax Act, by the time an entity issues its financial statements for the fiscal period that includes the date the 2017 Tax Act was enacted.

Under ASC 740, entities are required to adjust current and deferred tax liabilities and assets for the effects of changes in tax laws or rates at their date of enactment. However, pursuant to SAB 118, if an entity does not have the necessary information available, prepared, or analyzed for certain income tax effects of the 2017 Tax Act at the time an entity's financial statements are issued, an entity shall apply ASC 740 based on the provisions of the tax laws that were in effect immediately prior to the enactment of the 2017 Tax Act. If the accounting for certain income tax effects of the 2017 Tax Act is incomplete, but an entity can determine a reasonable estimate for those effects, an entity can record provisional amounts during a measurement period, which ends on the earlier of when an entity has obtained, prepared, and analyzed the information necessary to complete the accounting requirements of ASC 740 and December 22, 2018.

As discussed further in Note 10, the Company is a fiscal year-end taxpayer and is required to use a blended statutory federal tax rate, inclusive of the federal rate change enacted on December 22, 2017, to compute its effective tax rate for the



third quarter of fiscal 2018. These effects contributed to an overall decrease in the Company's effective tax rate. Based on ASC 740, comparative prior period amounts were not adjusted for the rate change effects of the 2017 Tax Act.

Further, for the third quarter of fiscal 2018, the Company did not report provisional amounts for deferred tax items, in part, because the 2017 Tax Act prompted the Company to consider a tax accounting method change under U.S. tax law associated with unbilled receivables. Moreover, as the 2017 Tax Act provides for significant changes to the U.S. Internal Revenue Code of 1986, as amended, including implementing a territorial tax system, accelerating business asset expense, and changing or limiting certain tax deductions, such changes give rise to significant complexity to the scheduling of the reversal of other deductible and taxable temporary differences. There is judgment in scheduling each temporary difference, including but not limited to, the pattern and timing of the reversal of temporary differences, the magnitude of temporary differences, and the level of taxable income expected to be generated by future operations. Accordingly, the effects of the 2017 Tax Act could be material to the Company's fiscal year end 2018 consolidated financial statements, including a potential, one-time, non-cash expense or benefit in the fourth quarter of fiscal 2018 arising from the analysis and remeasurement of the Company's deferred tax assets and liabilities.

In August 2017, the FASB, issued Accounting Standards Update, or ASU, 2017-12, *Targeted Improvements to Accounting for Hedging Activities*. This guidance eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires, for qualifying hedges, the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. Additionally, the guidance also expands an entity's ability to apply hedge accounting for nonfinancial and financial risk components, simplifies the hedge documentation and hedge effectiveness assessment requirements, and modifies certain disclosure requirements. ASU 2017-12 is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which will change the presentation of net periodic benefit cost components on the condensed consolidated statement of operations. Under this guidance, the service cost component of net periodic benefit cost will continue to be presented in the same line items as other employee compensation costs, while the remaining components of net periodic benefit costs are to be presented outside operating income. ASU 2017-07 is effective for annual reporting periods beginning after December 15, 2017 and is to be applied retrospectively, with early adoption permitted. The Company is assessing the effect that the adoption of this guidance will have on its condensed consolidated financial statements.

In March 2016, the FASB issued ASU, 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which simplifies several aspects of the accounting for share-based payment award transactions related to accounting for income taxes, forfeitures, statutory tax withholding requirements, classification of awards as either equity or liabilities, and classification of employee taxes paid on the statements of cash flows when an employer withholds shares for tax-withholding purposes. The Company adopted ASU 2016-09 in the first quarter of fiscal 2018. Certain of the simplification provisions were not applicable to the Company. The Company will continue its existing practice of estimating the number of forfeitures that are expected to occur rather than account for forfeitures when they occur as permitted under the new guidance.

The primary impacts of adopting ASU 2016-09 were those related to excess tax benefits and tax deficiencies. The new guidance requires that such amounts be recognized as income tax expense or benefit in the statement of operations, which could result in fluctuations in the Company's effective tax rate period over period depending on how many awards vest, or options are exercised, in a quarter. The guidance also requires that the cash flows associated with these transactions be presented with other income tax related cash flows in the operating activities section of the statement of cash flows. The Company recognized excess tax benefits, inclusive of the impact of the 2017 Tax Act, of \$1.0 million and \$10.3 million during the three and nine months ended December 31, 2017, respectively, as a reduction to income tax expense in the condensed consolidated statement of operations. As discussed further in Note 10, the effect of adopting ASU 2016-09 resulted in a decrease in the Company's current period effective tax rate. As permitted, the Company adopted the guidance related to the presentation of excess tax benefits in the condensed consolidated statement of cash flows on a prospective basis. Prior period amounts were not adjusted.

In February 2016, the FASB issued ASU 2016-02, *Leases*, to increase transparency and comparability of accounting for lease transactions. The new standard requires lessees to recognize lease assets and lease liabilities on their balance sheet for all leases with a lease term of greater than 12 months. Lessor accounting is largely unchanged. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is assessing what effect the adoption of this standard may have on its condensed consolidated financial statements.

In May 2014, the FASB issued Accounting Standard Codification No. 606, *Revenue from Contracts with Customers* (Topic 606). Topic 606, as amended, will replace existing revenue recognition standards by outlining a single set of comprehensive principles for recognizing revenue. Amendments to Topic 606 have generally focused on promoting a more

consistent interpretation and application of the principles for recognizing revenue. The new guidance will also significantly expand the disclosure requirements for revenue arrangements. In July 2015, the FASB approved a one-year delay in the effective date of the standard, which will now be effective for the Company beginning on April 1, 2018 (i.e., beginning with the first quarter of fiscal 2019 financial statements). In August 2017, the Securities and Exchange Commission, or the SEC, issued Staff Accounting Bulletin No. 116, which conforms existing SEC staff guidance to the guidance in Topic 606, as amended. This conforming of accounting guidance is not expected to have a significant impact to our revenue recognition policies and related practices.

The Company anticipates adopting the new revenue standard retrospectively to all periods presented; however, the Company's ability to adopt using the full retrospective method is dependent on system and process readiness and the completion of its analysis of information necessary to recast its prior period financial statements and provide related disclosures. While the effort to modify accounting systems and business processes to enable full retrospective adoption is not transformative, the identified modifications are complex and are still being implemented and tested to ensure they can support changes to the Company's accounting practices. Because Topic 606 will also require expanded disclosures regarding the nature, timing and uncertainty of revenue and contract balances, including how and when the Company satisfies our performance obligations and the relationship between revenue recognized and changes in contract balances during a reporting period, the Company is continuing to evaluate these disclosure requirements and is incorporating the relevant collection of data in its systems and processes. The Company anticipates finalizing its systems and process modifications during the fourth quarter of fiscal 2018.

A dedicated implementation team continues to make progress toward adopting and implementing the new standard. During the third quarter of fiscal 2018, the Company made substantial progress toward its overall assessment of Topic 606. The Company's comprehensive assessment has currently identified the following key findings:

- The Company continues to expect insignificant changes related to recognizing revenue and earnings over time for long-term contracts as work progresses because of the continuous transfer of control to the customer, generally using an input measure (e.g., costs incurred) to reflect progress.
- The determination of the customer and contract under Topic 606 is not expected to significantly change; however, revenue previously deferred for non-federal government arrangements that commenced without a signed, written contract may be recognized under Topic 606 when such arrangements are legally enforceable under applicable laws and regulations.
- The Company has determined that in its federal government contract portfolio, there are certain periods of performance option exercises that will be evaluated as separate performance obligations or new arrangements for accounting purposes due to their distinct nature. For example, these situations may arise when options to renew the period of performance are not exercised within a relatively short period after execution of the base contract are thus evaluated to be separate and unrelated purchasing decisions by the customer, or when an option exercise is not the continuation of an integrated service, finished deliverable, or a single combined output.
- The determination of contract transaction price associated with performance-based contracts (i.e., incentive or award-based contracts) will generally be consistent with the Company's current measurement practices for such contracts. Additionally, although the amount of revenue is not expected to change, the Company's estimates at completion for most fixed price contracts will now include unfunded components.
- Contracts with significant up-front materials are expected to see an increase in the amount of revenue and costs recognized upon the date of the adoption, but the change in profitability is not expected to be significant.

While the Company is continuing to refine its process for quantifying the financial statement impacts associated with the full retrospective method, we do not expect the impact of adopting Topic 606 to be material to the Company's condensed consolidated financial statements. The Company anticipates disclosing those impacts and its final assessment of materiality in conjunction with reporting its results for the fourth quarter of fiscal 2018. The Company will continue to evaluate the impact of Topic 606 and changes thereto on its accounting policies, internal controls (including the adoption of implementation-period controls), and business processes through the date of adoption.

Other accounting and reporting pronouncements issued after December 31, 2017 are not expected to have a material impact on the Company's condensed 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 adjusts the weighted average number of shares outstanding 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. Unvested Class A Restricted Common Stock holders are entitled to participate in non-forfeitable dividends or other distributions. These unvested restricted shares participated in the Company's dividends declared and were paid in the first, second, and third quarters of fiscal 2018 and 2017. As such, EPS is calculated using the two-class method whereby earnings are reduced by distributed earnings as well as any available undistributed earnings allocable to holders of unvested restricted shares. A reconciliation of the income used to compute basic and diluted EPS for the periods presented are as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2017	2016	2017	2016
Earnings for basic computations (1)	\$ 69,148	\$ 54,978	\$ 218,300	\$ 184,245
Weighted-average common shares outstanding for basic computations	144,942,367	148,679,393	146,580,891	147,973,044
Earnings for diluted computations (1)	\$ 69,152	\$ 54,983	\$ 218,316	\$ 184,264
Dilutive stock options and restricted stock	1,628,250	1,927,866	1,866,357	2,170,807
Weighted-average common shares outstanding for diluted computations	146,570,617	150,607,259	148,447,248	150,143,851
Earnings per common share				
Basic	\$ 0.48	\$ 0.37	\$ 1.49	\$ 1.25
Diluted	\$ 0.47	\$ 0.37	\$ 1.47	\$ 1.23

(1) During the three months ended December 31, 2017 and 2016, approximately 1.3 million and 1.7 million participating securities, respectively, were paid dividends totaling \$0.2 million in each period. During the nine months ended December 31, 2017 and 2016, approximately 1.3 million and 1.7 million participating securities, respectively, were paid dividends totaling \$0.6 million and \$0.7 million, respectively. For the three and nine months ended December 31, 2017, there were undistributed earnings of \$0.4 million and \$1.3 million, respectively, allocated to the participating class of securities in both basic and diluted EPS. For the three and nine months ended December 31, 2016, there were undistributed earnings of \$0.4 million and \$1.3 million, respectively, allocated to the participating class of securities in both basic and diluted EPS. The allocated undistributed earnings and the dividends paid comprise the difference between net income presented on the condensed consolidated statements of operations and earnings for basic and diluted computations for the three and nine months ended December 31, 2017 and 2016.

The EPS calculation for the three and nine months ended December 31, 2017 excludes 0.4 million and 0.3 million options, respectively, as their impact was anti-dilutive. The EPS calculation for the three and nine months ended December 31, 2016 excludes 0.04 million anti-dilutive options, as their impact was anti-dilutive.

### 4. ACQUISITION

On January 24, 2017, the Company acquired eGov Holdings, Inc., which we refer to as Aquilent. As a result of the transaction, Aquilent became a wholly owned subsidiary of the Company. Aquilent is an architect of IT solutions for the U.S. federal government. The acquisition further expands the Company's ability to blend its consulting heritage with advanced technical expertise.

The acquisition of Aquilent has been accounted for under the acquisition method of accounting, which requires the total acquisition consideration to be allocated to the assets acquired and liabilities assumed based on an estimate of the acquisition date fair value, with the difference reflected in goodwill. During the first quarter of fiscal 2018, the Company finalized Aquilent's post-closing working capital.

The following table reflects the final determination of the total consideration transferred (including adjustments subsequent to closing):

Cash purchase price paid to Aquilent shareholders	\$	250,000
Working capital and other closing adjustments		(1,729)
Acquired cash on hand		2,998
Acquisition-related compensation expenses		(1,291)
Acquisition-related contingent consideration		3,576
Total purchase consideration transferred at closing	\$	<u>253,554</u>

As part of the acquisition, the Company and the selling shareholders of Aquilent agreed to jointly make an election under Section 338(h)(10) of the Internal Revenue Code of 1986, as amended, or the Code, to treat the acquisition as an asset purchase for income tax purposes. The Company agreed to reimburse the selling stockholders for previously unrealized tax consequences on Aquilent's prior tax-return positions that became realized upon acquisition; and agreed to indemnify the selling stockholders for potential, incremental increases in income taxes and related costs as a result of the Section 338(h)(10) election. The indemnity was evaluated to be acquisition-related contingent consideration, which was valued at the acquisition date fair value of \$3.6 million. The acquisition-related contingent consideration was calculated using probability-weighted cash flows and significant unobservable inputs (Level 3) as described under the fair value hierarchy of ASC 820, *Fair Value Measurements*, or ASC 820.

The Company recorded the assets acquired and liabilities assumed at their acquisition date fair value, with the difference between the fair value of the net assets acquired and the acquisition consideration reflected as goodwill. The following table represents the final allocation of fair value of assets acquired and liabilities assumed:

Current assets	\$	15,809
Other tangible assets		1,144
Customer-relationship intangible assets		69,000
Goodwill		199,826
Current liabilities		(8,450)
Tax liability		(13,554)
Income tax uncertainty		(10,221)
Total purchase consideration transfer at closing	\$	<u>253,554</u>

The identifiable customer-relationship intangible asset of \$69 million was valued using the excess earnings method discounted cash flow approach, incorporating Level 3 inputs as described under the fair value hierarchy of ASC 820. These unobservable inputs reflect the Company's own assumptions about which assumptions market participants would use in pricing an asset on a non-recurring basis. This asset will be amortized over the estimated useful life of 12 years.

As part of the acquisition, the Company agreed to reimburse the selling stockholders for previously unrealized tax consequences on Aquilent's prior tax-return positions that become realized with the acquisition. Accordingly, the Company recognized a tax liability of \$13.6 million. The obligation was relieved and paid during the first quarter of fiscal 2018. The Company continues to carry a related reserve of \$10.2 million for income tax uncertainties created with the acquisition resulting from uncertainty in the sustainability of Aquilent's prior tax-return positions under examination with the relevant tax authorities.

The goodwill of \$199.8 million was primarily attributed to the specialized workforce and the expected synergies between the Company and Aquilent. The majority of the goodwill is expected to be deductible for tax purposes.

There were no material acquisitions during the third quarter of fiscal 2018 or through the subsequent period to the issuance of the current financial statements.

## 5. ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable, net of allowance consisted of the following:

	December 31, 2017	March 31, 2017
Current		
Accounts receivable–billed	\$ 427,277	\$ 340,716
Accounts receivable–unbilled	619,405	651,094
Allowance for doubtful accounts	(1,382)	—
Accounts receivable, net of allowance	1,045,300	991,810
Long-term		
Accounts receivable–unbilled	59,367	59,913
Total accounts receivable, net	\$ 1,104,667	\$ 1,051,723

Unbilled amounts represent revenues for which billings have not been presented to customers at quarter-end or year-end. These amounts are usually billed and collected within one year. Long-term unbilled receivables not anticipated to be billed and collected within one year, which are primarily related to retainage, holdbacks, and long-term rate settlements to be billed at contract closeout, are included in other long-term assets in the accompanying condensed consolidated balance sheets. The Company recognized a (benefit) provision for doubtful accounts (including certain unbilled reserves) of \$(0.2) million and \$(0.1) million for the three months ended December 31, 2017 and 2016, respectively, and \$2.9 million and \$0.7 million for the nine months ended December 31, 2017 and 2016, respectively.

The primary financial instruments, other than derivatives, that potentially subject the Company to concentrations of credit risk are accounts receivable. The Company's primary customers are U.S. federal government agencies and prime contractors under contracts with the U.S. government. The Company continuously reviews its accounts receivable and records provisions for doubtful accounts as needed.

## 6. ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

Accounts payable and other accrued expenses consisted of the following:

	December 31, 2017	March 31, 2017
Vendor payables	\$ 256,905	\$ 268,630
Accrued expenses	230,348	235,487
Total accounts payable and other accrued expenses	\$ 487,253	\$ 504,117

Accrued expenses consisted primarily of the Company's reserve related to potential cost disallowance in conjunction with government audits. Refer to Note 18 for further discussion of this reserve.

## 7. ACCRUED COMPENSATION AND BENEFITS

Accrued compensation and benefits consisted of the following:

	December 31, 2017	March 31, 2017
Bonus	\$ 60,470	\$ 77,765
Retirement	77,926	31,879
Vacation	112,638	124,486
Other	25,117	29,686
Total accrued compensation and benefits	\$ 276,151	\$ 263,816

## 8. DEBT

Debt consisted of the following:

	December 31, 2017		March 31, 2017	
	Interest Rate	Outstanding Balance	Interest Rate	Outstanding Balance
Term Loan A	3.57%	\$ 1,109,063	2.98%	\$ 1,153,425
Term Loan B	3.68%	395,000	3.08%	398,000
Revolving Credit Facility (ABR)	—%	—	5.00%	80,000
Revolving Credit Facility (LIBOR)	—%	—	2.98%	50,000
Senior Notes	5.13%	350,000	—%	—
Less: Unamortized debt issuance costs and discount on debt		(21,748)		(18,101)
<b>Total</b>		<b>1,832,315</b>		<b>1,663,324</b>
Less: Current portion of long-term debt		(63,150)		(193,150)
<b>Long-term debt, net of current portion</b>		<b>\$ 1,769,165</b>		<b>\$ 1,470,174</b>

### *Term Loans and Revolving Credit Facility*

On February 6, 2017, Booz Allen Hamilton, Booz Allen Hamilton Investor Corporation, or Investor, and certain wholly-owned subsidiaries of Booz Allen Hamilton entered into the Fourth Amendment, or the Fourth Amendment, to the Credit Agreement, or the Credit Agreement, dated as of July 31, 2012, among Booz Allen Hamilton, Investor, certain wholly owned subsidiaries of Booz Allen Hamilton and Bank of America, N.A., as Administrative Agent, Collateral Agent and Issuing Lender (as previously amended by the First Amendment to the Credit Agreement, dated as of August 16, 2013, the Second Amendment to the Credit Agreement, dated as of May 7, 2014, and the Third Amendment to the Credit Agreement, dated as of July 13, 2016). Pursuant to the Fourth Amendment, the Company reduced the interest rate spread applicable to Term Loan B. The interest rate spread applicable to Term Loan A remained unchanged.

As of December 31, 2017, the Credit Agreement, as amended, provided the Company with a \$1,109.1 million Term Loan A ("Term Loan A"), a \$395.0 million Term Loan B ("Term Loan B" and, together with Term Loan A, the "Term Loans"), and a \$500.0 million revolving credit facility (the "Revolving Credit Facility", and together with the Term Loans, the "Secured Credit Facility"), with a sublimit for letters of credit of \$100.0 million. As of December 31, 2017, the maturity date of Term Loan A and the termination date for the Revolving Credit Facility was June 30, 2021 and the maturity date of Term Loan B was June 30, 2023. Booz Allen Hamilton's obligations and the guarantors' guarantees under the Credit Agreement, as amended, are secured by a first priority lien on substantially all of the assets (including capital stock of subsidiaries) of Booz Allen Hamilton, Investor, and the subsidiary guarantors, subject to certain exceptions set forth in the Credit Agreement, as amended, and related documentation. Subject to specified conditions, without the consent of the then-existing lenders (but subject to the receipt of commitments), the Term Loans or Revolving Credit Facility may be expanded (or a new term loan facility or revolving credit facility added to the existing facilities) by up to (i) \$400 million plus (ii) the aggregate principal amount under which pro forma consolidated net secured leverage remains less than or equal to 3.50:1.00.

At Booz Allen Hamilton's option, borrowings under the Secured Credit Facility bear interest based either on LIBOR (adjusted for maximum reserves, and subject to a floor of zero) for the applicable interest period or a base rate (equal to the highest of (x) the administrative agent's prime corporate rate, (y) the overnight federal funds rate plus 0.50%, and (z) three-month LIBOR (adjusted for maximum reserves, and subject to a floor of zero) plus 1.00%), in each case plus an applicable margin, payable at the end of the applicable interest period and in any event at least quarterly. The applicable margin for Term Loan B is 2.25% for LIBOR loans and 1.25% for base rate loans. The applicable margin for Term Loan A and borrowings under the Revolving Credit Facility ranges from 1.50% to 2.25% for LIBOR loans and 0.50% to 1.25% for base rate loans, in each case based on Booz Allen Hamilton's consolidated total net leverage ratio. Unused commitments under the Revolving Credit Facility are subject to a quarterly fee ranging from 0.30% to 0.40% based on Booz Allen Hamilton's consolidated total net leverage ratio.

Booz Allen Hamilton occasionally borrows under the Revolving Credit Facility in anticipation of cash demands. During the first, second and third quarters of fiscal 2018, Booz Allen Hamilton accessed a total of \$85.0 million of the \$500.0 million Revolving Credit Facility. As of December 31, 2017, there were no amounts outstanding under the Revolving Credit Facility. As of March 31, 2017, there was \$130.0 million outstanding under the Revolving Credit Facility.

The Credit Agreement, as amended, requires quarterly principal payments of 1.25% of the stated principal amount of Term Loan A until maturity, and quarterly principal payments of 0.25% of the stated principal amount of Term Loan B until maturity.

The Credit Agreement, as amended, contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants include limitations on the following, in each case subject to certain exceptions: (i) indebtedness and liens, (ii) mergers, consolidations or amalgamations, liquidations, wind-ups or dissolutions, and disposition of all or substantially all assets; (iii) dispositions of property; (iv) restricted payments; (v) investments; (vi) transactions with affiliates; (vii) sale and lease back transactions; (viii) change in fiscal periods; (ix) negative pledges; (x) restrictive agreements; (xi) line of business; and (xii) speculative hedging. The events of default include the following, in each case subject to certain exceptions: (a) failure to make required payments under the Secured Credit Facility; (b) material breaches of representations or warranties under the Secured Credit Facility; (c) failure to observe covenants or agreements under the Secured Credit Facility; (d) failure to pay or default under certain other material indebtedness; (e) bankruptcy or insolvency; (f) certain Employee Retirement Income Security Act, or ERISA events; (g) certain material judgments; (h) actual or asserted invalidity of the Guarantee and Collateral Agreements or the other security documents or failure of the guarantees or perfected liens thereunder; and (i) a change of control. In addition, Booz Allen Hamilton is required to meet certain financial covenants at each quarter end, namely Consolidated Net Total Leverage and Consolidated Net Interest Coverage Ratios.

#### Senior Notes

On April 25, 2017, Booz Allen Hamilton issued \$350 million aggregate principal amount of its 5.125% Senior Notes, or the Senior Notes, under an Indenture, dated as of April 25, 2017, among Booz Allen Hamilton, certain subsidiaries of Booz Allen Hamilton, as guarantors, or the Subsidiary Guarantors, and Wilmington Trust, National Association, as trustee, or the Trustee, as supplemented by the First Supplemental Indenture, dated as of April 25, 2017, among Booz Allen Hamilton, the Subsidiary Guarantors and the Trustee. Each of Booz Allen Hamilton's existing and future domestic restricted subsidiaries that guarantee its obligations under the Secured Credit Facility and certain other indebtedness will guarantee the Senior Notes on a senior unsecured basis. Interest is payable semi-annually on May 1 and November 1 of each year, beginning on November 1, 2017, and principal is due at maturity on May 1, 2025. In connection with the Senior Notes, the Company recognized \$6.7 million of issuance costs, which were recorded as an offset against the carrying value of debt and will be amortized to interest expense over the term of the Senior Notes.

As of December 31, 2017 and March 31, 2017, Booz Allen Hamilton was in compliance with all financial covenants associated with its debt and debt-like instruments.

Interest on debt and debt-like instruments consisted of the following:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2017	2016	2017	2016
	(In thousands)		(In thousands)	
Term Loan A Interest Expense	\$ 9,198	\$ 7,585	\$ 27,369	\$ 20,344
Term Loan B Interest Expense	3,493	3,386	10,284	15,349
Interest on Revolving Credit Facility	43	—	242	303
Senior Notes Interest Expense	4,485	—	12,258	—
Deferred Payment Obligation Interest <sup>(1)</sup>	2,000	2,000	6,022	6,007
Amortization of Debt Issuance Cost (DIC) and Original Issue Discount (OID) <sup>(2)</sup>	1,370	1,188	4,003	4,584
Other	15	17	131	170
Total Interest Expense	<u>\$ 20,604</u>	<u>\$ 14,176</u>	<u>\$ 60,309</u>	<u>\$ 46,757</u>

<sup>(1)</sup> Interest payments on the deferred payment obligation are made twice a year in January and July.

<sup>(2)</sup> DIC and OID on the Term Loans and Senior Notes are recorded as a reduction of long term debt in the condensed consolidated balance sheet and are amortized ratably over the life of the related debt using the effective rate method. DIC on the Revolving Credit Facility is recorded as a long term asset on the consolidated balance sheet and amortized ratably over the term of the Revolving Credit Facility.

## 9. DERIVATIVES

The Company utilizes derivative financial instruments to manage interest rate risk related to its variable rate term loans. The Company's objectives in using these interest rate derivatives, which were designated as cash flow hedges, are to manage its exposure to interest rate movements and reduce volatility to interest expense. During the first quarter of fiscal 2018, the Company entered into several forward starting floating-to-fixed interest rate swap agreements with multiple financial institutions with a start date of April 30, 2018. The aggregate notional amount of these interest rate swap agreements was \$450 million as of December 31, 2017. The swaps have staggered maturities, ranging from June 30, 2021 to June 30, 2022. These swaps mature within the last tranche of the Company's floating rate debt (June 30, 2023).

The floating-to-fixed interest rate swaps involve the exchange of variable interest amounts from a counterparty for the Company making fixed-rate interest payments over the life of the agreements without exchange of the underlying notional amount and effectively converting a portion of the variable rate debt into fixed interest rate debt.

Derivative instruments are recorded in the condensed consolidated balance sheet at estimated fair value. As of December 31, 2017, \$2.7 million and \$0.4 million were classified as other long term assets and other current liabilities, respectively, on the condensed consolidated balance sheet. For interest rate swaps designated as cash flow hedges, the effective portion of changes in the fair value of derivatives is recorded in Accumulated Other Comprehensive Income, or AOCI, net of taxes, and is subsequently reclassified into interest expense in the period that the hedged forecasted interest payments are made on the Company's variable-rate debt. For the three and nine months ended December 31, 2017, a \$2.1 million and \$1.4 million gain have been recognized in AOCI, respectively, and there were no amounts reclassified into interest expense. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. As of the three and nine months ended December 31, 2017, there was no ineffectiveness recognized in earnings.

Over the next 12 months, the Company estimates that \$0.4 million will be reclassified as an increase to interest expense. Cash flows associated with periodic settlements of interest rate swaps will be classified as operating activities in the condensed consolidated statement of cash flows.

The Company is subject to counterparty risk in connection with its interest rate swap derivative contracts. Credit risk related to a derivative financial instrument represents the possibility that the counterparty will not fulfill the terms of the contract. The Company mitigates this credit risk by entering into agreements with credit-worthy counterparties and regularly reviews its credit exposure and the creditworthiness of the counterparties.

## 10. INCOME TAXES

On December 22, 2017, the Tax Act was enacted into law. The 2017 Tax Act provides for significant changes to the U.S. Internal Revenue Code of 1986, as amended, including lowering the federal corporate tax rate, implementing a territorial tax system, accelerating business asset expensing, and changing or limiting certain tax deductions.

ASC 740 requires the Company to recognize the effect of the 2017 Tax Act on the date of enactment. The 2017 Tax Act reduces the federal corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017. The tax rate change is administratively effective at the beginning of the Company's 2018 fiscal year using a blended statutory federal rate for the fiscal period based on the number of days in the periods before and after the effective date of the change. The lower 21% tax rate will be the federal statutory rate used for fiscal periods thereafter. The Company's blended statutory tax rate for the nine months ended December 31, 2017 was 31.5%. The lower federal corporate tax rate will also require the Company to remeasure its deferred tax assets and liabilities as well as reassess the realizability of those deferred items.

The Company's effective income tax rates were 28.8% and 32.4% for the three and nine months ended December 31, 2017, respectively, as compared to 40.0% and 38.7% for the three and nine months ended December 31, 2016, respectively. The effective tax rates for the three and nine months ended December 31, 2017 include the effects of the statutory federal rate provisions of the 2017 Tax Act and exclude any provisional amounts for deferred tax items. As noted in Note 2, the 2017 Tax Act prompted the Company to consider a tax accounting method change under U.S. tax law associated with unbilled receivables. Moreover, as elaborated in Note 2, the 2017 Tax Act provides for significant changes to the U.S. Internal Revenue Code of 1986, as amended, and such changes give rise to significant complexity to the scheduling of the reversal of other deductible and taxable temporary differences. The Company expects to reflect the provisional impact of the 2017 Tax Act on changes to deferred tax items in the fourth quarter of fiscal 2018.

The decrease in the effective tax rates as compared to the same periods last fiscal year was primarily due to the tax rate benefit of the 2017 Tax Act and the Company's adoption of ASU 2016-09 in the first quarter of fiscal 2018 as discussed in Note 2. The three and nine months effective tax rates of 28.8% and 32.4% differ from the federal statutory rate of 31.5% primarily due to the inclusion of state income taxes and permanent rate differences, partially offset by discrete tax items.



The Company is currently contesting tax assessments from the District of Columbia Office of Tax and Revenue for fiscal years 2013 through 2015 at various stages of applicable administrative and judicial processes, with a combined amount at issue of approximately \$10.8 million, net of associated tax benefits. The Company has taken similar tax positions with respect to subsequent fiscal years. As of December 31, 2017, the Company does not maintain reserves for any uncertain tax positions related to the contested tax benefits and does not believe the resolution of these matters will have a material adverse effect on its results of operations, cash flows or financial condition.

## 11. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the following:

	December 31, 2017	March 31, 2017
Deferred rent	\$ 82,459	\$ 63,854
Postretirement benefit obligations	127,193	123,492
Other (1)	40,389	40,593
Total other long-term liabilities	<u>\$ 250,041</u>	<u>\$ 227,939</u>

(1) Balances at December 31, 2017 and March 31, 2017 include the Company's long-term disability obligation of \$22.5 million as well as contingent consideration of \$3.6 million related to the Company's acquisition as discussed in Note 4.

## 12. 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. Effective April 1, 2014, the Company transitioned from a discretionary employer contribution to an annual matching contribution of up to 6% of eligible annual income as determined by the Code for the ECAP. Total expense recognized under ECAP was \$30.8 million and \$28.1 million for the three months ended December 31, 2017 and 2016, respectively, and \$92.7 million and \$84.8 million for the nine months ended December 31, 2017 and 2016, respectively. The Company-paid contributions were \$15.4 million and \$13.7 million for the three months ended December 31, 2017 and 2016, respectively, and \$46.5 million and \$44.5 million for the nine months ended December 31, 2017 and 2016, respectively.

### *Defined Benefit Plan and Other Postretirement Benefit Plans*

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 also established a non-qualified defined benefit plan for all officers in May 1995, or the 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. During fiscal 2017, the Company adopted a new plan which will provide for a one-time, lump sum retirement payment of one month's salary when a vice-president retires from the Company, effective April 1, 2017. This is referred to as the Retired Vice-President Bonus Plan. Additionally, the Company offers medical and dental benefits to inactive employees (and their eligible dependents) on long-term disability.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2017	2016	2017	2016
Service cost	\$ 1,116	\$ 1,213	\$ 3,348	\$ 3,638
Interest cost	1,252	1,196	3,756	3,587
Net actuarial loss	568	762	1,703	2,287
Total postretirement medical expense	<u>\$ 2,936</u>	<u>\$ 3,171</u>	<u>\$ 8,807</u>	<u>\$ 9,512</u>

As of December 31, 2017 and March 31, 2017, the unfunded status of the post-retirement medical plan was \$122.6 million and \$118.1 million, respectively, which is included in other long-term liabilities in the accompanying condensed consolidated balance sheets.

### 13. ACCUMULATED OTHER COMPREHENSIVE LOSS

All amounts recorded in other comprehensive loss are related to the Company's post-retirement plans and interest rate swaps designated as cash flow hedges. The following table shows the changes in accumulated other comprehensive income (loss), net of tax:

	Three Months Ended December 31, 2017			Nine Months Ended December 31, 2017		
	Post-retirement plans	Derivatives designated as cash flow hedges	Totals	Post-retirement plans	Derivatives designated as cash flow hedges	Totals
Beginning of period	\$ (16,353)	\$ (634)	\$ (16,987)	\$ (17,077)	\$ —	\$ (17,077)
Other comprehensive income (loss) before reclassifications (1)	—	2,052	2,052	—	1,418	1,418
Amounts reclassified from accumulated other comprehensive loss	363	—	363	1,087	—	1,087
Net current-period other comprehensive income (loss)	363	2,052	2,415	1,087	1,418	2,505
End of period	\$ (15,990)	\$ 1,418	\$ (14,572)	\$ (15,990)	\$ 1,418	\$ (14,572)

(1) Changes in other comprehensive income (loss) before reclassification for derivatives designated as cash flow hedges are recorded net of tax expenses of \$1.3 million and \$0.9 million for three and nine months ended December 31, 2017, respectively.

	Three Months Ended December 31, 2016			Nine Months Ended December 31, 2016		
	Post-retirement plans	Derivatives designated as cash flow hedges	Totals	Post-retirement plans	Derivatives designated as cash flow hedges	Totals
Beginning of period	\$ (18,699)	\$ —	\$ (18,699)	\$ (19,613)	\$ —	\$ (19,613)
Other comprehensive income (loss) before reclassifications	—	—	—	—	—	—
Amounts reclassified from accumulated other comprehensive loss	481	—	481	1,395	—	1,395
Net current-period other comprehensive income (loss)	481	—	481	1,395	—	1,395
End of period	\$ (18,218)	\$ —	\$ (18,218)	\$ (18,218)	\$ —	\$ (18,218)

The following table presents the reclassifications out of accumulated other comprehensive loss to net income:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2017	2016	2017	2016
Amounts reclassified from accumulated other comprehensive loss:				
Amortization of net actuarial loss included in net periodic benefit cost (See Note 12)	\$ 597	\$ 762	\$ 1,790	\$ 2,287
Tax benefit	(234)	(281)	(703)	(892)
Net of tax	\$ 363	\$ 481	\$ 1,087	\$ 1,395

## 14. STOCKHOLDERS' EQUITY

### Common Stock

The common stock shares activity consisted of the following:

	Class A Common Stock	Treasury Stock
<b>Balance at March 31, 2016</b>	153,391,058	5,398,596
Issuance of common stock	578,932	—
Stock options exercised	1,931,495	—
Repurchase of common stock (1)	—	1,615,181
<b>Balance at March 31, 2017</b>	155,901,485	7,013,777
Issuance of common stock	595,498	—
Stock options exercised	1,022,657	—
Repurchase of common stock (2)	—	5,452,854
<b>Balance at December 31, 2017</b>	157,519,640	12,466,631

- (1) During fiscal 2017, the Company purchased 1.3 million shares of the Company's Class A Common Stock in a series of open market transactions for \$46.4 million. Additionally, the Company repurchased shares during fiscal 2017 to cover the minimum statutory withholding taxes on restricted stock awards and restricted stock units that vested on March 31, 2017. The Company also repurchased shares to cover the minimum statutory withholding taxes on restricted stock for departing officers, as they are no longer subject to a substantial risk of forfeiture.
- (2) During fiscal 2018, the Company purchased 5.3 million shares of the Company's Class A Common Stock in a series of open market transactions for \$184.5 million. Additionally, the Company repurchased shares during the first quarter of fiscal 2018 to cover the minimum statutory withholding taxes on restricted stock awards and restricted stock units that vested on June 30, 2017.

For the quarterly offering period that closed on December 31, 2017, 63,353 Class A Common Stock shares were purchased by employees under the Company's Employee Stock Purchase Plan, or ESPP. Since the program's inception, 2,119,003 shares have been purchased by employees.

## 15. STOCK-BASED COMPENSATION

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2017	2016	2017	2016
Cost of revenue	\$ 2,090	\$ 1,535	\$ 5,396	\$ 4,233
General and administrative expenses	3,112	3,918	11,401	11,801
<b>Total</b>	<b>\$ 5,202</b>	<b>\$ 5,453</b>	<b>\$ 16,797</b>	<b>\$ 16,034</b>

The following table summarizes the total stock-based compensation expense recognized in the condensed consolidated statements of operations by the following types of equity awards:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2017	2016	2017	2016
Equity Incentive Plan Options	\$ 422	\$ 467	\$ 1,391	\$ 2,031
Class A Restricted Common Stock	4,780	4,986	15,406	14,003
Total	\$ 5,202	\$ 5,453	\$ 16,797	\$ 16,034

As of December 31, 2017, there was \$23.0 million of total unrecognized compensation cost related to unvested stock-based compensation agreements. The unrecognized compensation cost as of December 31, 2017 is expected to be fully amortized over the next 4.25 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 table summarizes the unrecognized compensation cost and the weighted-average period the cost is expected to be amortized.

	December 31, 2017	
	Unrecognized Compensation Cost	Weighted Average Remaining Period to be Recognized (in years)
Equity Incentive Plan Options	\$ 2,897	3.78
Class A Restricted Common Stock	20,120	2.03
Total	\$ 23,017	

#### ***Equity Incentive Plan***

As of December 31, 2017, there were 3,024,470 EIP options outstanding, of which 848,286 were unvested.

#### ***Grants of restricted stock units and Class A Restricted Common Stock***

On November 1, 2017, the Board of Directors granted 52,732 restricted stock units to certain newly hired individuals and current vice presidents. The aggregate value of this award was estimated at \$2.0 million based on the stock price of \$37.77 on the grant date.

## **16. FAIR VALUE MEASUREMENTS**

The accounting standard for fair value measurements establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: observable inputs such as quoted prices in active markets (Level 1); inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2); and unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions (Level 3).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The financial instruments measured at fair value in the accompanying condensed consolidated balance sheets consist of the following:

<b>Recurring Fair Value Measurements as of December 31, 2017</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Cash and cash equivalents:</b>				
Cash and cash equivalents	\$ 57,913	\$ —	\$ —	\$ 57,913
Money market funds (1)	206,379	25,203	—	231,582
<b>Total cash and cash equivalents</b>	<b>\$ 264,292</b>	<b>\$ 25,203</b>	<b>\$ —</b>	<b>\$ 289,495</b>
<b>Other Assets:</b>				
Derivative instruments (3)	\$ —	\$ 2,690	\$ —	\$ 2,690
<b>Total Other Assets</b>	<b>\$ —</b>	<b>\$ 2,690</b>	<b>\$ —</b>	<b>\$ 2,690</b>
<b>Liabilities:</b>				
Contingent consideration liability (2)	\$ —	\$ —	\$ 3,576	\$ 3,576
Current derivative instruments (3)	—	354	—	354
Long-term derivative instruments (3)	—	—	—	—
<b>Total Liabilities</b>	<b>\$ —</b>	<b>\$ 354</b>	<b>\$ 3,576</b>	<b>\$ 3,930</b>

<b>Recurring Fair Value Measurements as of March 31, 2017</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Cash and cash equivalents:</b>				
Cash and cash equivalents	\$ 59,825	\$ —	\$ —	\$ 59,825
Money market funds (1)	—	157,592	—	157,592
<b>Total cash and cash equivalents</b>	<b>\$ 59,825</b>	<b>\$ 157,592</b>	<b>\$ —</b>	<b>\$ 217,417</b>
<b>Liabilities:</b>				
Contingent consideration liability (2)	—	—	3,576	3,576
<b>Total Liabilities</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,576</b>	<b>\$ 3,576</b>

(1) Level 2 cash and cash equivalents are invested in money market funds that are intended to maintain a stable net asset value of \$1.00 per share by investing in liquid, high quality U.S. dollar-denominated money market instruments. Therefore, the fair value approximates the carrying value. Depending on our short-term liquidity needs, we make regular transfers between money market funds and other cash equivalents.

(2) As discussed in Note 4, the Company recognized a contingent consideration liability in connection with the acquisition of Aquilent. As of December 31, 2017 and March 31, 2017, the estimated fair value of the contingent consideration liability was \$3.6 million and was valued using probability-weighted cash flows, which is based on the use of Level 3 fair value measurement inputs. The liability is recorded in other long-term liabilities in the consolidated balance sheet.

(3) The Company's interest rate swaps are considered over-the-counter derivatives and fair value is estimated based on the present value of future cash flows using a model-derived valuation that uses Level 2 observable inputs such as interest rate yield curves. See Note 9 for further discussion on the Company's derivative instruments designated as cash flow hedges.

The fair value of the Company's debt, as well as the Senior Notes, approximates their carrying value at December 31, 2017 and March 31, 2017. The fair value of debt is determined using quoted prices or other market information obtained from recent trading activity of each debt tranche in markets that are not active (Level 2 inputs). The fair value is corroborated by prices derived from the interest rate spreads of recently completed leveraged loan transactions of a similar credit profile, industry, and terms to that of the Company. The fair value of the Senior Notes is determined using quoted prices or other market information obtained from recent trading activity in the high-yield bond market (Level 2 inputs).

## 17. RELATED-PARTY TRANSACTIONS

In March 2017, the Company supported the formation of the Booz Allen Foundation, a nonprofit corporation organized and operated exclusively for charitable, scientific and educational purposes within the meaning of Section 501(c)(3) of the Code. The Company is the sole member of the foundation, which gives it the authority to appoint two of five of the Booz Allen Foundation's directors and consent rights regarding certain extraordinary corporate actions approved by the board of directors. The Company has made a binding and irrevocable pledge of \$5.0 million to the Booz Allen Foundation and recorded the pledge obligation in other current liabilities on the consolidated balance sheet of the Company in March 2017. As of December 31, 2017, \$1.7 million of the pledge has been paid to the Booz Allen Foundation and is classified as operating activities in the condensed consolidated statement of cash flows.

## 18. COMMITMENTS AND CONTINGENCIES

### *Letters of Credit and Third-Party Guarantees*

As of December 31, 2017 and March 31, 2017, the Company was contingently liable under open standby letters of credit and bank guarantees issued by our banks in favor of third parties that totaled \$7.3 million and \$8.6 million, respectively. These letters of credit and bank guarantees primarily support insurance and bid and performance obligations. At December 31, 2017 and March 31, 2017, approximately \$1.4 million and \$1.7 million, respectively, of these instruments reduce the available borrowings under the Revolving Credit Facility. The remaining amounts under these instruments are guaranteed under a separate \$15.0 million facility established in fiscal 2015 of which \$9.1 million and \$3.1 million was available to the Company at December 31, 2017 and March 31, 2017, respectively.

### *Government Contracting Matters*

For each of the three and nine months ended December 31, 2017 and 2016, approximately 97% of the Company's revenue was generated from contracts where the end user was an agency or department of the U.S. government, including contracts where the Company performed either as a prime contractor or subcontractor, and regardless of the geographic location in which the work was performed. U.S. government contracts and subcontracts are subject to extensive legal and regulatory requirements. From time to time and in the ordinary course of business, agencies of the U.S. government audit our contract costs and conduct inquiries and investigations of our business practices with respect to government contracts to determine whether the Company's operations are conducted in accordance with these requirements and the terms of the relevant contracts. U.S. government agencies, including the Defense Contract Audit Agency, routinely audit our contract costs, including allocated indirect costs for compliance with the Cost Accounting Standards and the Federal Acquisition Regulation. These agencies also conduct reviews and investigations and make inquiries regarding our accounting and other systems in connection with our performance and business practices with respect to our government contracts and subcontracts. U.S. government audits, inquiries, or investigations of the Company, whether related to the Company's U.S. government contracts or subcontracts or conducted for other reasons, could result in administrative, civil, or criminal liabilities, including withholding of payments, suspension of payments, 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 recorded the appropriate provision for any audit, inquiry, or investigation of which it is aware. Management believes it has recorded the appropriate provision for the estimated losses that may be experienced from any such reductions and/or penalties. As of December 31, 2017 and March 31, 2017, the Company has recorded a liability of approximately \$171.7 million and \$175.7 million, respectively, for its current best estimate of amounts to be refunded to customers for potential adjustments from audits or reviews of contract costs incurred subsequent to fiscal year 2011, and for contracts not yet closed that are impacted by settlement of audits or reviews of contract costs incurred in prior fiscal years.

### *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, none of which are considered material, 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 Company's financial condition and results of operations. As of December 31, 2017 and March 31, 2017, there were no material amounts accrued in the condensed consolidated financial statements related to these proceedings.

Six former officers and stockholders who had departed the company prior to the acquisition of the Company by the Carlyle Group (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, against us and certain of our current and former directors and officers. Three of these suits were amended on July 2, 2010 and then further amended into one consolidated complaint on September 7, 2010. Another two of the original nine suits were consolidated into one complaint on September 24, 2014. 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 ERISA, and/or securities and common law fraud. Three of these suits have been dismissed with all appeals exhausted. The two suits that were consolidated into one action on September 24, 2014 were settled on April 16, 2015. One of the remaining suits has been dismissed by the United States District Court for the Southern District of California and such dismissal was upheld by the United States Court of Appeals for the Ninth Circuit. The plaintiff in this suit subsequently filed a Petition for Writ of Certiorari to the United States Supreme Court, which was denied by the United States Supreme Court on January 9, 2017. The other three remaining suits that were previously consolidated on September 7, 2010 have been dismissed by the United States District Court for the Southern District of New York and were on appeal before the United States Court of Appeals for the Second Circuit. On December 15, 2016, hearings relating to the appeal were held before the United States Court of Appeals for the Second Circuit. On July 13, 2017, the United States Court of Appeals for the Second Circuit ruled on the case and affirmed the ruling of the United States District Court for the Southern District of New York, except for one plaintiff's securities fraud claim. The United States Court of Appeals for the Second Circuit remanded the case to the United States District Court for the Southern District of New York to give the plaintiff leave to file another amended complaint to attempt to plead a securities fraud claim. As of December 31, 2017, the aggregate alleged damages that will be sought in the remaining suit is unknown. As of December 31, 2017, although the outcome of any of these cases is inherently uncertain and may be materially adverse, based on current information, management does not expect them to have a material adverse effect on our financial condition and results of operations.

On June 7, 2017, Booz Allen Hamilton Inc. was informed that the U.S. Department of Justice (DOJ) is conducting a civil and criminal investigation of the Company. In connection with the investigation, the DOJ has requested information from the Company relating to certain elements of the Company's cost accounting and indirect cost charging practices with the U.S. government. Since learning of the investigation, the Company has engaged a law firm experienced in these matters to represent the Company in connection with this matter and respond to the government's requests. As is commonly the case with this type of matter, the Company has also been in contact with other regulatory agencies and bodies, including the Securities and Exchange Commission, which notified the Company that it is conducting an investigation that the Company believes relates to matters that are also the subject of the DOJ's investigation. The Company may receive additional regulatory or governmental inquiries related to the matters that are the subject of the DOJ's investigation. In accordance with the Company's practice, the company is cooperating with all relevant government parties. The total cost associated with these matters will depend on many factors, including the duration of these matters and any related findings. At this stage, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with these matters.

On June 19, 2017, a purported stockholder of the Company filed a putative class action lawsuit in the United States District Court for the Eastern District of Virginia styled *Langley v. Booz Allen Hamilton Holding Corp.*, No. 17-cv-00696 naming the Company, its Chief Executive Officer and its Chief Financial Officer as defendants purportedly on behalf of all purchasers of the Company's securities from May 19, 2016 through June 15, 2017. On September 5, 2017, the court named two lead plaintiffs and on October 20, 2017, the lead plaintiffs filed a consolidated amended complaint. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, alleging misrepresentations or omissions by the Company purporting to relate to matters that are the subject of the DOJ investigation described above. The plaintiffs seek to recover from the Company and the individual defendants an unspecified amount of damages. The Company believes the suit lacks merit and intends to defend against the lawsuit. Motions to dismiss were argued on January 12, 2018, and the court took the matters under advisement. At this stage of the lawsuit, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with the lawsuit.

On November 13, 2017, a Verified Shareholder Derivative Complaint was filed in the United States District Court for the District of Delaware styled *Celine Thum v. Rozanski et. al.*, C.A. No. 17-cv-01638, naming the Company as a nominal defendant and numerous current and former officers and directors as defendants. The complaint asserts claims for breach of fiduciary duties, unjust enrichment, waste of corporate assets, abuse of control, gross mismanagement, and violations of Sections 14(a), 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, purportedly relating to matters that are the subject of the DOJ investigation described above. The parties have stipulated to a stay of the proceedings pending the outcome of the securities litigation (described above), which the court so ordered on January 24, 2018. At this stage of the lawsuit, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with the lawsuit.

## Item 2. 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 our condensed consolidated financial statements and the related notes contained elsewhere in this Quarterly Report on Form 10-Q, or Quarterly 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 our Annual Report on Form 10-K for the fiscal year ended March 31, 2017 filed with the Securities and Exchange Commission on May 22, 2017, or Annual Report, and under Part II, "Item 1A. Risk Factors," and "— Special Note Regarding Forward Looking Statements" of this Quarterly Report. 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, engineering, analytics, digital solutions, mission operations, and cyber expertise to U.S. and international governments, major corporations, and not-for-profit organizations. Our ability to deliver value to our clients has always been, and continues to be, a product of the strong character, deep expertise and tremendous passion of our people. Our talent base of approximately 24,700 employees endeavor to solve problems that matter by making clients' missions their own, combining decades of consulting and domain expertise with functional expertise in areas such as analytics, digital solutions, engineering, and cyber, all fostered by a culture of innovation that extends to all reaches of the company.

Through our dedication to our clients' missions, and a commitment to evolving our business to address clients' needs, we have longstanding and deep relationships with our clients, some more than 75 years. We support critical missions for a diverse base of federal government clients, including nearly all of the U.S. government's cabinet-level departments, as well as increasingly for top-tier commercial and international clients. We support these clients by helping them tackle their most complex and pressing challenges such as protecting soldiers in combat and supporting their families, advancing cyber capabilities, keeping our national infrastructure secure, enabling and enhancing digital services, transforming the healthcare system, and improving government efficiency to achieve better outcomes. Our U.S. commercial clients are primarily in the financial services, healthcare and life sciences, energy, high-tech manufacturing, retail, and automotive industries. Our international clients are primarily in the Middle East, along with a growing presence in Southeast Asia.

### Financial and Other Highlights

During the third quarter of fiscal 2018, the Company generated year over year revenue growth driven by strong demand from clients, while increasing our headcount, growing backlog to a near record level, and delivering improved earnings.

Revenue increased 6.8% from the three months ended December 31, 2016 to the three months ended December 31, 2017 and increased 7.4% from the nine months ended December 31, 2016 to the nine months ended December 31, 2017. The revenue increases in both the three and nine month periods ended December 31, 2017 in comparison to the respective prior year periods were primarily driven by continued strength in client demand, which led to increased client staff headcount, and an increase in client staff labor. Revenue for the nine months ended December 31, 2017 also benefited from higher billable expenses as compared to the prior year period.

Operating income increased 9.2% to \$118.1 million in the three months ended December 31, 2017 from \$108.1 million in the three months ended December 31, 2016, while operating margin increased to 7.9% from 7.7% in the comparable period. Operating income increased 8.2% to \$384.0 million in the nine months ended December 31, 2017 from \$355.1 million in the nine months ended December 31, 2016, while operating margin increased to 8.5% from 8.4% in the comparable period. The increase in operating income was primarily driven by the same factors driving revenue as well as improved contract profitability across the enterprise. The growth in operating income for the nine months ended December 31, 2017 was partially offset by increased spending in support of the business operations, on-boarding and deployment of consulting staff headcount. The Company also incurred incremental legal costs during the three and nine months ended December 31, 2017 in response to the U.S. Department of Justice investigation and matters which purport to relate to the investigation, a portion of which was offset by the receipt of insurance reimbursements. We expect to incur additional costs in the future. Based on the information currently available, the Company is not able to reasonably estimate the expected long-term incremental legal costs or amounts that may be reimbursed associated with this investigation and these related matters.



## Non-GAAP Measures

We publicly disclose certain non-GAAP financial measurements, including Revenue, Excluding Billable Expenses, Adjusted Operating Income, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, and Adjusted Diluted Earnings Per Share, or Adjusted Diluted 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 EBITDA Margin, 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. In addition, we use Revenue, Excluding Billable Expenses because it provides management useful information about the Company's operating performance by excluding the impact of costs that are not indicative of the level of productivity of our consulting staff headcount and our overall direct labor, which management believes provides useful information to our investors about our core operations. 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 and securities analysts 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 measurements may vary from and may not be comparable to similarly titled measures by other companies in our industry. Revenue, Excluding Billable Expenses, Adjusted Operating Income, Adjusted EBITDA, Adjusted EBITDA Margin, 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 revenue to Revenue, Excluding Billable Expenses, operating income to Adjusted Operating Income, net income to Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income and Adjusted Diluted Earnings Per Share, and net cash provided by operating activities to Free Cash Flow, (ii) use Revenue, Excluding Billable Expenses, Adjusted Operating Income, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, and Adjusted Diluted EPS in addition to, and not as an alternative to, revenue, operating income, net income or diluted EPS, as measures of operating results, each as defined under GAAP and (iii) use Free Cash Flow in addition to, and not as an alternative to, net cash provided by operating activities as a measure of liquidity, each as defined under GAAP. We have defined the aforementioned non-GAAP measures as follows:

- "Revenue, Excluding Billable Expenses" represents revenue less billable expenses. We use Revenue, Excluding Billable Expenses because it provides management useful information about the Company's operating performance by excluding the impact of costs that are not indicative of the level of productivity of our consulting staff headcount and our overall direct labor, which management believes provides useful information to our investors about our core operations.
- "Adjusted Operating Income" represents operating income before (i) adjustments related to the amortization of intangible assets resulting from the acquisition of our Company by The Carlyle Group (the "Acquisition") and (ii) transaction costs, fees and losses, including fees associated with debt prepayments. 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 transaction costs, fees and losses, including fees associated with debt prepayments. "Adjusted EBITDA Margin" is calculated as Adjusted EBITDA divided by revenue. The Company prepares Adjusted EBITDA and Adjusted EBITDA Margin to eliminate the impact of items it does 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) adjustments related to the amortization of intangible assets resulting from the Acquisition, (ii) transaction costs, fees and losses, including fees associated with debt prepayments, and (iii) amortization or write-off of debt issuance costs and write-off of original issue discount, in each case net of the tax effect where appropriate 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. Additionally, Adjusted Diluted EPS does not contemplate any adjustments to net income as required under the two-class method as disclosed in the footnotes to the condensed consolidated financial statements.
- "Free Cash Flow" represents the net cash generated from operating activities less the impact of purchases of property and equipment.

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

(In thousands, except share and per share data)	Three Months Ended December 31,		Nine Months Ended December 31,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
<b>Revenue, Excluding Billable Expenses</b>				
Revenue	\$ 1,499,914	\$ 1,404,638	\$ 4,535,569	\$ 4,222,213
Billable expenses	443,015	428,685	1,378,235	1,270,941
Revenue, Excluding Billable Expenses	\$ 1,056,899	\$ 975,953	\$ 3,157,334	\$ 2,951,272
<b>Adjusted Operating Income</b>				
Operating Income	\$ 118,087	\$ 108,124	\$ 384,037	\$ 355,086
Amortization of intangible assets (a)	—	1,056	—	3,169
Transaction expenses (b)	—	—	—	3,354
Adjusted Operating Income	\$ 118,087	\$ 109,180	\$ 384,037	\$ 361,609
<b>EBITDA, Adjusted EBITDA &amp; Adjusted EBITDA Margin</b>				
Net income	\$ 69,773	\$ 55,590	\$ 220,226	\$ 186,237
Income tax expense	28,240	37,025	105,356	117,489
Interest and other, net (c)	20,074	15,509	58,455	51,360
Depreciation and amortization	16,701	14,410	48,196	43,588
EBITDA	134,788	122,534	432,233	398,674
Transaction expenses (b)	—	—	—	3,354
Adjusted EBITDA	\$ 134,788	\$ 122,534	\$ 432,233	\$ 402,028
Revenue	\$ 1,499,914	\$ 1,404,638	\$ 4,535,569	\$ 4,222,213
Adjusted EBITDA Margin	9.0%	8.7%	9.5%	9.5%
<b>Adjusted Net Income</b>				
Net income	\$ 69,773	\$ 55,590	\$ 220,226	\$ 186,237
Amortization of intangible assets (a)	—	1,056	—	3,169
Transaction expenses (b)	—	—	—	3,354
Amortization or write-off of debt issuance costs and write-off of original issue discount	672	669	1,993	8,236
Adjustments for tax effect (d)	(199)	(690)	(727)	(5,904)
Adjusted Net Income	\$ 70,246	\$ 56,625	\$ 221,492	\$ 195,092
<b>Adjusted Diluted Earnings Per Share</b>				
Weighted-average number of diluted shares outstanding	146,570,617	150,607,259	148,447,248	150,143,851
Adjusted Net Income Per Diluted Share (e)	\$ 0.48	\$ 0.38	\$ 1.49	\$ 1.30
<b>Free Cash Flow</b>				
Net cash provided by operating activities	\$ 68,858	\$ 65,959	\$ 246,920	\$ 283,042
Less: Purchases of property and equipment	(26,078)	(15,411)	(63,067)	(30,554)
Free Cash Flow	\$ 42,780	\$ 50,548	\$ 183,853	\$ 252,488

(a) Reflects amortization of intangible assets resulting from the Acquisition for the three and nine months ended December 31, 2016.

(b) Reflects debt refinancing costs incurred in connection with the refinancing transaction consummated on July 13, 2016.

- (c) Reflects the combination of Interest expense and Other income (expense), net from the condensed consolidated statement of operations.
- (d) Periods related to fiscal 2017 reflect the tax effect of adjustments at an assumed effective tax rate of 40%. Beginning in the third quarter of fiscal 2018 with the Tax Cuts and Jobs Act (the "2017 Tax Act"), adjustments are reflected using an assumed effective tax rate of 36.5%. See Note 10, Income Taxes, to our accompanying condensed consolidated financial statements for information.
- (e) Excludes an adjustment of approximately \$0.6 million and \$1.9 million of net earnings for the three and nine months ended December 31, 2017, respectively, and excludes an adjustment of approximately \$0.6 million and \$2.0 million of net earnings for the three and nine months ended December 31, 2016, respectively, associated with the application of the two-class method for computing diluted earnings per share.

## 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:

- uncertainty around the timing, extent, nature and effect of Congressional and other U.S. government actions to approve funding of the U.S. government beyond February 8, 2018, address budgetary constraints, including caps on the discretionary budget for defense and non-defense departments and agencies, as established by the Bipartisan Budget Control Act of 2011 and subsequently adjusted by the American Tax Payer Relief Act of 2012, the Bipartisan Budget Act of 2013 and the Bipartisan Budget Act of 2015, and address the ability of Congress to determine how to allocate the available budget authority and pass appropriations bills to fund both U.S. government departments and agencies that are, and those that are not, subject to the caps;
- 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;
- cost cutting and efficiency initiatives, current and future budget restrictions, continued implementation of Congressionally mandated automatic spending cuts and other efforts to reduce U.S. government spending could cause clients to reduce or delay funding for orders for services or invest appropriated funds on a less consistent or rapid basis or not at all, particularly when considering long-term initiatives and in light of current uncertainty around Congressional efforts to approve funding of the U.S. government beyond February 8, 2018 and to craft a long-term agreement on the U.S. government's ability to incur indebtedness in excess of its current limits and generally in the current political environment, there is a risk that clients will not issue task orders in sufficient volume to reach current contract ceilings, alter historical patterns of contract awards, including the typical increase in the award of task orders or completion of other contract actions by the U.S. government in the period before the end of the U.S. government's fiscal year on September 30, delay requests for new proposals and contract awards, rely on short-term extensions and funding of current contracts, or reduce staffing levels and hours of operation;
- delays in the completion of future U.S. government's budget processes, which have in the past and could in the future delay procurement of the products, services, and solutions we provide;
- 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 certain overseas operations end, and continued increased spending on cyber-security, Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR), advanced analytics, technology integration and healthcare;
- legislative and regulatory changes to limitations on the amount of allowable executive compensation permitted under flexibly priced contracts following implementation of interim rules adopted by federal agencies pursuant to the Bipartisan Budget Act of 2013, which substantially further reduce the amount of allowable executive compensation under these contracts and extend these limitations to a larger segment of our executives and our entire contract base;
- 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;
- increased audit, review, investigation and general scrutiny by U.S. government agencies of government contractors' performance under U.S. government contracts and compliance with the terms of those contracts and applicable laws;
- the federal focus on refining the definition of “inherently governmental” work, including proposals to limit contractor access to sensitive or classified information and work assignments, which will continue to drive pockets of insourcing in various agencies, particularly in the intelligence market;

- negative publicity and increased scrutiny of government contractors in general, including us, relating to U.S. government expenditures for contractor services and incidents involving the mishandling of sensitive or classified information;
- 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;
- increased competition from other government contractors and market entrants seeking to take advantage of certain of the trends identified above, and an industry trend towards consolidation, which may result in the emergence of companies that are better able to compete against us;
- cost cutting and efficiency and effectiveness efforts by 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;
- 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;
- increasing small business regulations across the Department of Defense and civilian agency clients continue to gain traction whereby agencies are required to meet high small business set aside targets, and large business prime contractors are required to subcontract in accordance with considerable small business participation goals necessary for contract award; and
- changes in agency and mission priorities anticipated in the Department of Defense and Civilian agency landscape with the presidential and administration transition.

### ***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; however, a reduction in the amount of services that we are contracted to provide to the U.S. government or any of our significant U.S. government clients could have a material adverse effect on our business and results of operations. In particular, the Department of Defense is one of our significant clients, and the Budget Control Act of 2011 (as amended by the American Taxpayer Relief Act of 2012, the Bipartisan Budget Act of 2013 and the Bipartisan Budget Act of 2015), provides for automatic spending cuts (referred to as sequestration) totaling approximately \$1.2 trillion between 2013 and 2021, including an estimated \$500 billion in federal defense spending cuts over this time period. The Bipartisan Budget Act of 2015 raised existing spending caps on defense spending by \$15 billion for government fiscal 2017, but did not address spending caps beyond fiscal 2017. For example, under the Budget Control Act of 2011, as amended, approximately \$91 billion in spending cuts are anticipated for the government fiscal 2018. A reduction in the amount of services that we are contracted to provide to the Department of Defense could have a material adverse effect on our business and results of operations, and given the uncertainty of when and how these automatic reductions may be applied, we are unable to predict the nature or magnitude of the potential adverse effect.

### ***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. As we increase or decrease our spending on allowable costs, our revenue generated on cost-reimbursable contracts will increase, up to the ceiling and funded amounts, or decrease, respectively. 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 billable material costs and billable out-of-pocket expenses inclusive of allocable indirect costs. To the extent our actual direct labor including allocated indirect costs, and associated billable expenses decrease or increase in relation to the fixed hourly billing rates provided in the contract, we will generate more or less profit, respectively, 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 direct and allocated indirect costs decrease or increase from the estimates upon which the price was negotiated, we will generate more or less profit, respectively, 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. Changes in contract type as a result of re-competes and new business could influence the percentage/mix in unanticipated ways.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2017	2016	2017	2016
Cost-reimbursable (1)	51%	49%	51%	49%
Time-and-materials	25%	26%	25%	26%
Fixed-price (2)	24%	25%	24%	25%

(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, contract vehicles, and multiple award contract vehicles. Most of our revenue is generated under indefinite delivery/indefinite quantity, or IDIQ, contract vehicles, which include multiple award government wide acquisition contract vehicles, or GWACs, and General Services Administration Multiple Award Schedule Contracts, or 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 IDIQ 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.

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. The mix of these types of revenue affects our operating margin. Substantially all of our operating margin 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. We view growth in direct consulting staff labor as the primary driver 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 appropriately compensated, and contains an optimal mix of skills to be cost competitive and meet the rapidly evolving needs of our clients. We seek to achieve that result through recruitment and management of capacity and compensation. As of December 31, 2017 and 2016, we employed approximately 24,700 and 23,000 people, respectively, of which approximately 22,300 and 20,800, respectively, were consulting staff.

### 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 IDIQ contracts, 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:

	As of December 31,	
	2017	2016
	(In millions)	
Backlog:		
Funded	\$ 2,893	\$ 2,787
Unfunded	4,220	3,229
Priced options	9,558	7,511
Total backlog	<u>\$ 16,671</u>	<u>\$ 13,527</u>

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 to complete. 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 achieve 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 increased by 23.2% from December 31, 2016 to December 31, 2017. Additions to funded backlog during the twelve months ended December 31, 2017 totaled \$6.2 billion in comparison to \$5.7 billion for the comparable period, 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. The amount of our funded backlog is also subject to change, due to, among other factors:

changes in congressional appropriations that reflect changes in U.S. government policies or priorities resulting from various military, political, economic or international developments; changes in the use of U.S. government contracting vehicles; and the provisions therein used to procure our services and adjustments to the scope of services, or cancellation of contracts, by the U.S. government at any time. 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.

In addition, 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 7.7% of funded backlog as of the end of any of the four fiscal quarters preceding the fiscal quarter ended December 31, 2017.

We expect to recognize revenue from a substantial portion of funded backlog as of December 31, 2017 within the next twelve months. However, given the uncertainties discussed above, as well as the risks described in "Item 1A.Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2017, we can give no assurance that we will be able to convert our backlog into revenue in any particular period, if at all.

### ***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.

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, legal expenses, 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. While not certain, 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 historically 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. While not certain, changes in the government's funding and spending patterns have altered historical seasonality trends, supporting our approach to managing the business on an annual basis.

### ***Critical Accounting Estimates and Policies***

There have been no material changes during the period covered by this Quarterly Report to the information disclosed in the Critical Accounting Estimates and Policies section in Part II, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report.



## Recent Accounting Pronouncements

See Note 2 to our accompanying condensed consolidated financial statements for information related to our adoption of new accounting standards and for information on our anticipated adoption of recently issued accounting standards.

## Results of Operations

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

	Three Months Ended December 31,		Percent Change	Nine Months Ended December 31,		Percent Change
	2017	2016		2017	2016	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
	(In thousands)			(In thousands)		
Revenue	\$ 1,499,914	\$ 1,404,638	6.8 %	\$ 4,535,569	\$ 4,222,213	7.4 %
Operating costs and expenses:						
Cost of revenue	712,255	652,236	9.2 %	2,111,702	1,967,258	7.3 %
Billable expenses	443,015	428,685	3.3 %	1,378,235	1,270,941	8.4 %
General and administrative expenses	209,856	201,183	4.3 %	613,399	585,340	4.8 %
Depreciation and amortization	16,701	14,410	15.9 %	48,196	43,588	10.6 %
Total operating costs and expenses	1,381,827	1,296,514	6.6 %	4,151,532	3,867,127	7.4 %
Operating income	118,087	108,124	9.2 %	384,037	355,086	8.2 %
Interest expense	(20,604)	(14,176)	45.3 %	(60,309)	(46,757)	29.0 %
Other income (expense), net	530	(1,333)	NM	1,854	(4,603)	NM
Income before income taxes	98,013	92,615	5.8 %	325,582	303,726	7.2 %
Income tax expense	28,240	37,025	(23.7)%	105,356	117,489	(10.3)%
Net income	\$ 69,773	\$ 55,590	25.5 %	\$ 220,226	\$ 186,237	18.3 %

NM - Not meaningful

### Three Months Ended December 31, 2017 Compared to Three Months Ended December 31, 2016

#### Revenue

Revenue increased to \$1,499.9 million from \$1,404.6 million or a 6.8% increase, primarily due to increased client demand which led to increased client staff headcount, and an increase in client staff labor. Total headcount as of December 31, 2017 increased approximately 1,700 compared to December 31, 2016.

#### Cost of Revenue

Cost of revenue increased to \$712.3 million from \$652.2 million, or a 9.2% increase. The increase was primarily due to increases in salaries and salary-related benefits of \$51.4 million driven by increased headcount. Cost of revenue as a percentage of revenue was 47.5% and 46.4% for the three months ended December 31, 2017 and 2016, respectively.

#### Billable Expenses

Billable expenses increased to \$443.0 million from \$428.7 million, or a 3.3% increase, primarily attributable to an increase in the use of subcontractors in the current year driven by client demand, as well as an increase in contracts which require the Company to incur direct expenses on behalf of clients over the prior year period. Billable expenses as a percentage of revenue were 29.5% and 30.5% for the three months ended December 31, 2017 and 2016, respectively.

#### General and Administrative Expenses

General and administrative expenses increased to \$209.9 million from \$201.2 million, or an 4.3% increase, primarily due to increases in salaries and salary-related benefits of \$14.9 million, driven by an increase in headcount growth as well as annual base salary increases, partially offset by lower incentive compensation of \$3.1 million and decrease in business expenses of \$1.7 million. General and administrative expenses as a percentage of revenue was 14.0% for both the three months ended December 31, 2017 and 2016.

### *Depreciation and Amortization*

Depreciation and amortization increased to \$16.7 million from \$14.4 million, or a 15.9% increase, primarily due to increases in intangible asset amortization related to the Company's acquisition of Aquilent in fiscal 2017, partially offset by a decrease in amortization of other amortizable intangible assets that fully amortized in fiscal 2017.

### *Interest Expense*

Interest expense increased to \$20.6 million from \$14.2 million, or a 45.3% increase, primarily as a result of interest expense related to the issuance of the Senior Notes (as defined below) in April 2017.

### *Income Tax Expense*

Income tax expense decreased to \$28.2 million from \$37.0 million, or a 23.7% decrease. The effective tax rate decreased from 40.0% to 28.8% due to the blended federal tax rate benefit of the 2017 Tax Act. See Note 10 in our condensed consolidated financial statements in this Form 10-Q for additional information. The effective tax rate also decreased with the recognition of excess tax benefits of \$1.0 million being reflected in earnings as a reduction to income tax expense in the third quarter of fiscal 2018. This was driven by the Company's initial adoption of new accounting guidance in the first quarter of fiscal 2018 whereby excess tax benefits on employee share-based payment awards are now recognized in earnings as a reduction to income tax expense instead of as an adjustment to additional paid-in-capital, as was the case historically. See Notes 2 and 10 in our condensed consolidated financial statements in this Form 10-Q for additional information on how this accounting change could impact earnings in future periods.

### ***Nine Months Ended December 31, 2017 Compared to Nine Months Ended December 31, 2016***

#### *Revenue*

Revenue increased to \$4,535.6 million from \$4,222.2 million, or a 7.4% increase, primarily due to increased client demand which led to increased client staff headcount, and an increase in client staff labor. Total headcount as of December 31, 2017 increased approximately 1,700 compared to December 31, 2016. Growth in revenue was also due to an increase in billable expenses over the prior year period.

#### *Cost of Revenue*

Cost of revenue increased to \$2,111.7 million from \$1,967.3 million, or a 7.3% increase. The increase was primarily due to increases in salaries and salary-related benefits of \$129.8 million driven by increased headcount. Cost of revenue as a percentage of revenue was 46.6% for both the nine months ended December 31, 2017 and 2016.

#### *Billable Expenses*

Billable expenses increased to \$1,378.2 million from \$1,270.9 million, or an 8.4% increase, primarily attributable to an increase in the use of subcontractors in the current year driven by client demand. In addition, contracts which require the Company to incur travel expenses on behalf of clients increased over the prior year period. Billable expenses as a percentage of revenue were 30.4% and 30.1% for the nine months ended December 31, 2017 and 2016, respectively.

#### *General and Administrative Expenses*

General and administrative expenses increased to \$613.4 million from \$585.3 million, or a 4.8% increase, primarily due to increases in salaries and salary-related benefits of \$32.1 million, driven by headcount growth as well as annual base salary increases, and increases in business expenses of \$3.3 million, partially offset by lower incentive compensation of \$8.9 million. General and administrative expenses as a percentage of revenue were 13.5% and 13.9% for the nine months ended December 31, 2017 and 2016, respectively.

### *Depreciation and Amortization*

Depreciation and amortization increased to \$48.2 million from \$43.6 million, or a 10.6% increase, primarily due to increases in intangible asset amortization related to the Company's acquisition of Aquilent in fiscal 2017, partially offset by a decrease in amortization of other amortizable intangible assets that fully amortized in fiscal 2017.

### *Interest Expense*

Interest expense increased to \$60.3 million from \$46.8 million, or a 29.0% increase, primarily as a result of interest expense related to the issuance of the Senior Notes in April 2017.

### Income Tax Expense

Income tax expense decreased to \$105.4 million from \$117.5 million, or a 10.3% decrease. The effective tax rate decreased from 38.7% to 32.4% due to the blended federal tax rate benefit of the 2017 Tax Act. See Note 10 in our condensed consolidated financial statements in this Form 10-Q for additional information. The effective tax rate also decreased with the recognition of excess tax benefits of \$10.3 million being reflected in earnings as a reduction to income tax expense for the nine months ended December 31, 2017. This was driven by the Company's initial adoption of new accounting guidance in the first quarter of fiscal 2018 whereby excess tax benefits on employee share-based payment awards are now recognized in earnings as a reduction to income tax expense instead of as an adjustment to additional paid-in-capital, as was the case historically. See Notes 2 and 10 in our condensed consolidated financial statements in this Form 10-Q for additional information on how this accounting change could impact earnings in future periods.

### Liquidity and Indebtedness

The following table presents selected financial information as of December 31, 2017 and March 31, 2017 and for the first nine months of fiscal 2018 and 2017:

	December 31, 2017	March 31, 2017
	(Unaudited)	
	(In thousands)	
Cash and cash equivalents	\$ 289,495	\$ 217,417
Total debt	1,832,315	1,663,324

  

	Nine Months Ended December 31,	
	2017	2016
	(Unaudited)	
	(In thousands)	
Net cash provided by operating activities	\$ 246,920	\$ 283,042
Net cash used in investing activities	(81,370)	(30,755)
Net cash used in financing activities	(93,472)	(90,192)
Total increase in cash and cash equivalents	\$ 72,078	\$ 162,095

From time to time, we evaluate alternative uses for excess cash resources once our operating cash flow and required debt servicing needs have been met. Some of the possible uses of our remaining excess cash at any point in time may include funding strategic acquisitions, further investment in our business and returning value to shareholders through share repurchases, recurring dividends, and special dividends.

Historically, we have been able to generate sufficient cash to fund our operations, mandatory debt and interest payments, capital expenditures, and discretionary funding needs. However, due to fluctuations in cash flows, including as a result of the trends and developments described above under "— Factors and Trends Affecting Our Results of Operations" relating to U.S. government cost-cutting, reductions or delays in the U.S. government appropriations and spending process and other budgetary matters, it may be necessary from time-to-time in the future to borrow under our Secured Credit Facility to meet cash demands. While the timing and financial magnitude of these possible actions are currently indeterminable, we expect to be able to manage and adjust our capital structure to meet our liquidity needs. Our expected liquidity and capital structure may also be impacted by discretionary investments and acquisitions that we could pursue. We anticipate that cash provided by operating activities, existing cash and cash equivalents, and borrowing capacity under our revolving credit facility (the "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;
- commitments and other discretionary investments;
- debt service requirements for borrowings under our Secured Credit Facility and interest payments for the Senior Notes; and

- cash taxes to be paid.

Our ability to fund our operating needs depends, in part, on our ability to continue to generate positive cash flows from operations or, if necessary, raise cash in the capital markets.

### **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. 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-reimbursable-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, or DSO, which we calculate by dividing total accounts receivable by revenue per day during the relevant fiscal quarter, was 68 as of December 31, 2017 and 60 as of March 31, 2017. DSO increased as a result of sustained revenue growth, the timing of billings associated with higher indirect spending compared to the prior year period and administrative delays in client collections.

#### *Operating Cash Flow*

Net cash from operations is primarily affected by the overall profitability of our contracts, our ability to invoice and collect cash from clients in a timely manner, and our ability to manage vendor payments. Continued uncertainty in global economic conditions may also affect our business as customers and suppliers may decide to downsize, defer, or cancel contracts, which could negatively affect the operating cash flows. Net cash provided by operations was \$246.9 million in the nine months ended December 31, 2017 compared to \$283.0 million in the prior year period, or a 12.8% decrease. The decline from the prior year-to-date period was primarily the result of higher cash taxes paid during fiscal 2018 due to a benefit received in the prior year and the continued residual impact on cash collections due to changes in the processing of payments at one of the Company's customer payment centers.

#### *Investing Cash Flow*

Net cash used in investing activities was \$81.4 million in the nine months ended December 31, 2017 compared to \$30.8 million in the prior year period, or a 164.6% increase. The increase in net cash used in investing activities was due to an acquisition and an increase in capital expenditures over the prior year primarily related to the timing of the leasehold improvements to update existing office space.

#### *Financing Cash Flow*

Net cash used in financing activities was \$93.5 million in the nine months ended December 31, 2017 compared to \$90.2 million in the prior year period. The increase in net cash used in financing activities was primarily due to net proceeds of \$343.3 million received from the issuance of the Senior Notes, partially offset by a decrease in net borrowings on the Revolving Credit Facility of \$95.0 million as compared to the prior year period. In addition, during fiscal 2018, the Company repurchased a total of 5.3 million shares of Class A Common Stock in a series of open market transactions for \$184.5 million, as compared to a total of 0.08 million shares repurchased for \$2.3 million in the prior year period. Further, the Company paid \$9.9 million during the first quarter of fiscal 2018 for shares repurchased during the fourth quarter of fiscal 2017 that had not settled by March 31, 2017.

#### **Dividends and Share Repurchases**

On February 5, 2018, the Company announced a regular quarterly cash dividend in the amount of \$0.19 per share. The quarterly dividend is payable on February 28, 2018 to stockholders of record on February 14, 2018.

The following table summarizes the cash distributions recognized in the condensed consolidated statement of cash flows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2017	2016	2017	2016
Recurring dividends (1)	\$ 24,882	\$ 22,522	\$ 75,748	\$ 67,311
Dividend equivalents (2)	—	—	890	2,157
Total distributions	\$ 24,882	\$ 22,522	\$ 76,638	\$ 69,468

(1) Amounts represent quarterly dividends of \$0.17 per share and \$0.15 per share that were declared and paid during fiscal 2018 and fiscal 2017, respectively.

(2) Dividend equivalents are distributions made to option holders equal to the previously declared special dividends.

On December 12, 2011, the Board of Directors authorized the repurchase of up to \$30.0 million of shares. On January 27, 2015, the share repurchase authorization was increased to \$180.0 million. On January 25, 2017, the Board of Directors approved an increase to share repurchase authorization from \$180.0 million to \$410.0 million. On November 2, 2017, the Board of Directors approved an increase to our share repurchase authorization from \$410.0 million to up to \$610.0 million. During fiscal 2018, the Company purchased 5.3 million shares of the Company's Class A Common Stock for an aggregate of \$184.5 million. Following the aforementioned repurchases, as of December 31, 2017, the Company had \$270.9 million remaining under the repurchase program.

Any determination to pursue one or more of the 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 Credit Agreement, as amended, and other factors deemed relevant by our Board of Directors.

### **Indebtedness**

On February 6, 2017, Booz Allen Hamilton, Booz Allen Hamilton Investor Corporation ("Investor") and certain wholly-owned subsidiaries of Booz Allen Hamilton entered into the Fourth Amendment, to the Credit Agreement, dated as of July 31, 2012, among Booz Allen Hamilton, Investor, certain wholly owned subsidiaries of Booz Allen Hamilton and Bank of America, N.A., as Administrative Agent, Collateral Agent and Issuing Lender (as previously amended by the First Amendment to the Credit Agreement, dated as of August 16, 2013, the Second Amendment to the Credit Agreement, dated as of May 7, 2014, and the Third Amendment to the Credit Agreement, dated as of July 13, 2016). Pursuant to the Fourth Amendment, the Company reduced the interest rate spread applicable to Term Loan B (as defined below). The interest rate spread applicable to Term Loan A (as defined below) remained unchanged.

As of December 31, 2017, the Credit Agreement, as amended, provided the Company with a \$1,109.1 million Term Loan A ("Term Loan A"), a \$395.0 million Term Loan B ("Term Loan B" and, together with Term Loan A, the "Term Loans"), and a \$500.0 million Revolving Credit Facility (and together with the Term Loans, the "Secured Credit Facility"), with a sub-limit for letters of credit of \$100.0 million. As of December 31, 2017, the maturity date of Term Loan A and the termination date for the Revolving Credit Facility was June 30, 2021 and the maturity date of Term Loan B was June 30, 2023. Booz Allen Hamilton's obligations and the guarantors' guarantees under the Credit Agreement, as amended, are secured by a first priority lien on substantially all of the assets (including capital stock of subsidiaries) of Booz Allen Hamilton, Investor and the subsidiary guarantors, subject to certain exceptions set forth in the Credit Agreement, as amended, and related documentation. Subject to specified conditions, without the consent of the then-existing lenders (but subject to the receipt of commitments), the Term Loans or Revolving Credit Facility may be expanded (or a new term loan facility or revolving credit facility added to the existing facilities) by up to (i) \$400 million plus (ii) the aggregate principal amount under which pro forma consolidated net secured leverage remains less than or equal to 3.50:1.00.

Booz Allen Hamilton occasionally borrows under our Revolving Credit Facility in anticipation of cash demands. During the first, second and third quarters of fiscal 2018, Booz Allen Hamilton accessed a total of \$85.0 million of its \$500.0 million Revolving Credit Facility. As of December 31, 2017, there were no amounts outstanding under the Revolving Credit Facility. As of March 31, 2017, there was \$130.0 million outstanding on the Revolving Credit Facility.

The Credit Agreement, as amended, requires quarterly principal payments of 1.25% of the stated principal amount of Term Loan A until maturity and quarterly principal payments of 0.25% of the stated principal amount of Term Loan B until maturity.

At our option, borrowings under the Secured Credit Facility bear interest based either on LIBOR (adjusted for maximum reserves, and subject to a floor of zero) for the applicable interest period or a base rate (equal to the highest of (x) the administrative agent's prime corporate rate, (y) the overnight federal funds rate plus 0.50% and (z) three-month LIBOR (adjusted for maximum reserves, and subject to a floor of zero) plus 1.00%), in each case plus an applicable margin, payable at the end of the applicable interest period and in any event at least quarterly. The applicable margin for Term Loan B is 2.25% for LIBOR loans and 1.25% for base rate loans. The applicable margin for Term Loan A and borrowings under the Revolving Credit Facility ranges from 1.50% to 2.25% for LIBOR loans and 0.50% to 1.25% for base rate loans, in each case based on Booz Allen Hamilton's consolidated total net leverage ratio. Unused commitments under the Revolving Credit Facility are subject to a quarterly fee ranging from 0.30% to 0.40% based on Booz Allen Hamilton's consolidated total net leverage ratio.

We also have agreed to pay customary letter of credit and agency fees. As of December 31, 2017 and March 31, 2017, we were contingently liable under open standby letters of credit and bank guarantees issued by our banks in favor of third parties that totaled \$7.3 million and \$8.6 million, respectively. These letters of credit and bank guarantees primarily support insurance and bid and performance obligations. At December 31, 2017 and March 31, 2017, approximately \$1.4 million and \$1.7 million, respectively, of these instruments reduce the available borrowings under the Revolving Credit Facility. The remainder is guaranteed under a separate \$15.0 million facility established in fiscal 2015 of which \$9.1 million and \$3.1 million, respectively, was available to us at December 31, 2017 and March 31, 2017. As of December 31, 2017, we had \$498.6 million of capacity available for additional borrowings under the Revolving Credit Facility.

The Credit Agreement, as amended, contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants include limitations on the following, in each case subject to certain exceptions: (i) indebtedness and liens, (ii) mergers, consolidations or amalgamations, liquidations, wind-ups or dissolutions, and disposition of all or substantially all assets; (iii) dispositions of property; (iv) restricted payments; (v) investments; (vi) transactions with affiliates; (vii) sale and lease back transactions; (viii) change in fiscal periods; (ix) negative pledges; (x) restrictive agreements; (xi) line of business; and (xii) speculative hedging. In addition, we are required to meet certain financial covenants at each quarter end, namely Consolidated Net Total Leverage and Consolidated Net Interest Coverage Ratios. As of December 31, 2017, we were compliant with these covenants. The events of default include the following, in each case subject to certain exceptions: (a) failure to make required payments under the Secured Credit Facility; (b) material breaches of representations or warranties under the Secured Credit Facility; (c) failure to observe covenants or agreements under the Secured Credit Facility; (d) failure to pay or default under certain other material indebtedness; (e) bankruptcy or insolvency; (f) certain Employee Retirement Income Security Act, or ERISA events; (g) certain material judgments; (h) actual or asserted invalidity of the Guarantee and Collateral Agreements or the other security documents or failure of the guarantees or perfected liens thereunder; and (i) a change of control. From time to time we evaluate, and we currently are evaluating, conditions in the financing markets for opportunities to improve the terms of indebtedness, including indebtedness under the Credit Agreement. Such improvements could include a reduction of the effective interest on our outstanding indebtedness, improvements to the covenants and other provisions governing our outstanding indebtedness or both.

On April 25, 2017, Booz Allen Hamilton issued \$350 million aggregate principal amount of its 5.125% Senior Notes (the "Senior Notes") due 2025 under an Indenture, dated April 25, 2017, among Booz Allen Hamilton, certain subsidiaries of Booz Allen Hamilton, as guarantors (the "Subsidiary Guarantors"), and Wilmington Trust, National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture, dated as of April 25, 2017, among Booz Allen Hamilton, the Subsidiary Guarantors and the Trustee. A portion of the proceeds was used to repay all outstanding loans under the Revolving Credit Facility. We intend to use the remaining proceeds for working capital and other general corporate purposes, which may include the repayment of a portion or all of the outstanding DPO (See Note 8 in our condensed consolidated financial statements for additional information on our indebtedness).

Borrowings under our term loans and, if used, our Revolving Credit Facility, incur interest at a variable rate. In accordance with our risk management strategy between April 6, 2017 and May 24, 2017, Booz Allen Hamilton executed a series of interest rate swaps. As of December 31, 2017, we had interest rate swaps with an aggregate notional amount of \$450 million. These instruments hedge the variability of cash outflows for interest payments on the floating portion of our term loan debt. The Company's objectives in using cash flow hedges are to reduce volatility due to interest rate movements and to add stability to interest expense (See Note 9 in our condensed consolidated financial statements).

## Capital Structure and Resources

Our stockholders' equity amounted to \$564.3 million as of December 31, 2017, a decrease of \$9.3 million compared to stockholders' equity of \$573.6 million as of March 31, 2017. The decrease was primarily due to a \$184.5 million increase in treasury stock resulting from the repurchase of shares of our Class A Common Stock and \$75.7 million in recurring dividend payments during the nine months ended December 31, 2017. These are partially offset by net income of \$220.2 million in the nine months ended December 31, 2017, stock-based compensation expense of \$16.8 million, and stock option exercises of \$9.9 million.

## Off-Balance Sheet Arrangements

As of December 31, 2017, we did not have any material off-balance sheet arrangements.

## 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 facility and equipment costs billed to clients are not treated as capital expenses. Our capital expenditures for the nine months ended December 31, 2017 and 2016 were \$63.1 million and \$30.6 million, respectively, and the majority of such capital expenditures related to facilities infrastructure, equipment, and information technology. The increase in capital expenditures over the prior year primarily related to the timing of the leasehold improvements to update existing office space. 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 18 to our condensed consolidated financial statements.

## Special Note Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q, or Quarterly Report, contains 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, budget reductions, Congressionally mandated automatic spending cuts, and other efforts to reduce U.S. government spending, including automatic sequestration required by the Budget Control Act of 2011 (as amended by the American Taxpayer Relief Act of 2012, the Bipartisan Budget Act of 2013 and the Bipartisan Budget Act of 2015), which have reduced and delayed contract awards and funding for orders for services especially in the current political environment or otherwise negatively affect our ability to generate revenue under contract awards, including as a result of reduced staffing and hours of operation at U.S. government clients;
- delayed funding of our contracts due to uncertainty relating to and a possible failure of Congressional efforts to approve funding of the U.S. government beyond February 8, 2018 and to craft a long-term agreement on the U.S. government's ability to incur indebtedness in excess of its current limits, or changes in the pattern or timing of government funding and spending (including those resulting from or related to cuts associated with sequestration or other budgetary cuts made in lieu of sequestration);
- current and continued uncertainty around the timing, extent, nature, and effect of ongoing Congressional and other U.S. government action to address budgetary constraints, including, but not limited to, uncertainty around the outcome of Congressional efforts to approve funding of the U.S. government beyond February 8, 2018 and to craft a long-term agreement on the U.S. government's ability to incur indebtedness in excess of its current limits, and the U.S. deficit;
- any issue that compromises our relationships with the U.S. government or damages our professional reputation, including negative publicity concerning government contractors in general or us in particular;
- changes in U.S. government spending, including a continuation of efforts by the U.S. government to decrease spending for management support service contracts, and mission priorities that shift expenditures away from agencies or programs that we support;

- U.S. government shutdowns due to, among other reasons, a failure by elected officials to reach a long-term agreement to fund the government beyond February 8, 2018;
- 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 or losses of contract awards 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;
- continued efforts to change how the U.S. government reimburses compensation related and other expenses or otherwise limit such reimbursements, including recent rules that expand the scope of existing reimbursement limitations, such as a reduction in allowable annual employee compensation to certain contractors as a result of the Bipartisan Budget Act of 2013, and an increased risk of compensation being deemed unallowable or payments being withheld as a result of U.S. government audit, review, or investigation;
- our ability to generate revenue under certain of our contracts;
- our ability to realize the full value of and replenish our backlog and the timing of our receipt of revenue under contracts included in backlog;
- 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 or manage our cost structure;
- 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, including the improper use or release of our clients' sensitive or classified information;
- increased insourcing by various U.S. government agencies due to changes in the definition of "inherently governmental" work, including proposals to limit contractor access to sensitive or classified information and work assignments;
- increased competition from other companies in our industry;
- 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;
- 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 or limits;



- risks related to completed and future acquisitions, including our ability to realize the expected benefits from such acquisitions;
- an inability to anticipate or estimate the tax implications of changes in tax law, including the 2017 Tax Act, or utilize existing or future tax benefits, including those related to our stock-based compensation expense, for any reason, including as a result of a change in law, such as the 2017 Tax Act;
- variable purchasing patterns under U.S. government GSA schedules, blanket purchase agreements and indefinite delivery, indefinite quantity, or IDIQ, contracts; and
- other risks and factors described in Part II, “Item 1A. Risk Factors” and elsewhere in this Quarterly Report.

In light of these risks, uncertainties and other factors, the forward-looking statements contained in this Quarterly Report 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.

### **Item 3. 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 money-market funds, and our cash flow hedges. Our exposure to market risk for changes in prevailing interest rates may impact our interest payments under our Secured Credit Facility. Pursuant to our interest rate risk management strategies, we began using interest rate cash flow hedges in April 2017 with the goal of adding stability to our incurrence of interest rate expense and to manage exposure to related interest rate movement.

As of December 31, 2017, we had interest rate swaps with an aggregate notional amount of \$450 million. These derivative instruments hedge the variability of cash outflows for interest payments on our variable rate term loan debt and are recorded at fair value on our condensed consolidated balance sheet. As of December 31, 2017, a 25 basis point increase in the interest rates would increase the fair value of our interest rate swaps by approximately \$6 million and a 25 basis point decrease in the interest rates would decrease the fair value of our interest rate swaps by approximately \$1.4 million.

With the exception of the interest rate swaps discussed above, there have been no material changes during the period covered by this Quarterly Report on Form 10-Q to the information disclosed in the Quantitative and Qualitative Disclosures about Market Risk section in Part II, “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the fiscal year ended March 31, 2017 filed with the Securities and Exchange Commission on May 22, 2017.

### **Item 4. Controls and Procedures**

#### **Disclosure Controls and Procedures**

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 amended, or Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q, or Quarterly 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 Quarterly Report, our disclosure controls and procedures were effective.

#### **Changes in Internal Control Over Financial Reporting**

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. 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. 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, none of which are considered material, 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 December 31, 2017 and March 31, 2017, there were no material amounts accrued in the condensed consolidated financial statements related to these proceedings.

Six former officers and stockholders who had departed the company 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, against us and certain of our current and former directors and officers. Three of these suits were amended on July 2, 2010 and then further amended into one consolidated complaint on September 7, 2010. Another two of the original nine suits were consolidated into one complaint on September 24, 2014. 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, or ERISA, and/or securities and common law fraud. Three of these suits have been dismissed with all appeals exhausted. The two suits that were consolidated into one action on September 24, 2014 were settled on April 16, 2015. One of the remaining suits has been dismissed by the United States District Court for the Southern District of California and such dismissal was upheld by the United States Court of Appeals for the Ninth Circuit. The plaintiff in this suit subsequently filed a Petition for Writ of Certiorari to the United States Supreme Court, which was denied by the United States Supreme Court on January 9, 2017. The other three remaining suits that were previously consolidated on September 7, 2010 have been dismissed by the United States District Court for the Southern District of New York and were on appeal before the United States Court of Appeals for the Second Circuit. On December 15, 2016, hearings relating to the appeal were held before the United States Court of Appeals for the Second Circuit. On July 13, 2017, the United States Court of Appeals for the Second Circuit ruled on the case and affirmed the ruling of the United States District Court for the Southern District of New York, except for one plaintiff's securities fraud claim. The United States Court of Appeals for the Second Circuit remanded the case to the United States District Court for the Southern District of New York to give the plaintiff leave to file another amended complaint to attempt to plead a securities fraud claim. As of December 31, 2017, the aggregate alleged damages that will be sought in the remaining suit is unknown. As of December 31, 2017, 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.

On June 7, 2017, Booz Allen Hamilton Inc. was informed that the U.S. Department of Justice (DOJ) is conducting a civil and criminal investigation of the Company. In connection with the investigation, the DOJ has requested information from the Company relating to certain elements of the Company's cost accounting and indirect cost charging practices with the U.S. government. Since learning of the investigation, the Company has engaged a law firm experienced in these matters to represent the Company in connection with this matter and respond to the government's requests. As is commonly the case with this type of matter, the Company has also been in contact with other regulatory agencies and bodies, including the Securities and Exchange Commission, which notified the Company that it is conducting an investigation that the Company believes relates to matters that are also the subject of the DOJ's investigation. The Company may receive additional regulatory or governmental inquiries related to the matters that are the subject of the DOJ's investigation. In accordance with the Company's practice, the company is cooperating with all relevant government parties. The total cost associated with these matters will depend on many factors, including the duration of these matters and any related findings. At this stage, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with these matters.

On June 19, 2017, a purported stockholder of the Company filed a putative class action lawsuit in the United States District Court for the Eastern District of Virginia styled Langley v. Booz Allen Hamilton Holding Corp., No. 17-cv-00696

naming the Company, its Chief Executive Officer and its Chief Financial Officer as defendants purportedly on behalf of all purchasers of the Company's securities from May 19, 2016 through June 15, 2017. On September 5, 2017, the court named two lead plaintiffs and on October 20, 2017, the lead plaintiffs filed a consolidated amended complaint. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, alleging misrepresentations or omissions by the Company purporting to relate to matters that are the subject of the DOJ investigation described above. The plaintiffs seek to recover from the Company and the individual defendants an unspecified amount of damages. The Company believes the suit lacks merit and intends to defend against the lawsuit. Motions to dismiss were argued on January 12, 2018 and the court took the matters under advisement. At this stage of the lawsuit, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with the lawsuit.

On November 13, 2017, a Verified Shareholder Derivative Complaint was filed in the United States District Court for the District of Delaware styled Celine Thum v. Rozanski et al., C.A. No. 17-cv-01638, naming the Company as a nominal defendant and numerous current and former officers and directors as defendants. The complaint asserts claims for breach of fiduciary duties, unjust enrichment, waste of corporate assets, abuse of control, gross mismanagement, and violations of Sections 14(a), 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, purportedly relating to matters that are the subject of the DOJ investigation described above. The parties have stipulated to a stay of the proceedings pending the outcome of the securities litigation (described above), which the court so ordered on January 24, 2018. At this stage of the lawsuit, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with the lawsuit.

### Item 1A. Risk Factors

There have been no material changes during the period covered by this Quarterly Report on Form 10-Q to the risk factors disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended March 31, 2017 filed with the Securities and Exchange Commission on May 22, 2017.

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

#### Issuer Purchases of Equity Securities

The following table shows the share repurchase activity during the three months ended December 31, 2017:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 2017	—	\$—	—	\$ 101,397,537
November 2017	833,286	\$36.60	30,494,952	\$ 270,902,584
December 2017	—	\$—	—	\$ 270,902,584
Total	833,286		30,494,952	

- (1) On December 12, 2011, the Board of Directors approved a \$30.0 million share repurchase program. On January 27, 2015, the Board of Directors approved an increase to our share repurchase authorization from \$30.0 million to up to \$180.0 million. On January 25, 2017, the Board of Directors approved an increase to our share repurchase authorization from \$180.0 million to up to \$410.0 million. On November 2, 2017, the Board of Directors approved an increase to our share repurchase authorization from \$410.0 million to up to \$610.0 million. As of December 31, 2017, taking into effect the increase in the share repurchase authorization, the Company may repurchase up to approximately \$270.9 million of additional shares of common stock under its share repurchase program. 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. See Note 14 to our unaudited condensed consolidated financial statements in this Form 10-Q for further information about the share repurchase program.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

**Item 5. Other Information**

On January 31, 2018, the Company's Board of Directors (the "Board") amended and restated the Company's bylaws to change the voting standard for the election of directors in uncontested elections from a plurality to a majority voting standard. Pursuant to Section 2.02 of the Company's Third Amended and Restated Bylaws (the "Bylaws"), under the new majority voting standard, a nominee for director shall be elected to the Board only upon the vote of the majority of the votes cast with respect to that nominee's election. Any nominee who is an incumbent director and does not receive a majority of the votes cast in an election that is not a contested election must promptly tender his or her resignation contingent on the acceptance of that resignation by the Board to the chairman of the Board following certification of the election results. Plurality voting would continue to apply in any contested election. The foregoing description of the amendment does not purport to be complete and is qualified in its entirety by reference to the full text of the Bylaws, a copy of which is filed as Exhibit 3.2 to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

**Item 6. Exhibits**

<u>Exhibit Number</u>	<u>Description</u>
3.2	<a href="#"><u>Third Amended and Restated Bylaws of Booz Allen Hamilton Holding Corporation*</u></a>
31.1	<a href="#"><u>Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer*</u></a>
31.2	<a href="#"><u>Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer*</u></a>
32.1	<a href="#"><u>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)*</u></a>
32.2	<a href="#"><u>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)*</u></a>
101	The following materials from Booz Allen Hamilton Holding Corporation's Quarterly Report on Form 10-Q for the nine months ended December 31, 2017 formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at December 31, 2017 and March 31, 2017; (ii) Condensed Consolidated Statements of Operations for the three and nine months ended December 31, 2017 and 2016; (iii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended December 31, 2017 and 2016; (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended December 31, 2017 and 2016; and (v) Notes to Condensed Consolidated Financial Statements.

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\* Filed electronically herewith.

**SIGNATURES**

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

Booz Allen Hamilton Holding Corporation  
Registrant

Date: February 5, 2018

By: /s/ Lloyd W. Howell, Jr.

Lloyd W. Howell, Jr.  
Executive Vice President, Chief Financial Officer and Treasurer  
(Principal Financial Officer)

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BOOZ ALLEN HAMILTON HOLDING CORPORATION

THIRD AMENDED AND RESTATED BYLAWS

As Adopted on January 31, 2018

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BOOZ ALLEN HAMILTON HOLDING CORPORATION

THIRD AMENDED AND RESTATED BYLAWS

As adopted on January 31, 2018

ARTICLE I

MEETINGS OF STOCKHOLDERS

Section 1.01 Annual Meetings. The annual meeting of the stockholders of the Booz Allen Hamilton Holding Corporation (the "Corporation") for the election of directors (each, a "Director") and for the transaction of such other business as properly may come before such meeting shall be held each year either within or without the State of Delaware at such place, if any, and on such date and at such time, as may be fixed from time to time by resolution of the Corporation's board of Directors (the "Board") and set forth in the notice or waiver of notice of the meeting, unless, subject to Section 1.11 of these bylaws and the certificate of incorporation of the Corporation, the stockholders have acted by written consent to elect Directors as permitted by the General Corporation Law of the State of Delaware, as amended from time to time (the "DGCL").

Section 1.02 Special Meetings. A special meeting of the stockholders for any purpose may be called at any time only by or at the direction of the Board pursuant to a resolution of the Board adopted by a majority of the total number of Directors then in office. Any special meeting of the stockholders shall be held at such place, if any, within or without the State of Delaware, and on such date and at such time, as shall be specified in such resolution. The stockholders of the Corporation do not have the power to call a special meeting.

Section 1.03 Participation in Meetings by Remote Communication. The Board, acting in its sole discretion, may establish guidelines and procedures in accordance with applicable provisions of the DGCL and any other applicable law for the participation by stockholders and proxyholders in a meeting of stockholders by means of remote communications, and may determine that any meeting of stockholders will not be held at any place but will be held solely by means of remote communication. Stockholders and proxyholders complying with such procedures and guidelines and otherwise entitled to vote at a meeting of stockholders shall be deemed present in person and entitled to vote at a meeting of stockholders, whether such meeting is to be held at a designated place or solely by means of remote communication.

Section 1.04 Notice of Meetings; Waiver of Notice.

(a) The Secretary or any Assistant Secretary shall cause notice of each meeting of stockholders to be given in writing in a manner permitted by the DGCL not less than 10 days nor more than 60 days prior to the meeting to each stockholder of record entitled to vote at such meeting, subject to such exclusions as are then permitted by the DGCL. The notice shall specify (i) the place, if any, date and time of such meeting, (ii) the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at

such meeting, (iii) in the case of a special meeting, the purpose or purposes for which such meeting is called and (iv) such other information as may be required by law or as may be deemed appropriate by the Board, the President or the Secretary of the Corporation. If the stockholder list referred to in Section 1.06 of these bylaws is made accessible on an electronic network, the notice of meeting must indicate how the stockholder list can be accessed. If the meeting of stockholders is to be held solely by means of electronic communications, the notice of meeting must provide the information required to access such stockholder list during the meeting.

(b) A written waiver of notice of meeting signed by a stockholder or a waiver by electronic transmission by a stockholder, whether given before or after the meeting time stated in such notice, is deemed equivalent to notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in a waiver of notice. Attendance of a stockholder at a meeting is a waiver of notice of such meeting, except when the stockholder attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business at the meeting on the ground that the meeting is not lawfully called or convened.

#### Section 1.05 Proxies.

(a) Each stockholder entitled to vote at a meeting of stockholders or to express consent to or dissent from corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy.

(b) A stockholder may authorize a valid proxy by executing a written instrument signed by such stockholder, or by causing his or her signature to be affixed to such writing by any reasonable means, including but not limited to by facsimile signature, or by transmitting or authorizing an electronic transmission (as defined in Section 8.08 of these bylaws) setting forth an authorization to act as proxy to the person designated as the holder of the proxy, a proxy solicitation firm or a like authorized agent. Proxies by electronic transmission must either set forth, or be submitted with, information from which it can be determined that the electronic transmission was authorized by the stockholder. Any copy, facsimile telecommunication or other reliable reproduction of a writing or transmission created pursuant to this section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used if such copy, facsimile telecommunication or other reproduction is a complete reproduction of the entire original writing or transmission.

(c) No proxy may be voted or acted upon after the expiration of three years from the date of such proxy, unless such proxy provides for a longer period. Every proxy is revocable at the pleasure of the stockholder executing it unless the proxy states that it is irrevocable and applicable law makes it irrevocable. A stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by filing another duly executed proxy bearing a later date with the Secretary.

Section 1.06 Voting Lists. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare, at least 10 days before every meeting of the stockholders

(and before any adjournment thereof for which a new record date has been set), a complete list of the stockholders of record entitled to vote at the meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. This list, which may be in any format including electronic format, shall be open to the examination of any stockholder prior to and during the meeting for any purpose germane to the meeting in the manner required by the DGCL and other applicable law. The stock ledger shall be the only evidence as to who are the stockholders entitled by this section to examine the list required by this section or to vote in person or by proxy at any meeting of stockholders.

Section 1.07 Quorum. Except as otherwise provided in the certificate of incorporation or by law, the presence in person or by proxy of the holders of record of a majority of the shares entitled to vote at a meeting of stockholders shall constitute a quorum for the transaction of business at such meeting, provided, however, that where a separate vote by a class or series is required, the holders of a majority in voting power of all issued and outstanding stock of such class or series entitled to vote on such matter, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to such matter. In the absence of a quorum, the stockholders so present may, by a majority in voting power thereof, adjourn the meeting from time to time in the manner provided in Section 1.09 of these bylaws until a quorum shall attend.

Section 1.08 Voting. Except as otherwise provided in the certificate of incorporation or by law, every holder of record of shares entitled to vote at a meeting of stockholders is entitled to one vote for each share outstanding in his or her name on the books of the Corporation (x) at the close of business on the record date for such meeting, or (y) if no record date has been fixed, at the close of business on the day next preceding the day on which notice of the meeting is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. Except as otherwise required by law, the certificate of incorporation, these bylaws, the rules and regulations of any stock exchange applicable to the Corporation or pursuant to any other rule or regulation applicable to the Corporation or its stockholders, the vote of a majority of the shares entitled to vote at a meeting of stockholders on the subject matter in question represented in person or by proxy at any meeting at which a quorum is present shall be sufficient for the transaction of any business at such meeting. The stockholders do not have the right to cumulate their votes for the election of Directors.

Section 1.09 Adjournment. Any meeting of stockholders may be adjourned from time to time, by the chairperson of the meeting or by the vote of a majority of the shares of stock present in person or represented by proxy at the meeting, to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the place, if any, and date and time thereof (and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting) are announced at the meeting at which the adjournment is taken unless the adjournment is for more than 30 days or a new record date is fixed for the adjourned meeting after the adjournment, in which case notice of the adjourned meeting in accordance with Section 1.04 of these bylaws shall be given to each stockholder of record entitled to vote at the meeting. At the adjourned meeting, the Corporation may transact any business that might have been transacted at the original meeting.

Section 1.10 Organization; Procedure; Inspection of Elections.

(a) At every meeting of stockholders the presiding officer shall be the Chairman of the Board, or in the event of his or her absence or disability, a presiding officer chosen by resolution of the Board. The Secretary, or in the event of his or her absence or disability, the Assistant Secretary, if any, or if there be no Assistant Secretary, in the absence of the Secretary, an appointee of the presiding officer, shall act as secretary of the meeting. The Board may make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to any such rules and regulations, the presiding officer of any meeting shall have the right and authority to prescribe rules, regulations and procedures for such meeting and to take all such actions as in the judgment of the presiding officer are appropriate for the proper conduct of such meetings. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the presiding officer of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the presiding person of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding officer at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding person should so determine, such presiding person shall so declare to the meeting and any such matter of business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

(b) Preceding any meeting of the stockholders, the Board may, and when required by law shall, appoint one or more persons to act as inspectors of elections, and may designate one or more alternate inspectors. If no inspector or alternate so appointed by the Board is able to act, or if no inspector or alternate has been appointed and the appointment of an inspector is required by law, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. No Director or nominee for the office of Director shall be appointed as an inspector of elections. Each inspector, before entering upon the discharge of the duties of an inspector, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall discharge their duties in accordance with the requirements of applicable law.

Section 1.11 Stockholder Action by Written Consent.

(a) Until the Effective Date (as such term is defined in the certificate of incorporation) and except as otherwise provided in the certificate of incorporation, any action required or permitted to be taken at an annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote of stockholders, if a consent or

consents in writing, setting forth the action so taken, are: (i) signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted (but not less than the minimum number of votes otherwise prescribed by law) and (ii) delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded within 60 days of the earliest dated consent so delivered to the Corporation.

(b) From and after the Effective Date and except as otherwise provided in the certificate of incorporation, any action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken only upon the vote of the stockholders at an annual or special meeting duly called and may not be taken by written consent of the stockholders.

(c) If a stockholder action by written consent is permitted under these bylaws and the certificate of incorporation, and the Board has not fixed a record date for the purpose of determining the stockholders entitled to participate in such consent to be given, then: (i) if the DGCL does not require action by the Board prior to the proposed stockholder action, the record date shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation at any of the locations referred to in Section 1.11(a)(ii) of these bylaws; and (ii) if the DGCL requires action by the Board prior to the proposed stockholder action, the record date shall be at the close of business on the day on which the Board adopts the resolution taking such prior action. Every written consent to action without a meeting shall bear the date of signature of each stockholder who signs the consent, and shall be valid if timely delivered to the Corporation at any of the locations referred to in Section 1.11(a)(ii) of these bylaws.

(d) The Secretary shall give prompt notice of the taking of an action without a meeting by less than unanimous written consent to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of stockholders to take the action were delivered to the Corporation in accordance with the DGCL.

#### Section 1.12 Notice of Stockholder Proposals and Nominations.

##### (a) Annual Meetings.

(i) Nominations of persons for election to the Board and proposals of business to be considered by the stockholders at an annual meeting of stockholders may be made only (x) as specified in the Corporation's notice of meeting (or any notice supplemental thereto), (y) by or at the direction of the Board, or a committee appointed by the Board for such purpose, or (z) subject to the provisions of the Amended and Restated Stockholders Agreement among the Corporation and certain of its stockholders, dated as of November 8, 2010 (as amended from time to time, the "Stockholders Agreement"), by any stockholder of the Corporation who or

which (1) is entitled to vote at the meeting, (2) complies in a timely manner with all notice procedures set forth in this Section 1.12, and (3) is a stockholder of record when the required notice is delivered and at the date of the meeting. A stockholder proposal must constitute a proper matter for corporate action under the DGCL.

(ii) Notice in writing of a stockholder nomination or stockholder proposal must be delivered to the attention of the Secretary at the principal place of business of the Corporation not fewer than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting (which anniversary date, in the case of the first annual meeting of stockholders following the closing of the Corporation's initial underwritten public offering of common stock, shall be deemed to be August 15, 2011) provided that if the date of the annual meeting is advanced by more than 30 days or delayed by more than 70 days from such anniversary date of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than 120 days prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. If the number of Directors to be elected to the Board at an annual meeting is increased, and if the Corporation does not make a public announcement naming all of the nominees for Director or specifying the size of the increased Board at least 100 days prior to the first anniversary of the preceding year's annual meeting, then any stockholder nomination in respect of the increased number of positions shall be considered timely if delivered not later than the close of business on the 10th day following the day on which a public announcement naming all nominees or specifying the size of the increased Board is first made by the Corporation.

(iii) Notice of a stockholder nomination shall include, as to each person whom the stockholder proposes to nominate for election or re-election as a Director, all information relating to such person required to be disclosed in solicitations of proxies for election of Directors or is otherwise required, in each case pursuant to and in accordance with Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations promulgated thereunder, including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected. Notice of a stockholder proposal shall include a brief description of the business desired to be brought before the meeting, the text of the proposal (including the text of any resolutions proposed for consideration and if such business includes proposed amendments to the certificate of incorporation and/or bylaws of the Corporation, the text of the proposed amendments), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made.

(iv) Notice of a stockholder nomination or proposal shall also set forth, as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made:

1. the name and address of such stockholder, as they appear on the Corporation's books and records, and of such beneficial owner;

2. the class or series and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner;

3. a description of any agreement, arrangement or understanding between or among such stockholder and any such beneficial owner, any of their respective affiliates or associates, and any other person or persons (including their names) in connection with the proposal of such nomination or other business;

4. a description of any agreement, arrangement or understanding (including, regardless of the form of settlement, any derivative, long or short positions, profit interests, forwards, futures, swaps, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions and borrowed or loaned shares) that has been entered into by or on behalf of, or any other agreement, arrangement or understanding that has been made, the effect or intent of which is to create or mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or any such beneficial owner or any such nominee with respect to the Corporation's securities (a "Derivative Instrument");

5. to the extent not disclosed pursuant to clause (4) above, the principal amount of any indebtedness of the Corporation or any of its subsidiaries beneficially owned by such stockholder or by any such beneficial owner, together with the title of the instrument under which such indebtedness was issued and a description of any Derivative Instrument entered into by or on behalf of such stockholder or such beneficial owner relating to the value or payment of any indebtedness of the Corporation or any such subsidiary;

6. a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination; and

7. a representation as to whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to elect the nominee or to approve or adopt the proposal or and/or (y) otherwise to solicit proxies from stockholders in support of such nomination or proposal.

If requested by the Corporation, the information required under clauses (iv)(2), (3), (4) and (5) of the preceding sentence of this Section 1.12(a) shall be supplemented by such stockholder and any such beneficial owner not later than 10 days after the record date for notice of the meeting to disclose such information as of such record date. The foregoing notice requirements of this Section 1.12(a) shall be deemed satisfied by a stockholder with respect to business or a nomination if the stockholder has notified the Corporation of his or her intention to present a proposal or make a nomination at an annual meeting in compliance with the applicable rules and regulations promulgated under the Exchange Act and such stockholder's proposal or nomination has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting.

(b) Special Meetings.



(i) Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting pursuant to Section 1.04 of these bylaws. Nominations of persons for election to the Board at a special meeting of stockholders may be made only (x) as specified in the Corporation's notice of meeting (or any supplement thereto), (y) by or at the direction of the Board, or a committee appointed by the Board for such purpose, if the Corporation's notice of meeting indicated that the purposes of meeting included the election of Directors and specified the number of Directors to be elected, or (z) subject to the provisions of these bylaws, by any stockholder of the Corporation. Subject to the provisions of the Stockholders Agreement, a stockholder may nominate persons for election to the board (a "stockholder nomination") at a special meeting only if the stockholder (1) is entitled to vote at the meeting, (2) complies in a timely manner with the notice procedures set forth in paragraph (ii) of this Section 1.12(b), and (3) is a stockholder of record when the required notice is delivered and at the date of the meeting.

(ii) Notice in writing of a stockholder nomination must be delivered to the attention of the Secretary at the principal place of business of the Corporation not more than 120 days prior to the date of the meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to the meeting or the 10<sup>th</sup> day following the last to occur of the public announcement by the Corporation of the date of such meeting and the public announcement by the Corporation of the nominees proposed by the Board to be elected at such meeting, and must comply with the provisions of Sections 1.12(a)(iii) and (iv) of these bylaws. The foregoing notice requirements of this Section 1.12(b) shall be deemed satisfied by a stockholder with respect to a nomination if the stockholder has notified the Corporation of his or her intention to present a nomination at such special meeting in compliance with the applicable rules and regulations promulgated under the Exchange Act and such stockholder's nomination has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such special meeting.

(c) General.

(i) Except as otherwise expressly provided in any applicable rule or regulation promulgated under the Exchange Act, only such persons who are nominated in accordance with the procedures set forth in this Section 1.12 shall be eligible to be elected at an annual or special meeting of stockholders of the Corporation to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.12. Except as otherwise provided by law, the certificate of incorporation or these bylaws, the presiding officer of a meeting of stockholders shall have the power and duty (x) to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 1.12, and (y) if any proposed nomination or business is not in compliance with this Section 1.12, to declare that such defective nomination shall be disregarded or that such proposed business shall not be transacted.

(ii) The Corporation may require any proposed stockholder nominee for Director to furnish such other information as it may reasonably require to determine the eligibility of such

proposed nominee to serve as a Director of the Corporation. If the stockholder (or a qualified representative of the stockholder) making a nomination or proposal under this Section 1.12 does not appear at a meeting of stockholders to present such nomination or proposal, the nomination shall be disregarded and/or the proposed business shall not be transacted, as the case may be, notwithstanding that proxies in favor thereof may have been received by the Corporation. For purposes of this Section 1.12, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(iii) For purposes of this Section 1.12, “public announcement” shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(iv) Notwithstanding the foregoing provisions of this Section 1.12, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 1.12; provided however, that any references in these bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations or proposals as to any other business to be considered pursuant to this Section 1.12 and compliance with paragraphs (a) and (b) of this Section 1.12 shall be the exclusive means for a stockholder to make nominations or submit other business (other than, as provided in the last sentences of paragraphs (a) and (b) hereof, business or nominations brought properly under and in compliance with Rule 14a-8 or Rule 14a-11 of the Exchange Act, as such Rules may be amended from time to time). Nothing in this Section 1.12 shall be deemed to affect any rights of (x) stockholders to request inclusion of proposals in the Corporation’s proxy statement pursuant to Rule 14a-8 under the Exchange Act or (y) the holders of any series of preferred stock to elect Directors pursuant to any applicable provisions of the certificate of incorporation or of the relevant preferred stock certificate or designation.

(v) The announcement of an adjournment or postponement of an annual or special meeting does not commence a new time period (and does not extend any time period) for the giving of notice of a stockholder nomination or a stockholder proposal.

## ARTICLE II

### BOARD OF DIRECTORS

Section 2.01 General Powers. Except as may otherwise be provided by law or by the certificate of incorporation, the affairs and business of the Corporation shall be managed by or under the direction of the Board and the Board may exercise all the powers and authority of the Corporation. The Directors shall act only as a Board, and the individual Directors shall have no power as such.

Section 2.02 Number and Term of Office. The number of Directors, subject to any rights of the holders of shares of any class or series of preferred stock, shall initially be seven, classified (including Directors in office as of the date hereof) with respect to the time for which they severally hold office into three classes, as nearly equal in number as possible, which number may be modified (but not reduced to less than three) from time to time exclusively by resolution of the Board, subject to the terms of the Stockholders Agreement and any rights of the holders of shares of any class or series of preferred stock, if in effect. One class's initial term will expire at the first annual meeting of the stockholders following the date hereof, another class's initial term will expire at the second annual meeting of the stockholders following the date hereof and another class's initial term will expire at the third annual meeting of stockholders following the date hereof, with Directors of each class to hold office until their successors are duly elected and qualified, provided that the term of each Director shall continue until the election and qualification of a successor and be subject to such Director's earlier death, resignation or removal. At each annual meeting of stockholders of the Corporation beginning with the first annual meeting of stockholders following the date hereof, subject to any rights of the holders of shares of any class or series of preferred stock, the successors of the Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. In the case of any increase or decrease, from time to time, in the number of Directors of the Corporation, the number of Directors in each class shall be apportioned as nearly equal as possible. No decrease in the number of Directors shall shorten the term of any incumbent Director.

At each meeting of the stockholders for the election of Directors, provided a quorum is present, the Directors shall be elected by the vote of the majority of the votes cast with respect to that Director's election; provided, however, that the Directors shall be elected by the vote of a plurality of votes cast in connection with the election of Directors at any meeting of stockholders with respect to which (i) a stockholder has nominated a person for election to the Board in compliance with the requirements for stockholder nominees for director set forth in Section 1.12 of these bylaws, and (ii) such nomination has not been withdrawn by such stockholder prior to the 10<sup>th</sup> day preceding the date the Corporation first mails its notice of meeting for such meeting to the stockholders (a "Contested Election"). For purposes of this Section, "a majority of the votes cast" means that the number of shares voted "for" a nominee's election exceeds the number of shares voted "against" such nominee's election (with "abstentions" and "broker nonvotes" not counted as a vote cast either "for" or "against" that Director's election).

Any nominee who is an incumbent Director and does not receive a majority of the votes cast in an election that is not a Contested Election must promptly tender his or her resignation contingent on the acceptance of that resignation by the Board to the Chairman of the Board following certification of the election results. In the event that such a resignation is tendered, the Nominating and Corporate Governance Committee, or another duly authorized committee designated by the Board, shall recommend to the Board whether to accept or reject the tendered resignation or whether other action should be taken. The Board shall act on the resignation, considering the Nominating and Corporate Governance Committee's recommendation no later than at its first regularly scheduled meeting following certification of the election results and shall publicly disclose the Board's decision (including, if applicable, the reasons for rejecting the

tendered resignation) in a periodic or current report filed with the Securities and Exchange Commission.

If one or more Directors' resignations are accepted by the Board, or if a nominee for director who is not an incumbent director is not elected, the Board may fill the resulting vacancy or vacancies pursuant to Section 2.13 of these Bylaws or reduce the size of the Board pursuant to Section 2.02 of these Bylaws.

Any Director who tenders his or her resignation pursuant to this provision will not participate in the Nominating and Corporate Governance Committee's recommendation or Board's decision regarding the tendered resignation. If a majority of the members of the Nominating and Corporate Governance Committee failed to receive a majority vote at the same election, then the Board will appoint a Board committee solely for the purpose of considering the tendered resignations, consisting of one or more of the Directors who were not required to tender a resignation pursuant to this provision, and will recommend to the Board whether to accept or reject them.

Section 2.03 Regular Meetings. Regular meetings of the Board shall be held on such dates, and at such times and places as are determined from time to time by resolution of the Board.

Section 2.04 Special Meetings. Special meetings of the Board shall be held whenever called by the President or, in the event of his or her absence or disability, by any Vice President, or by a majority of the Directors then in office, at such place, date and time as may be specified in the respective notices or waivers of notice of such meetings. Any business may be conducted at a special meeting.

Section 2.05 Notice of Meetings; Waiver of Notice.

(a) Notices of special meetings shall be given to each Director, and notice of each resolution or other action affecting the date, time or place of one or more regular meetings shall be given to each Director not present at the meeting adopting such resolution or other action, subject to Section 2.08 of these bylaws. Notices shall be given personally, or by telephone confirmed by facsimile or email dispatched promptly thereafter, or by facsimile or email confirmed by a writing delivered by a recognized overnight courier service, directed to each Director at the address from time to time designated by such Director to the Secretary. Each such notice and confirmation must be given (received in the case of personal service or delivery of written confirmation) at least 24 hours prior to the time of a meeting.

(b) A written waiver of notice of meeting signed by a Director or a waiver by electronic transmission by a Director, whether given before or after the meeting time stated in such notice, is deemed equivalent to notice. Attendance of a Director at a meeting is a waiver of notice of such meeting, except when the Director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business at the meeting on the ground that the meeting is not lawfully called or convened.

Section 2.06 Quorum; Voting. At all meetings of the Board, the presence of a majority of the total authorized number of Directors shall constitute a quorum for the transaction of business. Except as otherwise provided by law, the certificate of incorporation or these bylaws, the vote of a majority of the Directors present at any meeting at which a quorum is present shall be the act of the Board.

Section 2.07 Action by Telephonic Communications. Members of the Board may participate in a meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

Section 2.08 Adjournment. A majority of the Directors present may adjourn any meeting of the Board to another date, time or place, whether or not a quorum is present. No notice need be given of any adjourned meeting unless (a) the date, time and place of the adjourned meeting are not announced at the time of adjournment, in which case notice conforming to the requirements of Section 2.05 of these bylaws shall be given to each Director, or (b) the meeting is adjourned for more than 24 hours, in which case the notice referred to in clause (a) shall be given to those Directors not present at the announcement of the date, time and place of the adjourned meeting.

Section 2.09 Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting if all members of the Board consent thereto in writing or by electronic transmission, and such writing or writings or electronic transmissions are filed with the minutes of proceedings of the Board. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 2.10 Regulations. To the extent consistent with applicable law, the certificate of incorporation and these bylaws, the Board may adopt such rules and regulations for the conduct of meetings of the Board and for the management of the affairs and business of the Corporation as the Board may deem appropriate. The Board may elect from among its members a chairperson and one or more vice-chairpersons to preside over meetings and to perform such other duties as may be designated by the Board.

Section 2.11 Resignations of Directors. Any Director may resign at any time by submitting an electronic transmission or by delivering a written notice of resignation, signed by such Director, to the President or the Secretary. Such resignation shall take effect upon delivery unless the resignation specifies a later effective date or an effective date determined upon the happening of a specified event.

Section 2.12 Removal of Directors.

(a) Until the Effective Date, any Director may be removed at any time, either for or without cause, upon the affirmative vote of the holders of a majority of the outstanding shares of stock of the Corporation entitled to vote generally for the election of Directors, acting at a

meeting of the stockholders or by written consent (if permitted) in accordance with the DGCL, the certificate of incorporation and these bylaws.

(b) From and after the Effective Date and subject to the rights of the holders of shares of any class or series of preferred stock, if any, to elect additional Directors pursuant to the certificate of incorporation (including any certificate of designation thereunder), any Director may be removed only for cause, upon the affirmative vote of the holders of at least a majority of the outstanding shares of stock of the Corporation entitled to vote generally for the election of Directors, acting at a meeting of the stockholders or by written consent (if permitted) in accordance with the DGCL, the certificate of incorporation and these bylaws.

Section 2.13 Vacancies and Newly Created Directorships. Subject to the rights of the holders of shares of any class or series of preferred stock, if any, to elect additional Directors pursuant to the certificate of incorporation (including any certificate of designation thereunder) and the Stockholders Agreement (if in effect), any vacancy in the Board that results from the death, disability, resignation, disqualification or removal of any Director or from any other cause shall be filled solely by the affirmative vote of a majority of the total number of Directors then in office, even if less than a quorum, or by a sole remaining Director. Any Director filling a vacancy shall be of the same class as that of the Director whose death, resignation, disqualification, removal or other event caused the vacancy, and any Director filling a newly created directorship shall be of the class specified by the Board at the time the newly created directorships were created. A Director elected to fill a vacancy or newly created Directorship shall hold office until his or her successor has been elected and qualified or until his or her earlier death, resignation or removal.

Section 2.14 Director Fees and Expenses. The amount, if any, which each Director shall be entitled to receive as compensation for his or her services shall be fixed from time to time by the Board. The Corporation will cause each non-employee Director serving on the Board to be reimbursed for all reasonable out-of-pocket costs and expenses incurred by him or her in connection with such service.

Section 2.15 Reliance on Accounts and Reports, etc. A Director, as such or as a member of any committee designated by the Board, shall in the performance of his or her duties be fully protected in relying in good faith upon the records of the Corporation and upon information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or committees designated by the Board, or by any other person as to the matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

### ARTICLE III

#### COMMITTEES

Section 3.01 Designation of Committees. The Board shall designate such committees as may be required by applicable laws, regulations or stock exchange rules, and may designate

such additional committees as it deems necessary or appropriate. Each committee shall consist of such number of Directors, with such qualifications, as may be required by applicable laws, regulations or stock exchange rules, or as from time to time may be fixed by the Board and shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation to the extent delegated to such committee by resolution of the Board, which delegation shall include all such powers and authority as may be required by applicable laws, regulations or stock exchange rules. No committee shall have any power or authority as to (a) approving or adopting, or recommending to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval, (b) adopting, amending or repealing any of these bylaws or (c) as may otherwise be excluded by law or by the certificate of incorporation, and no committee may delegate any of its power or authority to a subcommittee unless so authorized by the Board.

Section 3.02 Members and Alternate Members. The members of each committee and any alternate members shall be selected by the Board. The Board may provide that the members and alternate members serve at the pleasure of the Board. An alternate member may replace any absent or disqualified member at any meeting of the committee. An alternate member shall be given all notices of committee meetings, may attend any meeting of the committee, but may count towards a quorum and vote only if a member for whom such person is an alternate is absent or disqualified. Each member (and each alternate member) of any committee shall hold office only until the time he or she shall cease for any reason to be a Director, or until his or her earlier death, resignation or removal.

Section 3.03 Committee Procedures. A quorum for each committee shall be a majority of its members, unless the committee has only one or two members, in which case a quorum shall be one member, or unless a greater quorum is established by the Board. The vote of a majority of the committee members present at a meeting at which a quorum is present shall be the act of the committee. Each committee shall keep regular minutes of its meetings and report to the Board when required. The Board shall adopt a charter for each committee for which a charter is required by applicable laws, regulations or stock exchange rules, may adopt a charter for any other committee, and may adopt other rules and regulations for the government of any committee not inconsistent with the provisions of these bylaws or any such charter, and each committee may adopt its own rules and regulations of government, to the extent not inconsistent with these bylaws or any charter or other rules and regulations adopted by the Board.

Section 3.04 Meetings and Actions of Committees. Except to the extent that the same may be inconsistent with the terms of any committee charter required by applicable laws, regulations or stock exchange rules, meetings and actions of each committee shall be governed by, and held and taken in accordance with, the provisions of the following sections of these bylaws, with such bylaws being deemed to refer to the committee and its members in lieu of the Board and its members:

- (a) Section 2.03 (to the extent relating to place and time of regular meetings);
- (b) Section 2.04 (relating to special meetings);

- (c) Section 2.05 (relating to notice and waiver of notice);
- (d) Sections 2.07 and 2.9 (relating to telephonic communication and action without a meeting); and
- (e) Section 2.08 (relating to adjournment and notice of adjournment).

Special meetings of committees may also be called by resolution of the Board.

Section 3.05 Resignations and Removals. Any member (and any alternate member) of any committee may resign from such position at any time by submitting an electronic transmission or by delivering a written notice of resignation, signed by such member, to the President or the Secretary. Such resignation shall take effect upon delivery unless the resignation specifies a later effective date or an effective date determined upon the happening of a specified event. Any member (and any alternate member) of any committee may be removed from such position by the Board at any time, either for or without cause.

Section 3.06 Vacancies. If a vacancy occurs in any committee for any reason, the remaining members (and any alternate members) may continue to act if a quorum is present. A committee vacancy may be filled only by the Board.

## ARTICLE IV

### OFFICERS

Section 4.01 Officers. The Board shall elect a President and a Secretary as officers of the Corporation. The Board may also elect a Treasurer, one or more Vice Presidents (any one or more of whom may be designated an Executive Vice President or Senior Vice President), Assistant Secretaries and Assistant Treasurers, and such other officers and agents as the Board may determine. In addition, the Board from time to time may delegate to any officer the power to appoint subordinate officers or agents and to prescribe their respective rights, terms of office, authorities and duties. Any action by an appointing officer may be superseded by action by the Board. Any number of offices may be held by the same person, except that one person may not hold both the office of President and the office of Secretary. No officer need be a Director of the Corporation. For the avoidance of doubt, the term Vice President shall refer to an officer elected by the Board as Vice President and shall not include any employees of the Corporation whose employment title is "Vice President" unless such individual has been elected as a Vice President of the Corporation in accordance with these bylaws.

Section 4.02 Election. Unless otherwise determined by the Board, the officers of the Corporation need not be elected for a specified term but shall serve at the pleasure of the Board or for such terms as may be agreed in the individual case by each officer and the Board. Officers and agents appointed pursuant to delegated authority as provided in Section 4.01 (or, in the case of agents, as provided in Section 4.06) shall hold their offices for such terms as may be determined from time to time by the appointing officer. Each officer shall hold office until his or her successor has been elected or appointed and qualified, or until his or her earlier death,



resignation or removal. A failure to elect officers shall not dissolve or otherwise affect the Corporation.

Section 4.03 Compensation. The salaries and other compensation of all officers and agents of the Corporation shall be fixed by the Board or in the manner established by the Board.

Section 4.04 Removal and Resignation; Vacancies. Any officer may be removed for or without cause at any time by the Board. Any officer granted the power to appoint subordinate officers and agents as provided in Section 4.01 may remove any subordinate officer or agent appointed by such officer, at any time, for or without cause. Any officer or agent may resign at any time by delivering notice of resignation, either in writing signed by such officer or by electronic transmission, to the Board or the President. Unless otherwise specified therein, such resignation shall take effect upon delivery. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise, may be filled by the Board or by the officer, if any, who appointed the person formerly holding such office.

Section 4.05 Authority and Duties of Officers. An officer of the Corporation shall have such authority and shall exercise such powers and perform such duties (a) as may be required by law, (b) to the extent not inconsistent with law, as are specified in these bylaws, (c) to the extent not inconsistent with law or these bylaws, as may be specified by resolution of the Board, and (d) to the extent not inconsistent with any of the foregoing, as may be specified by the appointing officer with respect to a subordinate officer appointed pursuant to delegated authority under Section 4.01.

Section 4.06 President. The President shall preside at all meetings of the stockholders and Directors at which he or she is present, shall be the chief executive officer of the Corporation, shall have general control and supervision of the policies and operations of the Corporation and shall see that all orders and resolutions of the Board are carried into effect. He or she shall manage and administer the Corporation's business and affairs and shall also perform all duties and exercise all powers usually pertaining to the office of a chief executive officer of a corporation, including, without limitation under the DGCL. He or she shall have the authority to sign, in the name and on behalf of the Corporation, checks, orders, contracts, leases, notes, drafts and all other documents and instruments in connection with the business of the Corporation. Except as otherwise determined by the Board, he or she shall have the authority to cause the employment or appointment of such employees (other than the President) or agents of the Corporation as the conduct of the business of the Corporation may require, to fix their compensation, and to remove or suspend such employee or any agent employed or appointed by any officer or to suspend any agent appointed by the Board. The President shall have the duties and powers of the Treasurer if no Treasurer is elected and shall have such other duties and powers as the Board may from time to time prescribe.

Section 4.07 Vice Presidents. Unless otherwise determined by the Board, if one or more Vice Presidents have been elected, each Vice President shall perform such duties and exercise such powers as may be assigned to him or her from time to time by the Board or the President. In the event of absence or disability of the President, the duties of the President shall be performed, and his or her powers may be exercised, by such Vice President as shall be

designated by the Board or, failing such designation, by the Vice President in order of seniority of election to that office.

Section 4.08 Secretary. Unless otherwise determined by the Board, the Secretary shall have the following powers and duties:

(a) The Secretary shall keep or cause to be kept a record of all the proceedings of the meetings of the stockholders, the Board and any committees thereof in books provided for that purpose.

(b) The Secretary shall cause all notices to be duly given in accordance with the provisions of these bylaws and as required by law.

(c) Whenever any committee shall be appointed pursuant to a resolution of the Board, the Secretary shall furnish a copy of such resolution to the members of such committee.

(d) The Secretary shall be the custodian of the records and of the seal of the Corporation and cause such seal (or a facsimile thereof) to be affixed to all certificates representing shares of the Corporation prior to the issuance thereof and to all documents and instruments that the Board or any officer of the Corporation has determined should be executed under seal, may sign (together with any other authorized officer) any such document or instrument, and when the seal is so affixed he or she may attest the same.

(e) The Secretary shall properly maintain and file all books, reports, statements, certificates and all other documents and records required by law, the certificate of incorporation or these bylaws.

(f) The Secretary shall have charge of the stock books and ledgers of the Corporation and shall cause the stock and transfer books to be kept in such manner as to show at any time the number of shares of stock of the Corporation of each class issued and outstanding, the names (alphabetically arranged) and the addresses of the holders of record of such shares, the number of shares held by each holder and the date as of which each such holder became a holder of record.

(g) The Secretary shall sign (unless the Treasurer, an Assistant Treasurer or an Assistant Secretary shall have signed) certificates representing shares of the Corporation the issuance of which shall have been authorized by the Board.

(h) The Secretary shall perform, in general, all duties incident to the office of secretary and such other duties as may be specified in these bylaws or as may be assigned to the Secretary from time to time by the Board or the President.

Section 4.09 Treasurer. Unless otherwise determined by the Board, the Treasurer, if there be one, shall be the chief financial officer of the Corporation and shall have the following powers and duties:

(a) The Treasurer shall have charge and supervision over and be responsible for the moneys, securities, receipts and disbursements of the Corporation, and shall keep or cause to be kept full and accurate records thereof.

(b) The Treasurer shall cause the moneys and other valuable effects of the Corporation to be deposited in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositaries as shall be determined by the Board or the President, or by such other officers of the Corporation as may be authorized by the Board or the President to make such determinations.

(c) The Treasurer shall cause the moneys of the Corporation to be disbursed by checks or drafts (signed by such officer or officers or such agent or agents of the Corporation, and in such manner, as the Board or the President may determine from time to time) upon the authorized depositaries of the Corporation and cause to be taken and preserved proper vouchers for all moneys disbursed.

(d) The Treasurer shall render to the Board or the President, whenever requested, a statement of the financial condition of the Corporation and of the transactions of the Corporation, and render a full financial report at the annual meeting of the stockholders, if called upon to do so.

(e) The Treasurer shall be empowered from time to time to require from all officers or agents of the Corporation reports or statements giving such information as he or she may desire with respect to any and all financial transactions of the Corporation.

(f) The Treasurer may sign (unless an Assistant Treasurer or the Secretary or an Assistant Secretary shall have signed) certificates representing shares of stock of the Corporation the issuance of which shall have been authorized by the Board.

(g) The Treasurer shall perform, in general, all duties incident to the office of treasurer and such other duties as may be specified in these bylaws or as may be assigned to the Treasurer from time to time by the Board or the President.

Section 4.10 Security. The Board may require any officer, agent or employee of the Corporation to provide security for the faithful performance of his or her duties, in such amount and of such character as may be determined from time to time by the Board.

## ARTICLE V

### CAPITAL STOCK

Section 5.01 Certificates of Stock; Uncertificated Shares. The shares of the Corporation shall be represented by certificates, except to the extent that the Board has provided by resolution that some or all of any or all classes or series of the stock of the Corporation shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Every holder of stock in the Corporation represented by certificates shall be entitled to have, and the Board may in its sole discretion

permit a holder of uncertificated shares to receive upon request, a certificate signed by the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, representing the number of shares registered in certificate form. Such certificate shall be in such form as the Board may determine, to the extent consistent with applicable law, the certificate of incorporation and these bylaws.

Section 5.02 Facsimile Signatures. Any or all signatures on the certificates referred to in Section 5.01 of these bylaws may be in facsimile form, to the extent permitted by law. If any officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon, a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 5.03 Lost, Stolen or Destroyed Certificates. A new certificate may be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed only upon delivery to the Corporation of an affidavit of the owner or owners (or their legal representatives) of such certificate, setting forth such allegation, and a bond or other undertaking as may be satisfactory to a financial officer of the Corporation designated by the Board to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate.

Section 5.04 Transfer of Stock.

(a) Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares, duly endorsed or accompanied by appropriate evidence of succession, assignment or authority to transfer, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Within a reasonable time after the transfer of uncertificated stock, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to Sections 151, 156, 202(a) or 218(a) of the DGCL. Subject to the provisions of the certificate of incorporation and these bylaws, the Board may prescribe such additional rules and regulations as it may deem appropriate relating to the issue, transfer and registration of shares of the Corporation.

(b) The Corporation may enter into additional agreements with shareholders to restrict the transfer of stock of the Corporation in any manner not prohibited by the DGCL.

Section 5.05 Registered Stockholders. Prior to due surrender of a certificate for registration of transfer, the Corporation may treat the registered owner as the person exclusively entitled to receive dividends and other distributions, to vote, to receive notice and otherwise to exercise all the rights and powers of the owner of the shares represented by such certificate, and the Corporation shall not be bound to recognize any equitable or legal claim to or interest in such shares on the part of any other person, whether or not the Corporation shall have notice of such claim or interests. If a transfer of shares is made for collateral security, and not absolutely, this fact shall be so expressed in the entry of the transfer if, when the certificates are presented to the

Corporation for transfer or uncertificated shares are requested to be transferred, both the transferor and transferee request the Corporation to do so.

Section 5.06 Transfer Agent and Registrar. The Board may appoint one or more transfer agents and one or more registrars, and may require all certificates representing shares to bear the signature of any such transfer agents or registrars.

## ARTICLE VI

### INDEMNIFICATION

#### Section 6.01 Indemnification.

(a) In General. The Corporation shall indemnify, to the full extent permitted by the DGCL and other applicable law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (each, a “proceeding”) by reason of the fact that (x) such person is or was serving or has agreed to serve as a Director or officer of the Corporation, or (y) such person, while serving as a Director or officer of the Corporation, is or was serving or has agreed to serve at the request of the Corporation as a Director, officer, employee, manager or agent of another corporation, partnership, joint venture, trust or other enterprise or (z) such person is or was serving or has agreed to serve at the request of the Corporation as a Director, officer or manager of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted by such person in such capacity, and who satisfies the applicable standard of conduct set forth in the DGCL or other applicable law:

1. in a proceeding other than a proceeding by or in the right of the Corporation, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person or on such person’s behalf in connection with such proceeding and any appeal therefrom, or
2. in a proceeding by or in the right of the Corporation to procure a judgment in its favor, against expenses (including attorneys’ fees) actually and reasonably incurred by such person or on such person’s behalf in connection with the defense or settlement of such proceeding and any appeal therefrom.

(b) Indemnification in Respect of Successful Defense. To the extent that a present or former Director or officer of the Corporation has been successful on the merits or otherwise in defense of any proceeding referred to in Section 6.01(a) or in defense of any claim, issue or matter therein, such person shall be indemnified by the Corporation against expenses (including attorneys’ fees) actually and reasonably incurred by such person in connection therewith.

(c) Indemnification in Respect of Proceedings Instituted by Indemnitee. Section 6.01(a) does not require the Corporation to indemnify a present or former Director or officer of the Corporation in respect of a proceeding (or part thereof) instituted by such person on his or

her own behalf, unless such proceeding (or part thereof) has been authorized by the Board or the indemnification requested is pursuant to the last sentence of Section 6.03 of these bylaws.

Section 6.02 Advance of Expenses. The Corporation shall advance all expenses (including reasonable attorneys' fees) incurred by a present or former Director or officer in defending any proceeding prior to the final disposition of such proceeding upon written request of such person and delivery of an undertaking by such person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation. The Corporation may authorize any counsel for the Corporation to represent (subject to applicable conflict of interest considerations) such present or former Director or officer in any proceeding, whether or not the Corporation is a party to such proceeding

Section 6.03 Procedure for Indemnification. Any indemnification under Section 6.01 of these bylaws or any advance of expenses under Section 6.02 of these bylaws shall be made only against a written request therefor (together with supporting documentation) submitted by or on behalf of the person seeking indemnification or advance. Indemnification may be sought by a person under Section 6.01 of these bylaws in respect of a proceeding only to the extent that both the liabilities for which indemnification is sought and all portions of the proceeding relevant to the determination of whether the person has satisfied any appropriate standard of conduct have become final. A person seeking indemnification or advance of expenses may seek to enforce such person's rights to indemnification or advance of expenses (as the case may be) in the Delaware Court of Chancery to the extent all or any portion of a requested indemnification has not been granted within 90 days of, or to the extent all or any portion of a requested advance of expenses has not been granted within 20 days of, the submission of such request. All expenses (including reasonable attorneys' fees) incurred by such person in connection with successfully establishing such person's right to indemnification or advancement of expenses under this Article, in whole or in part, shall also be indemnified by the Corporation.

Section 6.04 Burden of Proof.

(a) In any proceeding brought to enforce the right of a person to receive indemnification to which such person is entitled under Section 6.01 of these bylaws, the Corporation has the burden of demonstrating that the standard of conduct applicable under the DGCL or other applicable law was not met. A prior determination by the Corporation (including its Board or any committee thereof, its independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct does not itself constitute evidence that the claimant has not met the applicable standard of conduct.

(b) In any proceeding brought to enforce a claim for advances to which a person is entitled under Section 6.02 of these bylaws, the person seeking an advance need only show that he or she has satisfied the requirements expressly set forth in Section 6.02 of these bylaws.

Section 6.05 Contract Right; Non-Exclusivity; Survival.

(a) The rights to indemnification and advancement of expenses provided by this Article VI shall be deemed to be separate contract rights between the Corporation and each

Director and officer who serves in any such capacity at any time while these provisions as well as the relevant provisions of the DGCL are in effect, and no repeal or modification of any of these provisions or any relevant provisions of the DGCL shall adversely affect any right or obligation of such Director or officer existing at the time of such repeal or modification with respect to any state of facts then or previously existing or any proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such “contract rights” may not be modified retroactively as to any present or former Director or officer without the consent of such Director or officer.

(b) The rights to indemnification and advancement of expenses provided by this Article VI shall not be deemed exclusive of any other indemnification or advancement of expenses to which a present or former Director or officer of the Corporation seeking indemnification or advancement of expenses may be entitled by any agreement, vote of stockholders or disinterested Directors, or otherwise.

(c) The rights to indemnification and advancement of expenses provided by this Article VI to any present or former Director or officer of the Corporation shall inure to the benefit of the heirs, executors and administrators of such person.

Section 6.06 Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was or has agreed to become a Director or officer of the Corporation, or is or was serving at the request of the Corporation as a Director or officer of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person or on such person’s behalf in any such capacity, or arising out of such person’s status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article.

Section 6.07 Employees and Agents. The Board, or any officer authorized by the Board to make indemnification decisions, may cause the Corporation to indemnify any present or former employee or agent of the Corporation in such manner and for such liabilities as the Board may determine, up to the fullest extent permitted by the DGCL and other applicable law.

Section 6.08 Interpretation; Severability. Terms defined in Sections 145(h) or (i) of the DGCL have the meanings set forth in such sections when used in this Article VI. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Director or officer of the Corporation as to costs, charges and expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Corporation, to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

## ARTICLE VII

### OFFICES

Section 7.01 Registered Office. The registered office of the Corporation in the State of Delaware shall be located at the location provided in the Corporation's certificate of incorporation.

Section 7.02 Other Offices. The Corporation may maintain offices or places of business at such other locations within or without the State of Delaware as the Board may from time to time determine or as the business of the Corporation may require.

## ARTICLE VIII

### GENERAL PROVISIONS

Section 8.01 Dividends.

(a) Subject to any applicable provisions of law and the certificate of incorporation, dividends upon the shares of the Corporation may be declared by the Board at any regular or special meeting of the Board, or by written consent in accordance with the DGCL and these bylaws, and any such dividend may be paid in cash, property, or shares of the Corporation's stock.

(b) A member of the Board, or a member of any committee designated by the Board shall be fully protected in relying in good faith upon the records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board, or by any other person as to matters the Director reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation, as to the value and amount of the assets, liabilities and/or net profits of the Corporation, or any other facts pertinent to the existence and amount of surplus or other funds from which dividends might properly be declared and paid.

Section 8.02 Reserves. There may be set apart out of any funds of the Corporation available for dividends such sum or sums as the Board from time to time may determine proper as a reserve or reserves for meeting contingencies, equalizing dividends, repairing or maintaining any property of the Corporation or for such other purpose or purposes as the Board may determine conducive to the interest of the Corporation, and the Board may similarly modify or abolish any such reserve.

Section 8.03 Execution of Instruments. Except as otherwise required by law or the certificate of incorporation, the Board or any officer of the Corporation authorized by the Board may authorize any other officer or agent of the Corporation to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. Any such authorization must be in writing or by electronic transmission and may be general or limited to specific contracts or instruments.



Section 8.04 Voting as Stockholder. Unless otherwise determined by resolution of the Board, the President or any Vice President shall have full power and authority on behalf of the Corporation to attend any meeting of stockholders of any corporation in which the Corporation may hold stock, and to act, vote (or execute proxies to vote) and exercise in person or by proxy all other rights, powers and privileges incident to the ownership of such stock at any such meeting, or through action without a meeting. The Board may by resolution from time to time confer such power and authority (in general or confined to specific instances) upon any other person or persons.

Section 8.05 Fiscal Year. The fiscal year of the Corporation shall commence on the first day of April of each year (except for the Corporation's first fiscal year which shall commence on the date of incorporation) and shall terminate in each case on March 31.

Section 8.06 Seal. The seal of the Corporation shall be circular in form and shall contain the name of the Corporation, the year of its incorporation and the words "Corporate Seal" and "Delaware". The form of such seal shall be subject to alteration by the Board. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or reproduced, or may be used in any other lawful manner.

Section 8.07 Books and Records; Inspection. Except to the extent otherwise required by law, the books and records of the Corporation shall be kept at such place or places within or without the State of Delaware as may be determined from time to time by the Board.

Section 8.08 Electronic Transmission. "Electronic transmission", as used in these bylaws, means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

## ARTICLE IX

### AMENDMENT OF BYLAWS

Section 9.01 Amendment. Subject to the provisions of the certificate of incorporation, these bylaws may be amended, altered or repealed (a) by resolution adopted by a majority of the Board at any special or regular meeting of the Board if, in the case of such special meeting only, notice of such amendment, alteration or repeal is contained in the notice or waiver of notice of such meeting or (b) at any regular or special meeting of the stockholders upon the affirmative vote of at least two-thirds of the shares of the Corporation entitled to vote generally in the election of Directors if, in the case of such special meeting only, notice of such amendment, alteration or repeal is contained in the notice or waiver of notice of such meeting.

Notwithstanding the foregoing, (x) no amendment to the Stockholders Agreement (whether or not such amendment modifies any provision of the Stockholders Agreement to which these

bylaws are subject) shall be deemed an amendment of these bylaws for purposes of this Section 9.01 and (y) no amendment, alteration or repeal of Article VI shall adversely affect any right or protection existing under bylaws immediately prior to such amendment, alteration or repeal, including any right or protection of a Director thereunder in respect of any act or omission occurring prior to the time of such amendment.

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

I, Horacio Rozanski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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; and
  - (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 (the registrant's fourth fiscal quarter in the case of an annual report) 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; and
  - (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: February 5, 2018

By: /s/ Horacio Rozanski

Horacio Rozanski  
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, Lloyd W. Howell, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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; and
  - (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 (the registrant's fourth fiscal quarter in the case of an annual report) 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; and
  - (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: February 5, 2018

By: /s/ Lloyd W. Howell, Jr.

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Lloyd W. Howell, Jr.  
Executive Vice President, Chief Financial Officer and Treasurer  
(Principal Financial 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-Q of Booz Allen Hamilton Holding Corporation (the "Company") for the fiscal quarter ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned 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: February 5, 2018

By: /s/ Horacio Rozanski

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Horacio Rozanski  
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-Q of Booz Allen Hamilton Holding Corporation (the "Company") for the fiscal quarter ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Executive Vice President, Chief Financial Officer and Treasurer 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: February 5, 2018

By: /s/ Lloyd W. Howell, Jr.

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Lloyd W. Howell, Jr.  
Executive Vice President, Chief Financial Officer and Treasurer (Principal  
Financial 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.